

NATIONAL ASSEMBLY

OFFICIAL REPORT

Wednesday, 29th November, 2000

The House met at 2.30 p.m.

[Mr. Deputy Speaker in the Chair]

PRAYERS

PAPERS LAID

The following Papers were laid on the Table:-

The Annual Report and Accounts of the University of Nairobi for the year ended 30th June, 1998 and the certificate thereon by the Auditor-General (Corporations).

The Annual Report and Accounts of the Higher Education Loans Board for the year ended 30th June, 1998 and the certificate thereon by the Auditor-General (Corporations).

The Annual Report and Accounts of Jomo Kenyatta University of Agriculture and Technology for the year ended 30th June, 1999 and the certificate thereon by the Auditor-General (Corporations).

The Annual Report and Accounts of Jomo Kenyatta Foundation for the year ended 30th June, 1999 and the certificate thereon by the Auditor-General (Corporations).

The Annual Report and Accounts of Kenya National Examinations Council for the year ended 30th June, 2000 and the certificate thereon by the Auditor-General (Corporations).

(By the Assistant Minister for Agriculture and Rural Development (Mr. Sumbeiywo) on behalf of the Minister for Education)

The Annual Report and Accounts of Kenya Airports Authority for the year ended 30th June, 1996 and the certificate thereon by the Auditor-General (Corporations).

(By the Assistant Minister for Agriculture and Rural Development (Mr. Sumbeiywo) on behalf of the Minister for Information, Transport and Communication)

The Annual Report and Accounts of Kenya Accountants and Secretaries National Examination Board for the year ended 30th June, 1999, and the certificate thereon by the Auditor-General (Corporations).

(By the Assistant Minister for Agriculture and Rural Development (Mr. Sumbeiywo) on behalf of the Minister for Finance)

NOTICE OF MOTION

LEAVE TO INTRODUCE OIL INDUSTRY REGULATORY BOARD BILL

Mr. Ojode: Mr. Deputy Speaker, Sir, I beg to give notice of the following Motion:-

THAT, this House do grant leave to introduce a Bill entitled the Oil Industry Regulatory Board Bill to regulate the prices of oil products and to ensure price stability and fairplay in the industry.

ORAL ANSWERS TO QUESTIONS

Question No.264

DEATH OF MR. MPHOSWA

Mr. Maitha asked the Minister of State, Office of the President:-

(a) what caused the death of Mr. Mwanganyumbani Mphoswa, who was a police constable attached to Changamwe Police Station; and,

(b) when he will pay the bereaved family the terminal dues of the said police officer.

The Minister of State, Office of the President (Maj. Madoka): Mr. Deputy Speaker, Sir, I beg to reply.

(a) The late PC Mwanganyumbani Mphoswa was shot dead by gangsters on 25th November, 1996, in Mombasa.

(b) The bereaved family will be paid their terminal benefits once they make available the deceased's original death certificate, a copy of the national identity card and a marriage certificate, or the chief's letter confirming the deceased's marital status.

Mr. Maitha: Mr. Deputy Speaker, Sir, may I thank the Minister for this reply. However, I would like to inform him that I took the family with all the documents he has mentioned here to the provincial police boss at the Coast Province. He referred us to the Police Commissioner, but it seems as if the Police Department does not want to release these benefits to the deceased's family, who are now very poor; they cannot educate their children. Could the Minister order that these benefits be forwarded to the provincial headquarters, then I will take the family there so that they can be paid immediately? They have suffered for five years, now.

Maj. Madoka: Mr. Deputy Speaker, Sir, if indeed it is true that he did submit these documents, I will certainly pursue it and ensure that this money goes to the deceased's family.

Mr. Twaha: Mr. Deputy Speaker, Sir, I would like to know from the Minister why it takes five years for a police officer's family to be compensated. Police officers should be treated like national heroes.

Maj. Madoka: Mr. Deputy Speaker, Sir, sometimes we have a lot of problems when we come to the question of beneficiaries, because we need proper evidence to know who the true beneficiaries are. Since most of these people do not write a will, sometimes it takes a bit of time.

Mr. Muchiri: Mr. Deputy Speaker, Sir, if a police officer is married, the wife is usually known by the sergeant in charge of the police lines or the officer in charge of the police station (OCS). Why should the police officers' wives go to chiefs, who do not know them, to collect identification letters, so that they can be paid their husbands' dues?

Maj. Madoka: Mr. Deputy Speaker, Sir, the hon. Member, having been a police officer, knows what happens. Most of these officers sometimes "take" wives in every station they move to. So, it become a bit difficult to establish who the legitimate wife is.

Mr. Deputy Speaker: Maj. Madoka, a wife is a wife!

Mr. Wamae: Mr. Deputy Speaker, Sir, to avoid these problems recurring in future, could the Minister ensure that the names of the dependants of the police officers are included in their files so as to avoid the recurrence of this problem?

Maj. Madoka: Mr. Deputy Speaker, Sir, I have taken note of that, but we have had many cases where people show who the next of kin is but later, we get other information from the home area.

Mr. Maitha: Mr. Deputy Speaker, Sir, the Police Force has got an order, where any police officer must always declare to the force who the next of kin is, every year. He also has to furnish the Police Department with a marital certificate. That is why I am saying that I delivered all the necessary documents to the department, but up to now, it is five years and yet, this woman and her five children are still suffering. When will the emoluments of that man be released? All those documents are within that department.

Mr. Deputy Speaker, Sir, could the Minister also order that, in future, all police officers furnish the department with the relevant documents to facilitate future payments?

Maj. Madoka: Mr. Deputy Speaker, Sir, you note that surely, I have already answered that question. But since the documents have been presented, I will ensure that this money is paid.

Mr. Deputy Speaker: Next Question!

Mr. Muchiri: Mr. Deputy Speaker, Sir, I have not yet received the written reply.

*Question No.603*BREAKDOWN OF RETRENCHED
PUBLIC SERVANTS

Mr. Muchiri asked the Minister of State, Office of the President:-

(a) if he could inform the House how many officers are being retrenched from the Civil Service, local authorities and parastatals, and further state their ages and for how long each officer has served the Government;

(b) if he could table the list per Ministry, local authority and parastatal; and,

(b) what arrangements the Government has made in relation to the payment of their salaries.

The Minister of State, Office of the President (Mr. ole Ntimama): Mr. Deputy Speaker, Sir, this Question was asked before we went on recess in August. Unfortunately, I do not know why it only came to us this morning. Anyway, we are trying our best to see whether we can give the hon. Member an answer. However, I beg to reply.

(a) The number of officers to be retired from the Public Service as a result of the Public Service Reform Programme are as follows:-

A total of 25,793 civil servants were set to exit from the Civil Service under Phase I of the on-going Civil Service Retrenchment Programme with effect from 1st October, 2000. An additional 6,565 civil servants will be retired from the Service by 1st July, 2001. The total number of 32,348 civil servants are, therefore, targeted to leave the service under the Retrenchment Programme, during the 2000/2001 financial year. The number to be retrenched from the local authorities has not been determined. Once this figure is determined, we will be in a position to inform the House.

Not all State Corporations are in the programme to reduce their staff in the 2000/2001 financial year. The few that are on the programme and have projected to reduce their staffing levels are as follows:-

| | | |
|----------------------------------|---|-------|
| Public Universities | - | 4,957 |
| Kenya Revenue Authority | - | 958 |
| National Hospital Insurance Fund | - | 125 |
| Muhoroni Sugar Company | - | 235 |

(b) As far as the ages and the length of service is concerned, and as I indicated to the House last week, the first phase of the retrenchment programme targeting 25,783 employees has been completed. However, a number of retencees have not been paid their final dues. The main cause of this delay was the failure by the retencees to complete and return the accounting forms which are used to calculate the final dues of each retiree. Once this has been finalised, the Government will be in a position to provide complete information on the age and length of service of each of the retirees required. With regard to local authorities and the parastatals, the exercise of retrenchment has not yet began. This information cannot, therefore, be provided until the exercise is completed. Currently, it is not possible to give detailed information other than what I have already given. Once the exercise is completed, the Government will provide lists per Ministries, parastatals and local authorities.

(c) Funds have been budgeted and are available to pay salaries of the employees up to the actual date of separation from service. In the case of those retiring from the Civil Service, this has been done and all the retirees were paid their salaries up to 30th September, 2000. Each Government organisation will pay the retired employees their terminal dues based on the statutory provisions; in accordance with the terms and conditions of service obtaining in the respective organisations. The terminal dues will be paid as soon as the necessary separation approval is obtained. In the case of civil servants, payment of terminal dues is on-going for those who have returned their accounting forms.

Once again, the Government is requesting all the retirees who have not completed and returned their accounting forms to do so as a matter of urgency to their respective Ministries and departments. The return of the forms will facilitate calculations for prompt payments for each retiree's final dues.

Mr. Muchiri: Mr. Deputy Speaker, Sir, the Civil Servants Union was disbanded and its properties were left in the hands of its former officials who are now disposing them off. What action is the Government taking to ensure that the retirees are going to be paid their contributions from the Civil Servants' Union?

Mr. ole Ntimama: Mr. Deputy Speaker, Sir, with due respect, that is a different Question. If the hon. Member would like to put that Question for your approval, we will be able to answer it.

Mr. Anyona: Mr. Deputy Speaker, Sir, there are two things which are not coming out clearly. What is the fate of those people who appealed against their retrenchment? Were they retained in employment until their appeals are determined or have they gone home? If so, is that not prejudicial? He should also clarify the issue that the retirees were paid Kshs40,000. If that is correct, on what basis was that money calculated?

Mr. ole Ntimama: Mr. Deputy Speaker, Sir, in actual sense, before an officer who has been retrenched appeals to the Public Service Commission, he will have to be retrenched first. Secondly, the total pension package for each retiree is about Kshs240,000. The Kshs40,000 is part of the whole package.

Mr. Muite: Mr. Deputy Speaker, Sir, if the Government respected the views and wishes of this House, as expressed in a Motion, it would obey the need of a Private Member's Motion to bring this law into force. Could the Minister explain to this House why the Government has elected to "contemptuously" ignore the wishes of this House, that the retrenchment exercise be stopped; and that those who have been retrenched be reinstated until this House has had an opportunity to debate this issue in a Sessional Paper?

Mr. ole Ntimama: Mr. Deputy Speaker, Sir, the fact of the matter is that the Motion was brought to this House when the first phase of the retrenchment exercise had already been completed. The second phase of the retrenchment exercise which will affect 6,000 officers has not started yet.

Mr. Ojode: Mr. Deputy Speaker, Sir, the Minister should not mislead this House. He knows very well that this exercise was unprocedural and that is why this House passed a Motion that the Government should come here with a Sessional Paper, so that we can lay down the criteria of retrenchment. The retrenchment exercise was full of personal hatred.

Mr. ole Ntimama: Mr. Deputy Speaker, Sir, I think there are two issues here. Before that

Motion was passed here, the whole exercise was completed and people had received their letters of retrenchment.

Mr. Deputy Speaker, Sir, on the other hand, we have not refused to bring a Sessional Paper into this House. But during the debate on the Motion on retrenchment, I pointed out that the purpose of the Sessional Paper is to inform Parliament of any strategic policy that the Government intends to undertake.

The House was already aware of the retrenchment exercise because it has been discussed in the Budget Statements by hon. Nyachae and hon. Okemo. As a matter of fact---

Mr. Deputy Speaker: Order, Mr. Minister! You are now introducing arguments into a matter which the House had already resolved positively. The House, in its wisdom, passed a Motion to that effect. You are duty-bound to reply to those questions.

Mr. ole Ntimama: Mr. Deputy Speaker, Sir, we are withholding the next phase of retrenchment until we have sorted out everything else.

Mr. Anyona: On a point of order, Mr. Deputy Speaker, Sir. Parliament cannot run its affairs like this. Are you satisfied that the Minister is not demeaning the House?

Mr. ole Ntimama: Mr. Deputy Speaker, Sir, I am not! I have clearly stated that when the House passed that Motion on retrenchment, Phase One was already complete and there is nothing I am going to do about it. The second phase has not been effected!

Mr. Ndwiga: Mr. Deputy Speaker, Sir, I do not think the Minister is taking this House seriously. The Motion stated in part: "That retrenchment stops and those already retrenched be reinstated." How come that those who were retrenched have not been reinstated?

Mr. ole Ntimama: Mr. Deputy Speaker, Sir, I insist that the exercise to retrench the 25,000 civil servants has already been completed and we will not bring anybody back!

Mr. Gitonga: On a point of order, Mr. Deputy Speaker, Sir. Is the Minister in order to refuse to answer a legitimate question? Is he going to comply with the wishes of the House as expressed in that Motion or not?

Mr. ole Ntimama: I am perfectly in order, and that is why I am standing six feet tall to indicate that I am not lying low.

Mr. Mwenda: Mr. Deputy Speaker, Sir, it does appear that the Government is fooling the retrenchees. In the forms which the retrenchees were filling, there was a provision that those who wanted to appeal could do so with reasons. Could he tell this House how many have filed appeals, whether those appeals have been heard and whether they have been retained in service, pending the determination of their appeals by the relevant bodies?

Mr. ole Ntimama: Mr. Deputy Speaker, Sir, that is another Question altogether. I do not know the number of people who have appealed to the Public Service Commission. That is an independent and a separate organisation. Those whose appeals have been heard may have been given a chance to go back to the Public Service.

Mr. Anyona: Mr. Deputy Speaker, Sir, the position, as I understand it, is that senior officers of the

Government appeal to an officer in the Office of the President. The rest appeal to their Permanent Secretaries. So, there are no appeals before the Public Service Commission!

Mr. ole Ntimama: Hon. Anyona, you are misleading the House. The only place where appeals can go to is the Public Service Commission. The person appealing will just give a copy of that appeal letter to his Permanent Secretary.

Mr. Raila: Mr. Deputy Speaker, Sir, it is very obvious that the Government is contemptuous of this House by refusing to implement a Motion that was passed unanimously by it. Mr. Minister, is it true that the Government does not have money to pay the retrenchees?

Mr. Deputy Speaker, Sir, could the Minister tell this House the amount of money the Government has, including the money which the donors have provided to the Government to retrench its civil servants? Is he satisfied that the money that is available is enough to retrench these people, so that they can engage in meaningful activities?

Mr. ole Ntimama: Mr. Deputy Speaker, Sir, we have got a total of Kshs7.9 billion to pay the retrenchees. That amount of money is more than enough to pay everybody who will be retrenched. I do not want to answer this question because I have said many times that we have not defied the resolution of the House. This is because the exercise was already complete.

Mr. Muchiri: Thank you, Mr. Deputy Speaker, Sir. From the answers the Minister has given, the Chair would have not noted that he has the figures, but he was unable to table that list of retrenchees in this House. When will he table that list to counteract accusations levelled against him that the retrenchment exercise is being done on tribal basis, and he is retrenching very young people and leaving out old people like himself?

(Applause)

Mr. ole Ntimama: Mr. Deputy Speaker, Sir, I note that this matter is raising a lot of interest, but I said the other day on the Floor of this House that age does not determine whether an officer will be retrenched or not. If a function or a department has been abolished, even the jobs within that department are abolished. I gave examples of bee-keeping in the Ministry of Agriculture, garages and artificial insemination as functions that were abolished. That is no longer the function of the Government. All these services should be contracted out. If those people were working in those departments and the functions were abolished, then their jobs were also abolished.

Mr. Angwenyi: On a point of order, Mr. Deputy Speaker, Sir. I just want to point out that this side of the House sympathises with the retrenchees, so---

Mr. Deputy Speaker: Order! Mr. Angwenyi, you stand to be retrenched!

Question No.641

PAYMENT OF RETIREMENT
BENEFITS TO MR. MOHAMED

Dr. Ali asked the Minister of State, Office of the President:-

- (a) whether he is aware that Mr. Hussein Mohamed, P/No.170228, retired as a sergeant in the Administration Police Force in 1975;
- (b) whether he is also aware that he was employed in the service in 1947; and,
- (c) in view of the above, whether he could inform the House why Mr. Mohamed has not received any pension or retirement benefits to-date.

The Minister of State, Office of the President (Maj. Madoka): Mr. Deputy Speaker, Sir, I beg to reply.

(a) I am aware.

(b) I am also aware.

(c) Mr. Mohamed opted to remain under the Provident Fund Scheme when the Administration Police were made pensionable and, therefore, he was being paid under the Provident Fund Scheme. Therefore, he was not pensionable.

Dr. Ali: Mr. Deputy Speaker, Sir, I am a bit confused here. This gentleman had worked for over 30 years and all the dues he got totalled Kshs19,000. Is the Minister telling this House that a person who worked as an administration police officer for 30 years deserved to get only Kshs19,000?

Maj. Madoka: Mr. Deputy Speaker, Sir, that is what was provided for under the Scheme and that is what he was paid.

Mr. Angwenyi: Mr. Deputy Speaker, Sir, has the scheme now been discontinued for the future or current

serving administration police officers?

Maj. Madoka: Mr. Deputy Speaker, Sir, all the administration police officers are now under a pensionable scheme.

Dr. Ali: Mr. Deputy Speaker, Sir, I would like to know when the pension scheme was introduced into the service and why this officer was not paid anything else. By the way, what is a provident fund scheme? Could I be told the difference between a provident fund scheme and a pension scheme?

Maj. Madoka: Mr. Deputy Speaker, Sir, I would have thought that the hon. Member knows the difference between a provident fund scheme and a pensions scheme. The administration police officers came under the Pensions Scheme in February, 1947.

Dr. Ali: On a point of order, Mr. Deputy Speaker, Sir. I have told the Minister that I do not know the difference between a provident fund scheme and the pensions scheme. Why can he not tell me the difference, if he knows it?

Mr. Deputy Speaker: He might not know either.

Dr. Ali: Mr. Deputy Speaker, Sir, if he knows, he should tell me.

Mr. Deputy Speaker: Let us move on to the next Question by Mr. Kiunjuri.

Dr. Ali: On a point of order, Mr. Deputy Speakers, Sir. You are not being fair to me. Let the Minister tell me the difference between the Provident Fund Scheme and the Pensions Scheme, if he knows. If he does not know it, he should say so.

Mr. Deputy Speaker: Order, hon. Ali! You know that pension matters do not come under his Ministry.

Dr. Ali: Mr. Deputy Speaker, Sir, this is not the first time you have done this to me! Do not do it to me again! You have cut me short several times!

Mr. Deputy Speaker: Order! Really, it is reasonable to expect hon. Members to know that pension matters do not fall under the Office of the President. So, if you want a Question to be directed to the Minister for Finance, to explain to you the difference, file it. Let us move on to the next Question by Mr. Kiunjuri!

Dr. Ali: Why did he answer it if it does not fall under his Ministry?

Question No.556

WITHHOLDING OF MR. KAMAU'S
COMPASSIONATE GRATUITY

Mr. Kiunjuri asked the Minister for Finance why the Director of Pensions is still holding compassionate gratuity totalling to Kshs66,080 for Mr. Murage Kamau of Nanyuki Forest Station despite his opening an account with Kenya Commercial Bank (KCB), Nanyuki Branch, on 16th June, 1999.

The Assistant Minister for Finance and Planning (Mr. Marrirmoi): Mr. Deputy Speaker, Sir, I beg to reply.

Mr. John Murage Kamau, pension file No.APN/GC46693, was paid his compassionate gratuity on 26th June, 2000 vide cheque No.13303 for Kshs66,080. This money was sent to the KCB, Nanyuki Branch, under registration mail No.404459 of 26th June, 2000.

Mr. Kiunjuri: Mr. Deputy Speaker, Sir, I am satisfied with the answer, if the Assistant Minister really paid Mr. Kamau that money. For the first time, the Assistant Minister has answered in a very excellent manner. But it takes the Government over two years, and in this case five years, to pay benefits to retirees, who have already worked for the Government for that long. Could the Government or the Assistant Minister consider using the one-year notice that he gives people before he retires them, to prepare their benefits and immediately they proceed for retirement, pays them?

Mr. Marrirmoi: Mr. Deputy Speaker, Sir, while I agree with the hon. Member, the documents were received just within a month and payment made within that month.

Mr. Wanjala: Mr. Deputy Speaker, Sir, it has become very common practice for this Ministry to delay the pension of the retirees. The Ministry has files that contain all the information that they would need to prepare the benefits. Why do they ask for other letters from the retirees when they already have them in their files? Before one is are employed, one must submit all the necessary documents.

Mr. Marrirmoi: Mr. Deputy Speaker, Sir, the entire paperwork is done by various Ministries, but as far as the Treasury is concerned, as soon as we get the documents, we pay promptly.

Mr. Kiunjuri: Mr. Deputy Speaker, Sir, could the Assistant Minister tell this House how long the

Government is supposed to take to calculate the benefits of one retiree?

Mr. Marrirmoi: Mr. Deputy Speaker, Sir, it is as soon as we receive the documents.

Hon. Members: How long!

Mr. Marrirmoi: Mr. Deputy Speaker, Sir, computers are there and it can take even one hour.

Question No.663

MEASURES TO STABILISE FISH PRICES

Mr. Kanyauchi asked the Minister for Agriculture:-

(a) what steps the Ministry is taking to ensure that the price of fish along the beaches of Lake Victoria is stabilised; and,

(b) what steps the Ministry is taking to ensure that fishermen are not unnecessarily exploited by the middlemen who buy their fish at throwaway prices.

The Assistant Minister for Agriculture and Rural Development (Mr. J.D. Lotodo): Mr. Deputy Speaker, Sir, I beg to reply.

(a) My Ministry is not mandated under the Fisheries Act (Cap.378) to control the prices of fish along the beaches of Lake Victoria.

(b) In a liberalised economy, the prices are determined by the market forces. The rule of supply and demand and the quality of the product to a large extent, determines the prices. Fish prices are not exceptional to that rule. However, to ensure that fishermen are not unnecessarily exploited by middlemen, my Ministry has initiated development projects to improve fish landing facilities along the beaches of Lake Victoria, aimed at improving fish quality, standards, as well as shelf life. This will give the fishermen a strong bargaining power against the middlemen, and maintain high prices.

Mr. Kanyauchi: Mr. Deputy Speaker, Sir, in reply to part (a) of the Question, the Assistant Minister has said that under the Fisheries Act, the Ministry has no mandate to control the prices of fish. In view of the fact that we have brought to their attention the need to control the prices, particularly because of the difference in buying price from the fishermen and the prices that they are sold overseas, will they attempt to amend the Fisheries Act to ensure that there is control and fishermen are not exploited?

Mr. J. D. Lotodo: Mr. Deputy Speaker, Sir, I would like to inform the hon. Member that the Ministry will do everything possible to protect the fishermen.

Dr. Ochuodho: Mr. Deputy Speaker, Sir, if there is anything that the Government has perfected, it is to do things that Parliament tells it not to do, and refuse to do things that Parliament passes to be done. One of them is the Fish Development Authority which, two years ago, Parliament passed to be implemented. The retrenchment is another issue.

I would like to draw to the attention of the Chair that, as we talk here, the retrenchees are being beaten outside by the police of this Government!

Mr. Deputy Speaker: Are they fish?

Dr. Ochuodho: Mr. Deputy Speaker, Sir, if the policemen had eaten fish, they would be too wise to beat the demonstrating retrenchees. But my question is: Why has the Government not put in **[Dr. Ochuodho]** place the Fish Development Authority that this House resolved to be established two years ago?

Mr. J.D. Lotodo: Mr. Deputy Speaker, Sir, I am sure the police are not fishermen! Therefore, whatever is going on out there is not my business! My Ministry has plans to provide refrigeration containers to beaches in Lake Victoria that are targeted for upgrading. There is Kshs18 million in the Ministry for the improvement of beach sanitation this financial year. Under the Lake Victoria Environment Management Project, the Ministry has a budget for community-based micro-project and fish quality control activities this financial year.

Mr. Deputy Speaker: Order! That the answer is not to the question that he asked! Why have you not taken steps to implement a decision of this House to establish a Fish Authority Board?

Mr. J.D. Lotodo: Mr. Deputy Speaker, Sir, we are in the process of doing that. Recently, we had a workshop at Kisumu targeting that kind of project.

Mr. Kajwang: Mr. Deputy Speaker, Sir, is the Assistant Minister aware that the Government at one time, invested a lot of money in building cold storage facilities and ice plants in parts of Lake Victoria? But 15 years since then, those ice plants have not been completed. Therefore, the price of fish continues to fluctuate like the music they call "kwasa kwasa"! Sometimes, it goes up and other times, it goes down! Could he comment?

Mr. J.D. Lotodo: Mr. Deputy Speaker, Sir, I am not aware of the prices of fish being "kwasa kwasa" as

mentioned by the hon. Member. But we are aware of those fish facilities which have stalled for quite a long time. But given the fact that we have got aid, we will look into those projects, and complete them for the benefit of the fishermen.

Mr. Twaha: Mr. Deputy Speaker, Sir, the Assistant Minister has just talked about the wonderful plans he has for fishermen around Lake Victoria. Does he have similar plans for fishermen at the Coast?

Mr. J.D. Lotodo: Mr. Deputy Speaker, Sir, when I talk about the fishermen in Lake Victoria, I also mean fishermen all over the country.

Mr. Kanyauchi: Mr. Deputy Speaker, Sir, the Assistant Minister, in reply to part (b) of the Question, talked about the infrastructure. But the basic infrastructure which should be put in place to ensure that the prices of fish stabilise is electricity. That will ensure that the coolers work. The foreigners who buy fish from the fishermen will not exploit them. Has he ever tried to do that, rather than upgrading the facilities around the lake?

Mr. J.D. Lotodo: Mr. Deputy Speaker, Sir, I would like to agree with the hon. Member. The Ministry will look into the electricity issue to operate the freezers. The fish for export will then be of very good quality.

Question No.712

REHABILITATION OF KARIMINU/
NDARUGU WATER PROJECTS

Mr. Muiruri asked the Minister for Water Development:-

(a) whether he is aware that Kariminu and Ndarugu Water Projects in Gatundu North have ceased to provide water; and,

(b) what immediate plans he has to revive the projects.

The Minister for Water Development (Mr. Ng'eny): Mr. Deputy Speaker, Sir, I beg to reply.

(a) I am not aware that the projects have ceased to provide water. However, I am aware that the projects have been operating continuously, but at a reduced capacity due to prevailing drought in the area. Due to reduced flows in the rivers, water is being distributed in the area on rationing basis.

(b) My Ministry carried out a survey and established that, nearly Kshs8 million is required to supplement the present gravity mains. To that end, my Ministry is seeking for funds to carry out the works.

Mr. Muiruri: Mr. Deputy Speaker, Sir, the answer by the Minister is not only misleading, but it is untrue! There are only two Government projects in the Constituency. I am on the ground and I know that the two projects ceased to operate a long time ago, immediately after President Kenyatta died! You are aware of those projects. You were the Permanent Secretary in the Minister of Water Development during those days!

Mr. Deputy Speaker: Order, hon. Muiruri! You are talking to the Deputy Speaker!

Mr. Muiruri: Mr. Deputy Speaker, Sir, Mr. Job Omino, who was the Permanent Secretary in the Ministry of Water Development, was in charge of those two projects! I do not want to engage in arguments with the Minister. Could he kindly facilitate a number of officers to accompany me to see those projects? He has been totally misled! President Kenyatta died on 22nd August, 1978.

Mr. Ng'eny: Mr. Deputy Speaker, Sir, I am sure my officers have not misled me. As you notice, those projects essentially work on gravity and hence, the chances of having gone wrong are extremely minimal. In most cases, wherever there is something wrong in water supply schemes, it is because of pumping.

Mr. Muiruri: On a point of order, Mr. Deputy Speaker, Sir. The Minister is misleading this House. The crucial water projects are not in the lower zone; they are up in the forest where the gravitational force is automatic. They are nowhere in-between, and that is why I am telling the Minister not to beat about the bush but go and see the place.

Mr. Ng'eny: Mr. Deputy Speaker, Sir, I stand by my answer. I would like to assure the hon. Member that I will be very glad to accompany him to go and see the project.

Mr. Deputy Speaker: Mr. Minister, can you agree with the hon. Member when you will do this because this really marks the end of this Question?

Mr. Ng'eny: Thank you, Mr. Deputy Speaker, Sir. I think it would be a very good idea if we can do this at the beginning of the year so that I can visit that area as part of my first visit to a project in the new year.

Mr. Deputy Speaker: Thank you. Next Question!

Question No.702

REHABILITATION OF ROADS IN KILOME

Mr. Ndilinge asked the Minister for Roads and Public Works:-

(a) when the following roads which are currently impassable will be repaired:-

| | | |
|------------|---|-----------------------------|
| Road E 403 | - | Kasikeu-Kilome; |
| Road E 410 | - | Salama-Kola; |
| Road E 411 | - | Konza-Ulu; |
| Road E475- | | Kayata-Kima |
| Road D 529 | - | Salama-Kiu; |
| Road D515 | - | Sultan Hamud-Kyambeke; and, |

(a) how much money has been set aside for the repairs.

The Assistant Minister for Roads and Public Works (Eng. Rotich): Mr. Deputy Speaker, Sir, I beg to reply.

(a) The roads listed in the Question are under the management of District Roads Committee (DRC) in Makueni District and they will be repaired as soon as the district receives its priorities for maintenance.

(b) We have no specific budget set aside for these roads as they fall under Makueni DRC.

Mr. Ndilinge: Thank you, Mr. Deputy Speaker, Sir. Hon. Members in this House will bear me witness that no single district has received this money. Is the Assistant Minister trying to say these roads will remain impassable until we get this money?

Eng. Rotich: Mr. Deputy Speaker, Sir, I am not saying that. I am saying that we are now processing requests and within one or two weeks, the cheques will be at the DRCs.

Mr. Mboko: Mr. Deputy Speaker, Sir, could the Assistant Minister tell this House whether Road D515; Sultan Hamud-Kyambeke was a project to be done by the *El Nino* Emergency Fund and why the road from Katua to Sultan Hamud was left out when the project was being implemented?

Eng. Rotich: Mr. Deputy Speaker, Sir, my Ministry does not deal with the *El Nino* Fund, so I am not able to answer that question.

Mr. Murathe: Mr. Deputy Speaker, Sir, the Assistant Minister is misleading this House. The Chair has just heard him say that within a week or two, they will be disbursing funds to the DRCs. There is no functional DRC at the moment. The modalities for establishing and opening of the accounts for the DRCs were to be worked out in a seminar which was postponed by this Ministry. To whom will the Assistant Minister send this money? Is it the district Treasury? Which account will the money be sent to?

Eng. Rotich: Mr. Deputy Speaker, Sir, we are sending this money to DRCs and the cheques are being prepared now. That is what I have said!

Eng. Toro: Mr. Deputy Speaker, Sir, the House is fully aware that the Department of Roads in the Ministry of Roads and Public Works is an agency like the DRCs. Is the Assistant Minister saying that he will send the money or is he saying that the Kenya Roads Board will send the money?

Mr. Deputy Speaker, Sir, could we differentiate his position from that of the Kenya Roads Board because, as far as we are concerned, the Kenya Roads Board is the one which is supposed to remit money to the DRC and not the Ministry.

Eng. Rotich: Mr. Deputy Speaker, Sir, the money will come from the Kenya Roads Board, but I am sure that the KRB cannot come and defend itself before this House.

Question No.724

REPAIR OF MIU RIVER BRIDGE

Mr. Katuku asked the Minister for Roads and Public Works:-

(a) whether he is aware that Muthetheni-Kilala-Kalawa Road is in a state of disrepair;

(b) whether he is further aware that Miu River bridge on the same road, which was partially washed away during the *El Nino* rains has not been repaired; and,

(c) when the bridge and the road will be repaired.

The Assistant Minister for Roads and Public Works (Eng. Rotich): Mr. Deputy Speaker, Sir, I beg to reply.

(a) Yes, I am aware that the said road, E484, is in a state of disrepair.

(b) I am also aware that the bridge on Road E710, across the seasonal river between junctions C101 and E710 were washed away during the *El Nino* rains and has not been repaired.

Mr. Katuku: Mr. Deputy Speaker, Sir, the Assistant Minister has not answered part "c" of the Question. Could he answer part "c" of the Question before I ask a supplementary question?

The Assistant Minister for Roads and Public Works (Eng. Rotich): Sorry, Mr. Deputy Speaker, Sir. I skipped that part of the Question.

(c) The four-kilometre Road C101 has been programmed for repair during this financial year. The washed-away section on Road E710 and the road itself fall within the mandate of Machakos DRC and has been programmed for repair.

Mr. Katuku: Thank you, Mr. Deputy Speaker, Sir. The Assistant Minister in his answer to part "c" of the Question says that Road C101 is programmed for repair this year. Could he tell us how much money has been set aside for this repair and when will it be done?

Eng. Rotich: Mr. Deputy Speaker, Sir, we do not have the amount of money now, but the estimates are being done for the four-kilometre road.

Mr. Munyao: Mr. Deputy Speaker, Sir, recently, you were in Kalawa. So, you can confirm that this area is in Kenya because I think the Assistant Minister thinks that Kalawa is not in Kenya.

Mr. Deputy Speaker: And that the road is very well done!

Mr. Munyao: No, it is the other way round! Could the Assistant Minister tell this House when the road will be repaired? During the last Session the Assistant Minister confirmed in this House, and the HANSARD can bear us witness, that he had set aside a sum of Kshs350,000 to repair this road between Muthetheni, Miu and Kalawa. What happened to that money? Now, he is denying the existence of that money in the budget. Let him be honest!

Eng. Rotich: Mr. Deputy Speaker, Sir, I said that the Kshs350,000 was supposed to be spent during the last financial year. That is what I said!

An hon. Member: What happened to the money?

Eng. Rotich: The money was not availed due to certain problems. I am sorry for that failure to keep the promise.

Mr. Katuku: Mr. Deputy Speaker, Sir, part "b" of this Question talks about a bridge which is almost being swept away and the Assistant Minister says that he will send money to Machakos DRC to repair this road. The Machakos DRC has no account for money meant for roads. When will the Assistant Minister send this money to Machakos DRC and how much is it?

Eng. Rotich: Mr. Deputy Speaker, Sir, I would like to indicate that it is not a bridge, it is a stretch of the road.

Mr. Katuku: On a point of order, Mr. Deputy Speaker, Sir. The Assistant Minister is deliberately refusing to answer my question. In his answer, he says: "Money will be sent to the District Roads Committee (DRC), Machakos." But I am asking him: To which account number are you going to send the money to and yet, these committees have not been established and how much is it?

(Loud Consultations)

Mr. Deputy Speaker: Order! Hon. Members, please, give an opportunity for the Questioners and the Ministers to be heard. Proceed!

Eng. Rotich: Mr. Deputy Speaker, Sir, we will write cheques and you will go and bank them in your bank accounts. I do not know your bank account numbers!

Mr. Deputy Speaker: Next Question, Dr. Ochuodho!

Question No.596

IMPLEMENTATION OF INTERNATIONAL
CRIMINAL COURT STATUTE

Dr. Ochuodho asked the Attorney-General:-

(a) when will the Government ratify and implement the International Criminal Court (ICC) Statute; and,

(b) what arrangements are being put in place to create awareness about the Treaty among

legislators, civil servants, professionals, civil society and the general public.

Mr. Deputy Speaker: Order! Questions No.596 and 649, which were due to be answered by the Attorney-General, have been deferred to Tuesday afternoon because he is unavoidably absent, and I believe he did not get in touch with hon. Dr. Ochuodho and hon. Kimeto to convey his apologies.

Dr. Ochuodho: Mr. Deputy Speaker, Sir, it was agreed, but can you ensure that they stop atrocities? This is the reason for---

Mr. Deputy Speaker: Order! The Chair has ruled that the Questions will be answered on [Mr. Deputy Speaker] Tuesday afternoon. End of story!

(Question deferred)

Question No.649

RELEASE OF COMPENSATION
TO MR. TONU'S FAMILY

(Question deferred)

Hon. Members: Donde! Donde! We want the Donde Bill!

Mr. Deputy Speaker: Order! Hon. Members, you have an Order Paper and so let us follow it. We shall reach that Bill in its time.

QUESTIONS BY PRIVATE NOTICE

DISPLACEMENT OF BUTE/GURAR RESIDENTS

(Mr. Nooru) to ask the Minister of State, Office of the President:-

- (a) Is the Minister aware that residents of Bute and Gurar are now camping in Ethiopia and Manderla border after being displaced from their homes six months ago?
- (b) When will these people be taken back to their homes?

Mr. Deputy Speaker: Mr. Nooru is not here? The Question is dropped!

(Question dropped)

DISAPPEARANCE OF GUNNY BAGS

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

- (a) Is the Minister aware that some empty gunny bags donated by Action Aid and kept under the custody of the District Officer, Budalang'i, for the rehabilitation of Nzoia dykes, have disappeared?
- (b) What urgent measures is the Minister taking to apprehend the people concerned?

The Minister of State, Office of the President (Maj. Madoka): Mr. Deputy Speaker, Sir, may I request that this Question be deferred?

Mr. Deputy Speaker: Order! Hon. Members, I get the mood of the House. I will, therefore, defer the Questions remaining on the Order Paper to Tuesday afternoon.

(Applause)

Order! However, there were Ministerial Statements which were ordered to be given today and some of these issues have been outstanding for some time. I am going to allow the Ministers to dispose of them now before we proceed to that very famous and exciting Motion.

(Question deferred)

CONTRACT AWARD TO INTERTEK
TESTING SERVICES

(Mr. Donde) to ask the Minister for Finance the following Question by Private Notice:-

(a) Is the Minister aware that a company known as Intertek Testing Services, which was recently allegedly involved in one of the biggest laboratory testing frauds in the United States regarding radioactive material, is about to be awarded a contract to do business with the Government of Kenya?

(b) In view of the adverse report on this company, could the Minister shelve this contract?

(Question deferred)

ALLOCATION OF JUA KALI
INDUSTRIAL DEVELOPMENT LAND

(Mr. Anyona) to ask the Minister for Lands and Settlement the following Question by Private Notice:-

(a) Is the Minister aware that part of the land allocated to Jua Kali Industrial Development, Plot No.2787/G/Zone 019, 0.80 hectares, Nanyuki in 1986, has been illegally acquired from the Nanyuki Municipality Jua Kali Association?

(b) Who is/are the new allottee(s) and who authorised the allotment of the land?

(c) Could the Minister cancel the irregular allotment of the land in favour of the Nanyuki Municipality Jua Kali Association?

(Question deferred)

MINISTERIAL STATEMENT

SECURITY SITUATION IN
NORTH EASTERN PROVINCE

The Minister of State, Office of the President (Maj. Madoka): Mr. Deputy Speaker, Sir, I would like to make a clarification on certain issues on the security situation in Northern Kenya as requested by hon. Dr. Ali Abdullahi, MP for Wajir West, regarding the statement recently made by the Provincial Commissioner, North Eastern Province (NEP), on various issues touching on bilateral relations with Ethiopia. I would like to reiterate that Kenya and Ethiopia enjoy excellent cordial relations and this was exemplified by the recent Ethiopia/Kenya Border Commission meeting held at Awassa in Ethiopia. The Provincial Commissioner, NEP, led the Kenya delegation and at no time was an ultimatum given to the Ethiopian Government on any matter.

While briefing the Press on 4th November on the outcome of the above meeting, the leader of the Kenya delegation outlined some of the concerns that had been raised by Kenya during the border Commissioner's meeting. These included border security, the abduction of a Kenyan girl by suspected cattle rustlers from Ethiopia and treatment of Kenyan trucks at Moyale in Ethiopia among others. The Provincial Commissioner read a joint communique which had been prepared by both countries and emphasised some of the above concerns which both countries were addressing.

On the alleged Government failure to act on NEP leaders' resolutions made at Wajir in August 2000, I would like to emphasise that the Government has played its part fully in trying to reconcile the various warring clans in the region. The leaders of this area have come out clearly to assist the Government in this endeavour. Insecurity in the province which is being perpetrated by armed groups recruited allegedly to defend community interests will not do the area any good, but will instead allow it to slide into anarchy and remain undeveloped. I am glad to note that some of the warring clans in Garissa have heeded the Government's call to live in peace and this effort is commendable. The Government would like to urge the leaders and people of Wajir and Mandera Districts to do likewise.

Thank you, Mr. Deputy Speaker.

POINTS OF ORDER

DISTORTION OF INFORMATION BY KBC

Mr. Kibaki: Mr. Deputy Speaker, Sir, I had demanded a Ministerial Statement from the Minister of Information, Transport and Communications. I was only requesting him and he is here, to make a statement regarding the Kenya Broadcasting Corporation which has continued to distort information and to write fabrications which are written by KANU. I made a speech at Nyamira and the Ministry of Information, Transport and Communications, via KBC, cheated Kenyans that I had said things which I had not uttered. They repeated that stuff on Friday night and on Saturday morning.

Mr. Deputy Speaker, Sir, I am asking the Minister for Information, Transport and Communications, in view of the fact that KBC is now bankrupt' and is maintained by Kenyan taxpayers, to make a public statement that such fabrications and lies shall not continue to be aired by an institution maintained by taxpayers of the Republic of Kenya, otherwise we shall have to take action against the Minister himself.

The Minister for Information, Transport and Communications (Mr. Mudavadi): Mr. Deputy Speaker, Sir, I have received some written communication from hon. Mwai Kibaki on the issue that he is raising and I am making an inquiry on this particular issue before I can make any statement. However, I have received a letter from him raising the concerns he has expressed here.

CONSULTANCY AND CONTRACT
REPORTS ON JOGOO ROAD

The Assistant Minister for Local Government (Mr. Sirma): Mr. Deputy Speaker, Sir, this morning, there was a Question from hon. Mugeke on Jogoo Road and you ruled that I table the consultancy report and the contract report on Jogoo Road and I hereby do so.

*(Mr. Sirma laid the documents
on the Table)*

CLARIFICATION OF STATEMENT
BY REVIEW COMMISSION

Mr. Raila: Mr. Deputy Speaker, Sir, on behalf of the Parliamentary Select Committee on Constitutional Review, I would like to make some clarifications regarding statements appearing in today's Press attributed to Prof. Yash Pal Ghai. Prof. Ghai and the Commission issued a statement yesterday which has been, to a certain extent, misquoted by sections of the Press. In brief, this is what the Commission said:-

"We would like to inform Kenyans that the Commission is not a Commission of any political party, religious organisation or any other organisation. It is an independent Commission for all Kenyans and as such, we intend to hear all Kenyans and take on board all Kenyans in our process. Our process will, therefore, be all inclusive. For this reason, we met last week and mandated our chairperson, Prof. Yash Pal Ghai to seek out those opposed to our process and particularly those in Ufungamano Initiative, and impress upon them the fact that we mean well for Kenyans and there is need for them to come on board and bring their views to this Commission. Our chairperson did this and has been requested by Ufungamano Initiative as a sign of good faith, to postpone taking the oath of office to enable them to continue with negotiations with a view to bringing them on board. As such, the chairperson postponed taking the oath of office. We expect that this is for the good of all Kenyans. The chairperson expects shortly to take oath of office and proceed with the work of the Commission. Meanwhile, we are getting down to serious work and shall report very soon to Kenyans our programme."

This statement is signed by Prof. Yash Pal Ghai, the Chairperson of the Kenya Constitution Review Commission. Thank you.

(Applause)

MINISTERIAL STATEMENT

SETTLEMENT SCHEMES IN MAKUENI

The Minister for Lands and Settlement (Mr. J. Nyagah): Mr. Deputy Speaker, Sir, I wish to make a Ministerial Statement which was requested for by hon. Mboko on Masongaleni, Kiboko A and Kiboko B

Settlement Schemes.

There are three settlement schemes totalling 3,999 agricultural plots.

(i) The beneficiaries were landless people and were selected on this basis by the District Settlement Plots Selection Committee under the chairmanship of the District Commissioner. I am aware that there are some people who were allocated plots but have not settled or developed their plots.

(ii) The Minister has already initiated a process to establish the number of plots which are undeveloped.

(iii) When one is allocated a plot by the Settlement Fund Trustee (SFT), there are some conditions to be complied with within a period of 90 days of receiving the letter of offers, which are as follows:

(a) One must be shown the plot and accept the offer in writing.

(b) One must pay at least 10 per cent of the required fee although one is also free to pay the whole amount outright.

(c) One must initiate some development on the plot, for example, fencing it, putting up a house or cultivating it.

(d) Sometimes some people do not comply with these conditions in which case the SFT may initiate the process of repossession.

(iv) To repossess a plot, one has to be given at least 60 days notice of intention, failure to which the plot reverts back to SFT for reallocation to another person. Some people may take long to develop their plots due to financial problems, in which case the Minister may use his discretion to extend the period.

(v) Previously, SFT has been advancing loans for development to the settlers, but of late, there has been a problem due to cash problem.

(vi) Once someone has paid for the plot outright, the plot is discharged to him or her and the title deed is then issued. Once the title deed is issued, the plot becomes private property and the Minister cannot repossess it whether it is developed or not. Some of the plots in Kiboko A and B and Masongaleni which are undeveloped, may be in this category. It may, therefore, be prudent to carry out some inspection in collaboration with the Provincial Administration and the local leaders to decide on the plots for which the repossession order may be issued. One of our officers is already working on this, but he is yet to complete the exercise.

(vii) For now, since the Ministry has already embarked on the exercise to verify and determine which plots should be repossessed, we should therefore be given more time for the exercise to be completed. Issuing a public notice may jeopardise the on-going exercise and it is likely to trigger an influx of so-called squatters hoping to benefit from the intended reallocation. Once the exercise is completed, the Makueni District Settlement Plot Allocation Committee should and will convene a meeting to consider and recommend cases---

Mr. Deputy Speaker: How long will you take to finish reading your statement?

The Minister for Lands and Settlement (Mr. J. Nyagah): Less than a minute, Mr. Deputy Speaker, Sir.

Mr. Murungi: On a point of order, Mr. Deputy Speaker, Sir. The Minister is taking the opportunity to make a political speech.

The Minister for Lands and Settlement (Mr. J. Nyagah): Once the exercise is completed, the committee will comprise the DC, District Land Adjudication Officer, all hon. Members from Makueni District and chairmen of county councils. All these people must attend the meeting to reallocate the land to the new landless people.

Thank you.

Mr. Mboko: On a point of order, Mr. Deputy Speaker, Sir. I would like to seek some clarification from the Minister because he said that when somebody has been allocated land and he does not develop it within 90 days, it will be repossessed by the Government. Last year, I brought a Question on Kiboko B where the Minister revoked some allocations. However, this revocation has not been implemented. In Masongaleni and Kiboko A settlement schemes, the people who have not developed their parcels of land are the rich and big cats in this country. The poor people have developed their plots because they were landless. The same people who have not developed their plots also have plots in Masongaleni, Kiboko A and Kiboko B. Since these people have not developed those plots, could he revoke those allocations?

The Minister for Lands and Settlement (Mr. J. Nyagah): Mr. Deputy Speaker, Sir, in my statement, I have confirmed that the exercise has started and the ones who will be found not to have developed their plots, the allocation will be revoked and new squatters will be settled there.

Dr. Ali: Mr. Deputy Speaker, Sir, I stand to protest because I had sought a Ministerial Statement and you have refused me a chance to ask the Minister a question. Therefore, I sit down in protest and I will not ask any question in this House!

Mr. Deputy Speaker: Next Order!

BILLS*First Readings*

THE CHILDREN BILL

THE DOMESTIC VIOLENCE
(FAMILY PROTECTION) BILLTHE NATIONAL COMMISSION
ON GENDER DEVELOPMENT BILL

*(Orders for First Readings read -
Read the First Time -
Ordered to be read the Second Time tomorrow)*

Mr. Deputy Speaker: Next Order!

Second Reading

THE CENTRAL BANK OF KENYA (AMENDMENT) BILL

(Applause)

Hon. Members: Mr. Donde, address the House from the Dispatch Box!

Mr. Deputy Speaker: Order! Order! Hon. Members, you have no authority to give Mr. Donde directions as to where to speak from! But I do consent that, given the importance of this Bill, he can talk from the Dispatch Box.

(Applause)

Mr. Donde: Thank you, Mr. Deputy Speaker, Sir, for your kind and generous acceptance. I beg to move that The Central Bank of Kenya (Amendment) Bill be now read a Second Time.

Let me, first, pass on to this Eighth Parliament the congratulations I got from the citizens of this Country. They called me and some came to see me and they have requested me to pass congratulations to the Eighth Parliament for this Bill. I would also like to thank the House for having passed the Motion on 7th June to grant leave so that the Central Bank of Kenya (Amendment) Bill should be published and brought before this House.

Mr. Deputy Speaker, Sir, I would like to explain a little about the objects and reasons of this Bill. This Bill is intended to ensure that Kenyans can borrow money to develop themselves, their families and the country. A lot has been said about this Bill and it will be very difficult for me to say anything which is new. So, I will try my best not to repeat some of the things which have been said during the course of discussion on this Bill.

Mr. Deputy Speaker, Sir, let me say that we made a grave error when we decided to liberalise the financial sector. Simple economics theory, Form Five Economics, says very clearly that a market which has a barrier to entry can never qualify to be called a free market. Therefore, it was wrong, in the first place, for somebody to imagine that a financial sector, a market in which there is a barrier to entry, can be made free. It is not possible. The country, and Kenyans in general, have paid dearly. It was a big mistake which took so long to correct. I am glad the Eighth Parliament has come up with this Bill to correct that mistake. It is human to own up to mistakes. I urge the House to ask the people out there to forgive us for having put them into this kind of a problem.

Mr. Deputy Speaker, Sir, a free market is a market where you do not have to ask anybody to enter into it. For example, if you want to grow maize, you do not ask anybody. You just go to your *shamba*, plough it, plant maize and look after it. When it is ready, you enter the market and sell it at the prevailing market prices. If you want to do that with potatoes or beans, you are free. You can enter the market and leave it at your discretion. A financial sector is not like that. When the farmers want to start their bank, they are not free to enter into that market. Once you are not free to enter the market and leave it freely, then that market ceases to be a free market.

(Applause)

Mr. Deputy Speaker, Sir, I was very surprised during our discussion with senior people in this country that they cannot remember that Form Five Economics. As a result, they have put the country into a lot of problems. I was so surprised that even senior Government officials cannot know how to describe a free market. Therefore, I would like to put it before this House that a financial sector which has got a regulator cannot qualify to be a free market and will never qualify to be a free market anywhere in the world. That is why in America, interest rates are fixed by Mr. Greenspan. In Britain, the interest rates are fixed by the Governor of the Central Bank of England, with a committee of nine people. So, everywhere there is a monetary policy committee which looks at the various parameters of the economy and sets the interest rates at that level. We did very well in 1997. The inflation rate was 5.6 per cent and simple economics says that inflation rate and interest rate should move as brothers and sisters. So, in the whole of 1997, inflation rate was 5.6 per cent and Kenyans should have been enjoying interest rates of about 6 or 7 per cent, just slightly above the inflation rate. That never happened, instead Kenyans were paying 45 per cent. Everybody would like to create some wealth so that he can pass it over to the children. If you are going to buy a car for eight years--- I bought a seven year-old car, I am still paying for it upto now. This is not the way to run the economy of this country. I would like you to agree with me that a financial market is not a free market. If we start from there, then we can see how to improve the status of this country.

Mr. Deputy Speaker, Sir, I would like to say something about the expenditure. Previously, the interest rates were controlled and that is how this economy has been since 1896. They have always been controlled until somebody somewhere thought that the word "liberalisation" looked so nice and he decided to apply it to the financial sector. It was a big mistake. During controls, banks never complained and our people were prosperous. They bought houses in Buru Buru and invested for their children. Nobody ever complained. I have gone through all the books and even the HANSARD of this House, and nobody has ever complained, not even the banks, that they were not performing well during controls. They were happy. So, if they did not complain, was it necessary?

From 1982 to 1992, ten years, the Government paid Kshs41 billion as interest rates. But when it was decontrolled, one year, in 1993, the Government paid Kshs46.66 billion as interest rates. These are the figures which the Minister for Finance gave us during the Budget Speech in June. In the next year, 1994, the Government paid as interest rates Kshs31.82 billion. In 1995, the Government paid Kshs37.24 billion as interest rates. In 1996, the Government paid Kshs34.82 billion. In 1998, they paid Kshs43.28 billion. In 1999, they paid Kshs40.55 billion. These are not my figures.

Mr. Deputy Speaker, Sir, these are not my figures; they are figures provided by the Minister for Finance. As a result, this country's taxpayers paid Kshs294 billion to banks. For what reasons? What are we doing to our people? Is this the way to manage this country's economy?

Hon. Members: No! No way!

Mr. Donde: Mr. Speaker, Sir, if the Minister for Finance had not provided us with these figures, one would have said that they are my own figures. However, these figures were provided to us during the last Budget. This is where we have driven this country into; this is the cost incurred by the Government as a result. We have not yet determined the cost incurred by the ordinary person, you and me. People have lost their wealth. People who had saved their money during the time they were working and found themselves in little financial problems afterwards, and borrowed some Kshs100,000 from banks to sort those problems ended up losing all that they had worked for all their lives. They have children, but they do not know what to pass over to them. This country cannot go on this way; it is not possible!

(Applause)

So, it is in the interest of this House for us to ensure that the Government does not waste taxpayers' money on the kind of things we have seen here. This is money being raised through the heavy tax imposed on our people, who buy sugar, salt, kerosene, among other commodities, and then we just go and throw it out as if, really, it does not matter. Part of that money ends up being given to a 75-year old woman in Great Britain who has invested in Kenya; she may not even need that money. So, she may write a will and give that money to her dogs.

(Laughter)

I have lived in Great Britain and I know that, that is what those people do. They invest here, but when they get money, they just write wills, authorising somebody to look after their dogs when they die. Then,

somebody comes here and says that we cannot do anything about this development. Is such a person, really, in his proper senses?

Mr. Deputy Speaker, Sir, I thank hon. Members of the Eighth Parliament for rising to the occasion and listening to the cries of our people. I was very happy when I was told to thank both sides of this House for the stand hon. Members have taken on this Bill I felt, really, happy. So, these are the things that I need to say here. I would not like to repeat myself, but I want to say one more thing. During the course of my discussion with the Governor of the Central Bank of Kenya (CBK), I was told that the domestic debt had a bearing on the Treasury Bill (TB) rates. I have done economics and I know that there is no link between the two. I proved this to the Government, and I would like to explain how I did so.

I had brought to Parliament the Motion that led to this Bill twice before; this is the third time I have brought the Motion here. Because of frustration by this House's Committee system, it was rejected and lapsed in 1999, but it has finally come into being; this is how long I have suffered with this Bill. In January this year, I went and asked the Head of the Public Service and Secretary to the Cabinet: "Why are the TB rates 24 per cent?" This is because 10 per cent of a domestic debt of Kshs162 billion is Kshs16 billion; another 10 per cent brings the figure to Kshs32 billion; a 4 per cent brings the figure to Kshs37 billion.

So, I asked him: "Is there any good reason as to why we are paying 24 per cent interest for TBs?". He replied: "It is because our domestic debt is too high". I told him: "No; there is no relationship between the two. Could you listen to me? Let us lower the TB rates, slowly, from 24 per cent to 8 per cent. Let the domestic debt remain as it is; let me know the results with time". So, we started lowering the TB rates; from 24 per cent in January this year to 8.9 per cent on 17th August; the domestic debt has remained the same. So, what was the Government paying the high TB rates for? There is no relationship between the domestic debt and the TB rates.

(Applause)

Mr. Deputy Speaker, Sir, even if the TB rates drop further, to 4 per cent, today, the domestic debt situation will still be the same. It is a statutory requirement that banks keep a liquidity ratio of 20 per cent, which is about Kshs300 billion. So, they will have to buy TBs. So, I talked to the Governor of the CBK and asked him: "Why are we doing this?" In other countries, TB rates are fixed, at between 1.5 and 2 per cent, and banks buy them, because it is a statutory requirement that they keep a certain liquidity ratio.

For the information of this House, despite the fact that the required liquidity ratio in this country is 20 per cent, banks keep a liquidity ratio of 42 per cent, which is Kshs480 billion, which is very much above the domestic debt. As per the figures that we have now, the domestic debt will start to have a bearing on TB rates only if it reaches Kshs480 billion. So, I would like the CBK Governor to fix the TB rate at 6.5 per cent, because the inflation rate at the moment is 8.5 per cent; the market interest rate should move along with the inflation rate. So, Kenyans should be paying around 8.5 per cent. Even if we allow 2 per cent more, the TB rate at market rates will be 10.5 per cent at most.

(Applause)

Mr. Deputy Speaker, Sir, after all, there is nothing wrong with this country's economy; there is no structural problem with it. We did not incur the Kshs160 billion domestic debt because the Government constructed a kilometre of road; it was not because the Government built any hospital; it was not because the Government built any schools. Before the liberalisation of the financial sector, the domestic debt was Kshs44 billion. Immediately the financial sector was liberalised, interest rates were fixed at 70 per cent. So, this huge increased domestic debt as a result of servicing the billions of shillings of loans I was talking about; they are the ones which have made the domestic debt to shoot to Kshs162 billion. So, really, this huge domestic debt has not come about because the Government has done anything wrong, but because it did not know what it was doing. As a result, it has paid out Kshs162 billion. So, mistakes have been made. But, we must sit together as Members of Parliament; because we are the leaders of this nation. Everybody out there is looking upon us for help.

About two months ago, I went to conduct an Harambee in Bura. People came to meet us and told us that they were taken there from various parts of the country to settle there, because there was an irrigation scheme, which was costing Kshs12 billion. I found about seven people from my constituency there. Right now, that project is no more; it collapsed. Those people are just there, waiting for this Parliament to do something about the project. They told me: "We would like you to see the situation in which we are; we all came here, but now everybody has gone away; we cannot go back". Those people out there are looking upon us to offer solutions to those problems. Then, we hear people talk the way they have been talking. This is a very sad state of affairs. I would, therefore,

plead with hon. Members that we try and target issues, in order to help our people out there. Even if we utilised only half of the Kshs294 billion, this country would be many miles ahead in development. The situation has been so sad that I could not even speak. I do not even know how I got the strength to speak today; it has been my saddest moment.

Mr. Deputy Speaker, Sir, when the Motion that led to this Bill was passed, because there are no offices for Members of Parliament within Parliament Buildings, I decided I needed an office in a quiet environment, where I could do research. I was going to get in touch with Central Banks in Europe and all over the world, to establish how they fix their TB rates there. So, I hired an office in the Industrial Area, with a full-time secretary and clerk, at a cost of Kshs80,000. I paid Kshs160,000 for two months believing that it would take me two months to complete my job, but it has taken me five months to do so, because of "road blocks" created by that side of the House.

(Applause)

I am supposed to vacate that office tomorrow; I told the owners of it to give me time until this Bill is debated here.

An hon. Member: It will be passed tonight!

Mr. Donde: Mr. Deputy Speaker, Sir, if I get through with this Bill tonight, I will be very happy.

So, this is what hon. Members of this House go through whenever they try to do something for this country. Many Kenyans have suffered. I also found out that banks were acting irregularly in charging those interest rates.

An hon. Member: But they are thieves!

Mr. Donde: Mr. Deputy Speaker, Sir, in July, 1991, a Circular was issued to banks, telling them that they would be de-controlled. Because this had to be done through an Act of Parliament, a Bill was supposed to be brought here, passed and backdated.

Mr. Deputy Speaker, Sir, when I was doing my research, I found out that Parliament never even discussed that issue. They went and discussed the repeal of Section 39 in 1996, yet this issue was de-controlled in July, 1991. When they discussed about it and passed the repeal of section 39--- For some strange reason, it was discussed in November in this House, and I have got all the names of hon. Members who spoke. They took it and it was not signed by the President until 14th April, 1997. The date of assent is given as 18th April, 1997. It was not backdated. So, I do not know. That was an illegality which we must sit down and correct it because people were being pushed to something which was illegal. That thing was assented by the President in 1997, and they forgot to backdate the commencement date. So, we have that problem as a nation, and we must see how we can correct it.

I do not want to say much, but I will add two or three points and, then, I will sit down. There is something called cash ratio. I want to explain about it as simply as possible. The Central Bank of Kenya (CBK) was keeping a cash ratio of 12 per cent, and mind you, there is also a liquidity ratio of 20 per cent. The cash ratio of 20 per cent, according to the money which the banks have, and to me, worked out to Kshs54 billion. So, I asked the CBK: "Why do you put the cash ratio, and what for?" Because the cash ratio can only be put when the economy is overheating and we need to pull money out of it. But the economy was under-performing, labour and capacity were idle and factories were also idle and working below capacity.

What economics is that? You do not put a cash ratio unless an economy is at full employment and every factory is functioning at full capacity. But when you go to the Industrial Area, factories are performing at 0.25 per cent and yet, the Governor of CBK is putting the cash ratio on that. What economics is that? After discussing that issue with them very many times, they reduced the cash ratio to 10 per cent, but they are still holding the Kshs48 billion. Then, I heard that they were going to look for money abroad. So, I called them and asked: "Why are you looking for money abroad when you are keeping under lock and key Kshs48 billion?" I further asked them: "Why do you take President Moi on a begging mission abroad, and globe-trotting, when we have money which has been locked somewhere for the last three years?"

(Applause)

I also asked them: "What are you going to do with that money?" They told me that they cannot put that money into the economy because--- I again asked them: "What are you going to do with that money?" But, they went on a globe-trotting mission, and made the President beg, when he should not have done so, and when they got the aid, they came back and put that money into the economy. I asked them: "How does that happen when you

are saying that you did not want to put money into the economy, yet you have put some money under lock and key, and you have taken your own Head of State to beg money and humiliated Kenyans for nothing, yet you have a cash ratio which you do not want to use?" Are they using their heads?

(Laughter)

Mr. Deputy Speaker, Sir, I need some water! I would like this House to urge the Governor of CBK to abolish the cash ratio as from tomorrow and that the Kshs48 billion be made available to banks in order for our people to borrow loans.

*(Mr. Maitha passed on a glass
of water to Mr. Donde)*

Hon. Members: Endelea!

Mr. Donde: Mr. Deputy Speaker, Sir, it is a very sorry state of affairs. It is not that they do not get advice, because since I became a Member of Parliament, I have been walking into their offices and talking to all of them, and they can tell you. I have been offering advice which would have cost them billions of shillings if it was given by international experts. They did not give me anything because I never asked for anything, but they do not want to listen to my advice, because it is coming from Mr. Donde; it has to come from *Wazungus*.

Hon. Members: Shame! Shame!

Mr. Donde: Mr. Deputy Speaker, Sir, the Governor of CBK told me: "You know, the IMF and World Bank officials will not accept it" I told him that nobody will oppose what I am saying, and up to now, I am in touch with them, and nobody is opposing the Bill. I have met all the World Bank and IMF officials and diplomats and none of them is saying that there is anything wrong with the Bill. This is because in their own countries, nobody is paying interest rates of over 6 per cent. So, they cannot challenge the Bill. But the Governor of CBK, and other Government officials, said "*Wazungus* will withdraw the aid." But we have the money that we need; let us take our own money. If that was done, there would be no "IMF and World Bank" which would oppose the Bill, and I know it because I have gone to school with them. They know that I am a better economist than them! They cannot challenge me! Bring anybody here who can challenge the Bill and I will tell him or her off, in front of you. This is because I have worked with them!

(Applause)

An hon. Member: Where?

Mr. Donde: Mr. Deputy Speaker, Sir, this was when I was at the University of Wales, and I was working with Prof. Hopkins, the Chief Economic Adviser to the former Prime Minister of Britain, Margaret Thatcher.

(Laughter)

So, who will challenge that? I have tried my best. I was in the Public Investments Committee (PIC) for two years and I left after the period lapsed. When I joined PIC, we found out that parastatals were performing very badly. I was not the Chairman of PIC, but we worked very closely with hon. Members who were Members of PIC. I told them that we would turn round all the parastatals and you would never hear anybody in the country complaining that the parastatals were bad any more. We started on that mission, by going to the Kenya Airports Authority and we called the management here. We found out that the management was wrong and we insisted that the Managing Director must go. We changed the management and now the KAA is operating well. We went to the National Oil Corporation of Kenya (NOCK) and talked with the management, which was not good. We changed the management with the support of the Government and a new management was installed, and it is now functioning well. We did that to the Kenya Ports Authority and other parastatals. We spent time, and I can tell you that we used to sit under a basement in Mombasa to turn around these parastatals. As I speak here, there is no parastatal which people are now saying is performing badly.

We can do these things. Tell me which parastatal we did not turn round within two years, and I can prove it to you that we did change them. Parliament can still bring many changes in other sectors. We brought our recommendations to Parliament and hon. Members passed them. We found out that in some of the parastatals, the Managing Directors were using funds improperly. In the National Housing Corporation (NHC), a former

Managing Director, Mr. Lawi Kiplagat, went abroad and used credit cards of the NHC to incur a credit of Kshs70 million, and the NHC paid it. He was still in employment. But we said no. We said that we cannot allow that. There were problems in his removal, but we insisted and he had to go. We have had to put people in parastatals who can do the job.

I told the former Managing Director of Barclays Bank of Kenya, Mr. George Gareth, that if we can turn round 200 parastatals, and we put conditions that any chief executive of any parastatal who does not submit his or her accounts in the same year to Parliament would be dismissed--- I think the Head of the Public Service and Secretary to the Cabinet, Dr. Richard Leakey, gave them that brief, and everybody is submitting the accounts. I saw the Ministers here laying on the Table so many accounts of the parastatals because that is the way to run this country. So, if we can turn round 200 parastatals, and if anybody has got any problem with parastatals, he or she can ask me, I will help. I am not in the current membership of the PIC, but I can show people the recommendations that we did. They were beautiful. So, what is the banking industry as [Mr. Donde] compared to the 200 parastatals? It is peanuts! We can still bring changes to it. Let nobody try and look at that issue as being monumental; that you cannot climb it. I once heard somebody say in a function that I went to with the President that if the fellow who put the flag on Mt. Kenya started looking at the height of Mt. Kenya, probably, he would not have put that flag there for our Independence celebrations. You do not start by looking at an issue in the light of the IMF and World Bank. We are responsible to the people who elected us to Parliament and not the IMF and World Bank.

I would like the Minister to give us the 71 conditions which the IMF and World Bank gave them, so that we can know if this country can comply with them. If they are too strict, we can tell them that we cannot comply with them. Those conditions must be brought to this House so that we can look at them and see which ones we can comply with and which ones we cannot comply with because we are responsible to people down there.

(Applause)

Mr. Deputy Speaker, Sir, I wish I could say more---

Hon. Members: Endelea!

Mr. Donde: Mr. Deputy Speaker, Sir, probably, I will put across one more argument before I stop. I would like to explain something which might be of use to the Bill. When we started talking to the banks, they had many complaints. I attended each and every forum to which I was invited by diplomats, academicians and consultants for the reason that I wanted to be sure that everybody understands what this mission is all about. I took time and gave everybody, and any institution that wanted to talk to me, all the time and explained myself. I spent a lot of time. I did this so that we can get across to the country, so that when we sit here the people out there will not have any war with this Parliament.

Mr. Deputy Speaker, Sir, the state of the banking industry in this country is very bad. I found a bank - and there are many like this - where the managing director is the father; the advance manager is the wife and another manager is the daughter. Why does the Central Bank allow such things to happen? I do not know whether this is the Bullion Bank. It is just a family affair. You cannot have a bank where the managing director is the grandfather, the son is the managing director, the wife is the advance manager and so on. What are you doing to this country and yet we have a Central Bank? We cannot allow that. What are you telling our people? That, they can entrust their wealth to these kind of people? It is not allowed. It is going on and we have a Central Bank which this Parliament created by an Act. I was a bit upset because the Central Bank is not in charge of policy. The man in charge of policy is the Minister for Finance. The Central Bank was trading accusations with me and yet they just support what this House passes. I am asking the Governor of Central Bank, if we pass this Bill now, how will he implement it if he opposed it? He will have to resign because this House cannot entrust him with implementation of the programmes of this House. I told him many times that if there was a problem he should let the Minister address it because he is in charge of Government policy. If this House passes the Bill, the Governor should implement it. How will he implement this Bill now that we are going to pass it? There are some people in this country who just do not know what they are doing!

It is a very sad affair, but all is not lost. This is a vibrant Eighth Parliament. I would like to appeal to Kenyans out there that they should vote back this Parliament, as the Ninth Parliament. I am very happy today that we have had a chance to talk about this issue. When this Motion was being moved on the 7th June, I found it difficult to find a seconder. I had to get a seconder hurriedly here. I went to hon. Kajwang whom I requested and I do not know whether he managed to get his party to accept it, but he accepted to second the Motion. When we succeeded, I told him that, God willing and upon the Eighth Parliament doing what we expected, I would allow him to second the Bill. I made that promise at that time. I am a man of my word and a man of trust. Before Robert

Maxwell committed suicide, he once said that trust is like virginity; you only lose it once.

Mr. Deputy Speaker, Sir, I beg to move and kindly request hon. Kajwang to second the Bill.

Mr. Kajwang: Mr. Deputy Speaker, Sir, I want to thank hon. Donde for giving me this opportunity. We are talking about Kenyans' money. The interest rates, and businesses that we are talking about, are in Kenya. The people who bank in this country are Kenyans. This is our country and we are bound to regulate our economy if we find that some foreigners are ripping it off. I want to share with you one thing which I read, when I was travelling, on the global economy. Somebody said that the fate of the global economy is in the hands of the "market." He said that the market is an amorphous and almost a lawless organism that is responsive to "Sorros Economics." It is named after US top speculator called George Sorros, who brought down Malaysia and the Far East economies. It would also be rightly described as "casino economics."

We have been put in a situation whereby we are in the hands of speculators. They are global speculators and of course, they threaten us. They came here through the World Bank and IMF, who seem to receive money from these speculators and read us a Riot Act in this country. These words were repeated by the Secretary of Commerce of USA, Mr. Brown in 1996. He said this was what they expected of us: Currency devaluation, deregulation, removal of price controls, liberalised trade, investment rules and procedures, tightened controls of Government expenditure and privatisation of state-owned enterprises. What they did not talk about, and which I think they meant, was deregulation of interest rates and that is what our banks picked. In January 1993, interest rates which were then controlled at the rate of 19 per cent in financial institutions went up. In the financial institution where I used to bank, it went up to 71 per cent. I am talking about a rise from 19 per cent to 71 per cent overnight and if you do not pay within one month, there is a penalty of about 20 per cent. If you multiply 20 per cent per month by 12 months you will get 240 per cent.

When we talk of bad debts in this country, we are not talking of dishonest businessmen who went to steal from the banks and they did not want to repay the money; we are talking about genuine businessmen who drew plans and presented them to the banks. The banks read, approved them and said: "At this interest rate, you are able to do business and return our money." Overnight, they will then tell you: "Now I want you to pay my money back with interest of 71 per cent and a penalty of this amount. If you cannot, I will call back my money." They called back their money and every genuine businessman went bankrupt. This country is now made of bankrupt businessmen. The only people who are doing business in this country are the multinational banks. They are the only ones who declare profit. I have never seen anybody else declaring profit. The only other bank that declares profit is the Central Bank. I do not know why the Central Bank is in business to make profits. For whom?

While hon. Donde was talking of cash ratio, I thought, maybe, that is where they are making their profits from. We do not need that profit. We need them to regulate this economy so that we, the small people, can make money. This country will be better off without that profit from the Central Bank. This "Riot Act" has gone on and of course, our Finance Ministers have to co-operate. If they do not co-operate, we do not get the money from IMF and the World Bank and if we do not get it, we are in bad books and so on. Who can do business in this country with an interest rate of 30 per cent? When I first came into this House I said that these interest rates were unsustainable. No bank manager can give you a loan at an interest rate of 30 per cent because he knows that you cannot repay it. So, he would be doing something irregular and irresponsible by giving you money. Who borrows loans these days? Could any hon. Member or Minister who has borrowed money in the last one year, carry up his hand? Everybody is a debtor in this House. We cannot move on like this. This country needs viable businessmen; young honest people who do clean business. We cannot rely on the control of a person who seems to be looting us. The banks say that they can regulate themselves, and the question is, if they can regulate themselves, why do they have an association? Of course, it is there to help them fix interest rates, penalty fees and everything else. Is that a market? This is what is, of course, called a cartel and sometimes some people used to call them oligarchy. They are a small clique of people who exert a lot of influence on the Government. These banks are not many, but you saw the pressure they exerted on hon. Donde, whom I told I would support, because I am used to pressure. They exerted a lot of pressure on hon. Donde and the Minister. We were called to cocktails and luncheons for the first time. Why are banks forming an association to give us lunch and persuade us in order to rip off this economy? We cannot allow this.

Mr. Deputy Speaker, Sir, when there is a monopoly of a few banks, which form an association and then they tell you that you leave them alone because they shall regulate the interest rates, you cannot believe them. Of course, if you believe them, you are doing that at your own peril. But we cannot have a country where everybody is bankrupt. I can assure those who are in the Government, now that Parliament is becoming much more aggressive, you may not find so many cuts, kickbacks and so many other things which used to make it better. Everybody has to go to business and do it. You cannot carry out business like this. This is the hypothesis which has been given. Of course, they have called us fools, we do not know what we are talking about and we are irresponsible, as if they

own this country and we do not know anything about it. These banks said that if we control or regulate them, they would concentrate lending to big and established clients. Of course, they have concentrated their lending to big and established clients, and they have not given us any lending. So, if we control them and they lend money to big clients, they are not doing anything new. In fact, they are doing what they have always done. So, that does not hurt us. Secondly, they have said that they will put money in less risky Treasury Bills. Of course, that is where they have always put their money. I would like to point out that banks stopped and forgot about banking business. I thought that in banking business, you are supposed to advertise, ask people to put in their money and after that you appraise their proposals and see whether they are viable or not. Banks do not do that because they do not have time to do it. There is easy money from the Treasury, and the banks merely go and buy Treasury Bills at the end of every month or two weeks.

Mr. Deputy Speaker, Sir, the banks further said that if we control them or regulate them, they would reduce the lending activities. Of course, they should reduce them, but I do not know whether they have been lending anyway. So, you can see that these banks are not telling us anything new. When newspaper people start writing these things to threaten us that we are fools, these people will reduce lending, which they have not been doing, they do not reduce anything. The banks also say that, of course, if we restrict the interest rates, they will still charge penalties and fees, and so we would have done nothing. We are beginning here; if they charge penalties and fees, which we think are detrimental to this society, we will come back here and control them. This is because we cannot allow them to charge what they like, so that they make a lot of profit and the people who benefit from this income are shareholders. I would like to point out that the shareholders of Barclays, Standard Chartered and First American Bank are not in Kenya.

So, poor people like us, who are being laughed at in the United States of America (USA) and in other countries of the world as being poor are the people who sustain the shareholders in the USA and Britain.

(Applause)

Hon. Members: Shame! Shame!

Mr. Kajwang: Mr. Deputy Speaker, Sir, how can they say that we are poor? We are poor because they take away all our money. The banks have also threatened us that if we restrict them and control them, they will retrench the staff. Of course, they have retrenched and they can continue to do so, but when I talked to some of the bank employees, they said that, if they have to retrench them, let them do so, but this is good for the country. We have patriots even in banks, who know that they will lose their jobs but they do not care. They say that they would rather lose their jobs, but if the interest rates will be manageable, they will go out, borrow some little money and do *mboga* business. They say that, that will be better off than ruining this country. The banks further threatened us and said that if all fails, then they will close down.

Hon. Members: Let them close down! Let them go away!

Mr. Kajwang: Si wafunge!

Hon. Members: Ndio! Let them go away!

Mr. Kajwang: Mr. Deputy Speaker, Sir, if they want to go home, they are free to pack and go! Our farmers, who have Kshs500 million have been pleading with the Government to have a bank in this country, but they have been denied a chance. That will form a big capital and the farmers bank will come into operation and we will be happy. So, these banks such as Barclays, Standard Chartered and First American can go tomorrow and this country will not die because these banks have left the country.

(Applause)

I would like to inform this House that just the other day, I was a student at Makerere University and there was no bank there, other than the Uganda Commercial Bank (UCB) and Uganda is doing better than Kenya today. So, they should not threaten us. They can go away and we will move on. I would like to say that this country will not stop functioning because Barclays Bank has gone away. In any event, they are trading with our money. So, what will we lose if they go away? Somebody else will come and trade with that money.

These banks further threatened us and said that investment capital will not flow into Kenya. What investment capital are they talking about? Is it the "hot" money? Of course, most of the money which was here has now been transferred to Zimbabwe where they charge 70 per cent interest rates. That is the mistake we made in 1991 and it is now replicating itself in that country. These people have run there. I would like to say that anywhere, where there is high interest rate, they will go there. These people run to where they make the biggest capital. So, we are not afraid of them running elsewhere, but there is no investment money which comes from

these "hot" men. It causes more harm than good. We want people who come here to make money and create employment and not people who come here to play casino with our money.

These people also talked about capital flight, which is almost the same thing as "hot" money. Then they said that it is bad debts which have made the interest rates go up. I never used to hear about bad debts until 1993/94. What happened? I would like to say that the bad debts started with liberalisation. When you liberalised the economy, everybody could not pay back loans and the bad debts became bigger and impossible to pay. Of course, they have imposed the bad debts on them, but we will not remove them. I wish the Chair gave every hon. Member here a chance to give his personal testimony of the injuries suffered; it would be a litany of pain and suffering. But let me leave that there.

Hon. Members: Hon. Nyanja!

Mr. Kajwang: Mr. Deputy Speaker, Sir, what we are saying is simple; that the banks collect money almost free of charge. I would like to say that now you have to deposit a minimum of Kshs10,000 to keep your money in some of these banks. So, you can calculate the number of billions the banks keep in their pocket for free. Of course, they keep the Retirement Benefits Funds and if you ask them the percentage they pay per year, you will find that it is 2.5 per cent for all those billions of shillings!

It is very painful! When they collect that free money, they give it to the Government to buy Treasury Bills at 24 per cent interest rate. Now, it has come down a little. We are talking of 12, 11, 10 per cent. But that is what they did. They take the money free from us, give it to the Government, and earn very high interest rates, and the domestic debt goes up! So, the only thing that we earn, as the people of this country, is domestic debt! We give them the money which they take to the Central Bank and inflate our domestic debt. The only profit this country ever makes from the business of the banks is large domestic debts. There are two. There are large impossible domestic debts and bad debts. Now, the domestic debt is Kshs172 billion. I do not know whether that is what we should reap from our money. The more our people work hard on their farms and raise some little money, the more it causes them injury. There will be more bad and domestic debts. So, let the banks go back to banking. That is what we are giving them. We are giving them one simple mission. They should go back to banking. They should start looking at their appraisals. They should start inviting the people to bank with them. The banks are becoming arrogant. They do not need anybody who does not have more than Kshs10,000. So, they have so much money and a ready market in the Treasury Bills. They do not need to do any banking business. So, our banks have forgotten to do banking business. They should now go back. We are giving them 3 percentage points over Treasury Bill rates. They should now work it out and know how to make money. Those who fail to do that can collapse and go away! That is banking. That is what they should be doing. Banking is supposed to facilitate us to go and borrow. You cannot do business without borrowing. So, what have they done to us? You cannot borrow because you cannot repay. So, we are in a stagnating economy; a vicious circle of poverty in this country! We are watching it and saying: "We cannot do anything! You see, they have to make their profits. They have to meet their overheads!" Does this country belong to the International Monetary Fund (IMF), World Bank and their associates; the International Capital?

Just look at what somebody else said about them:-

"Given the decisive role that international capital plays in the fortunes of individual countries, it is not inappropriate to speak of a global capitalist system. The system is very favourable to financial capital, which is free to go where it is best rewarded."

They can now run away from Kenya because we will not reward them any more!

With those few remarks, I beg to second.

(Question proposed)

Mr. Kibaki: Mr. Deputy Speaker, Sir, I rise to support this Bill. I know that all of us in this House, who have taken time to think about this matter, and all the people in the whole of Kenya, are anxiously waiting for the Bill to be passed. We all know that. But there are people who, apparently, still need to be persuaded from where they have sold their souls to foreign theories. We are talking about an agricultural economy of Kenya. We are talking of an economy where 80 per cent of Kenyans live in the rural areas. For the economy to be revived, you must be able to borrow some money from some institution, to begin the activity of investing. Without the activity of investing, there will be no additional employment, growth and revival of the economy. Everybody has agreed on that point.

Mr. Deputy Speaker, Sir, if 80 per cent of Kenyans have no capacity to borrow from the existing financial institutions in Kenya, we arrive at a point where Kenyans cannot borrow from their own economy. So, there is no economic activity taking place. An ordinary farmer will want to buy seed and fertiliser. He cannot borrow from

a bank in order to do that. But the banks do take the savings of the whole economy. The whole economy of Kenya continues to save a quarter of its income - that is 25 per cent - in banks. We cannot borrow from those banks because the interest rates are too high to be serviced by the ordinary peasant farmer or worker! Therefore, the economy is stagnant. It cannot grow. So, the choice we have is very simple. Either we go on stagnating the way we have been for the last ten years--- Everybody has agreed to that. In fact, we have not only been stagnant, but we have been growing in the negative, that is downwards, for the last ten years. That is a fact. Do we want to continue with that position? No!

Mr. Deputy Speaker, Sir, the argument that we are bringing here is that we have a duty, as the House, to change that vicious circle of stagnancy because of the high interest rates, and all the other conditions which are put to us. Therefore, the manner of doing that exercise is essentially in desperation. In that desperation, we have to take drastic measures, like what is being proposed now. Those measures must be taken.

Mr. Deputy Speaker, Sir, what we have been told about things like capital flight and others is an effort to cheat us! Capital which is speculative will come where the interest rates are high. Whatever you do, you had better do what you think is better for your economy, not because of the people who always fly at night investing where interest rates are high, but because we want to encourage the residents of Kenya, who would like to invest, to do so.

Mr. Deputy Speaker, Sir, you know that we have been spoiled in Kenya. Every person who talks to us, talks about foreign investors. What about the Kenyan investor? Where does he live? If we want to revive the economy of Kenya, we must start with the Kenyan investors. Those form the largest numbers. The economy cannot be revived by one big investment somewhere.

Mr. Deputy Speaker, Sir, the economy shall be reversed when 100,000 peasant farmers are able to borrow inside Kenya, and plant maize now that the rains have come. They should be able to cultivate or even plant grass for their livestock. That way, we will be able to revive the economy. That cannot be done by one big investment from outside. We have been spoiled. We should remove those things from our minds. We must not do that because something will happen to the foreign investor. Who is that foreign investor? He will not revive the economy. When he comes here, he will only eat the juicy part of the tree. He will leave you down there rotting! That is why they are here to try and take titanium in Kwale. They never investigated the damage that will be done to the environment in Kwale. We are here to encourage the Kenyan investor. So, I propose that we do what we have to do.

First, let us set the parameters for the banking and the insurance sectors. Those are the money areas in the whole economy. They take all our savings. Kenyans save 25 per cent of their economy. Those two sectors control what happens to those savings. Therefore, for them to guide the money where it is productive, they need parameters to be set for them. They should not be left free to run wild! The foreign investor beats there, robs that one, robs the other and sells that one off! We should set the parameters. The figures that are being quoted here form one way of setting the parameters.

There is a fellow who said that, that is not done around the world, showing his total 100 per cent ignorance! He should have kept quiet. If you do not know what is going on in the world, why say that there are no regulations in the rest of the world? In the rest of the world, money in banking and insurance sectors is regulated. The world you are talking about, unless it is some other world---

*(A mobile telephone rang in
the Speaker's Galleries)*

Mr. Deputy Speaker: Order! Order! I expect hon. Members to be honourable! Could that hon. Member, who has that mobile phone, stand up and leave the Chamber instantly? Who is he?

An hon. Member: Forgive him!

*(Several hon. Members pointed
towards the Galleries)*

Hon. Members: It is not here; it is from the HANSARD box! It is from the Galleries!

An hon. Member: It is not here! Huko!

Mr. Deputy Speaker: Is it from the Galleries or from the HANSARD box?

An hon. Member: It is the HANSARD box!

Mr. Deputy Speaker: Proceed, hon. Kibaki!

Mr. Kibaki: Mr. Deputy Speaker, Sir, I was just saying that what we were told; that there is no

regulation of banking and insurance industries in the rest of world, is not true. As we know, in the rest of the world, the interest rates have remained low because of two factors: One, there are very well prepared and organised regulations; that is important and that is what we want to have. Two, there is discipline among those who manage the banks and insurance companies around the world. But in this nation there has been no discipline. They have no mercy! They are going to sell you tomorrow, even if you have paid five or ten times the interest of what you borrowed. So, the parameters we are setting are for that purpose.

Mr. Deputy Speaker, Sir, for instance, if I may give only two examples of the parameters we are trying to set. We want to set a parameter which will say: If I borrow Kshs100, then the fellow who lends me that money should not be seeking to earn more than Kshs200.

(Applause)

It is not a strange thing! The bankers themselves know that there are parts of the world where these principles apply. This is because in Kenya today, I can tell you what you already know, you will pay seven times what you borrowed, but you are still owing money to whoever lent you the money. Is that not really criminal? It is totally

criminal! You borrowed a million and you have repaid five million and you still owe them money! There is something criminal in it. I am sure, even if somebody happens to be inside the Government, he knows of this fact and I am sure he will not just want to support a thing like that to continue because he is the Government. Even if he is the Minister for Finance; he should not want such a thing to continue.

Mr. Deputy Speaker, Sir, above all, we should not have a social system that allows the auctioning of the property of somebody who has already repaid three or four times what he borrowed. You are aware that, among the auctioneers that we have now, there is a cartel of corruption where they organise how to sell off so-and-so and then they will organise to redistribute the wealth between themselves. So, this is one parameter about the maximum interest you may earn because the market of Kenya is too small to control it. It requires to be controlled and it is something which Parliament should say that, it shall grow to "X" level. That is why we are saying what you repay should not grow beyond double what you borrowed. That is a parameter and a principle within which the banks shall make money. Nobody will say that a bank has not made money, if they lent me Kshs500 and they have already earned another Kshs500 from me, they have already made money! So, limiting it at that level is not even a serious thing to the business.

Equally, another parameter that we are trying to set, is the amount that you will pay to the persons who save, because for us to grow we must make savings from the current income. But as it is today, those who save money now are paid only 4 per cent. The bank pays the depositor 4 per cent, and then lends the same money at 30 per cent or 35 per cent. That is not fair and it is not proper because as a developing economy, to encourage savings is the only way out and the person who saves should be paid a reasonable proportion of the final lending price. That is why we have put the interest paid to depositors at about 7 per cent, as at the present moment.

Equally, we have other parameters and one of them has already been spoken about by the Mover of the Motion, Mr. Joe Donde. This is the rate at which the Central Bank and others are putting money aside. In Kenya, 40 per cent of all the deposits put in banks are not lent to any one; they are lying idle. In other words, these banks who are minting billions are utilising 60 per cent of the total savings of Kenya. The rest of the savings, which is 40 per cent, is lying idle. What does that mean? It means that the economy is stagnant and above all, there are no opportunities for investment. Above all, that money which has been saved and which should be available for borrowing cannot be borrowed because the price put on it by banks is too high. That is what it means! That is why the 40 per cent of total savings are not being utilised in the economy; they are just lying idle. If they will lie idle, how will you have development? You cannot! You must lower the price!

Mr. Deputy Speaker, Sir, as it happens, if this was a normal market, like the ordinary markets of potatoes *et cetera*, we could not have anything. The money market is like a potato market except for one fact, that, it is controlled by a handful of people. That is the only difference. Otherwise, there is no reason why 40 per cent of the total savings of Kenyans is lying idle, unutilized. We are poor; we want to invest by putting it somewhere, but how can you touch it when you must pay 35 per cent or 40 per cent? You cannot! So, it is lying idle and it will continue to lie idle and yet we want to have development. So, we are forgoing development by allowing the present system to continue. Let us put a parameter which has to do with the price for money because that is what the interest rate is. If you regulate the price, this money will be borrowed by Kenyans. Forget this foreign business!

When we have a prosperous economy in Kenya, I am telling you the foreigners will flow in. But if we remain stagnant, we will not be attractive to any foreigner. So, we are not saying that we do not want foreigners, we are saying that we must do first things first. We should prepare the groundwork of Kenya, let the economy be

prosperous and we will attract the foreigners. They will come. So, lower the rates of the price of money. In any case, as has already been made quite clear by the Mover of the Bill, since three banks together are able to determine what shall be paid for money saved, are you going to allow the Kenya world to live in a situation where three persons agree to everything else?

There is another point which has been made and which should be taken care of. The Central Bank of Kenya does actually check all these banks very often. The banks which had gone under were being checked after every three months, sometimes even more often. It was found that they were lending the money from customers to themselves. The managers and the owners of the banks, were lending depositors' money to themselves. When that was found out, nothing was done! So, when the banks eventually went under, the Receiver started telling us: "In that bank, the manager, his friends and relatives had a lot of inside lending."

Now, the Central Bank of Kenya, which inspects banks after every quarter, must have been aware of that earlier on. Why did they not take any action? The Minister for Finance has got to find the answer to this question and reply to this House and the nation. Why did the Central Bank not apply the powers given to it by this Parliament when we amended the Central Bank of Kenya Act? This is because all those collapsing banks were being inspected every three months and no action was taken in time. We have no answer to that particular kind of principle. So, pay the fellow who saves money a better price and we shall begin something better.

Mr. Deputy Speaker, Sir, just to strengthen the point which was made about Treasury Bills, I was looking at what is being paid for them in the prosperous nations of Japan *et cetera*. The Japanese Government is borrowing at 2.5 per cent and yet, it has the largest amount of internal debts than any other nation. They dictate they will borrow at 2.5 per cent because they just announce it and because it is so, there are people who put savings in it. It is a safe lending. So, equally in Kenya, let us not be told of the pretence that we have to offer huge sums of money to people who have money lying idle - namely the banks, so that they may then lend it to the central Government. That is a fallacy and falsehood; it is not true. It has no foundation on the ground. It is only that---

Mr. Deputy Speaker, Sir, secondly, some of the largest investors in Treasury Bills are Kenyans who stole money from the Kenyan economy. They then took it abroad and eventually when interest rates were hiked the way they were in Kenya, they were being fanned upwards until they went to 70 or 80 per cent by the inflow of that capital which is stolen money from Kenyans, brought back to Kenya to roost for robbers to steal from us and that is a fact. It is not a story. If that is the capital called foreign that we are told is going to run away, now that kind of foreigner who is very Kenyan should also migrate and go where his money is. In fact, we know the realities of these things and that is a thing which is really very well known. However, anyway, I am emphasising that the Government can borrow at a rate of interest which is only 5 per cent in Kenya today. It can offer 5 per cent if you get all the money it needs because 40 per cent of all the deposits are lying idle. So, you can offer 4 to 5 per cent and you will get all of it. In any case, that is what is done by the rest of the world.

Mr. Deputy Speaker, Sir, let me make another additional point which is actually to do with the our ability to service internal debts. The genesis of all the economic problems we are now facing in Kenya goes back to the Government mismanaging the economy and having to borrow very heavily from the market. It is what has brought all the problems and it is still the problem. This is because at Budget time, we were told that the domestic debt would be reduced but upto now, it has not been reduced. It has been increased by another Kshs10 billion. So, whereas it was Kshs160 billion, it is now Kshs172 billion. So, the Government which promised to reduce local borrowing so as to stabilise what we are talking about is not doing it. It is increasing the local borrowing. It has now borrowed Kshs172 billion. So, it is not even obeying the forecast it gave us. The things they promised us, they are not doing them. So, they also require us here to find ways of setting the parameters and limiting within which rules they may operate. This is because they have shown they are incapable of being able to bring new thoughts or even fulfilling what they have promised they were willing to do.

Mr. Deputy Speaker, Sir, finally, I am convinced that the way we have banked here, we must as a country, encourage local indigenous banks to be set up to undertake the savings because all these savings we are putting in banks are lying idle - 40 per cent of all the savings are lying idle. We want to encourage local banks but as of this moment, the policy of the Government is to add. They are raising the amount of capital you must raise before you can be licensed as a bank. This is one way of frustrating development because the small person will never be able to have a bank. Who said that a bank must have a capital of hundreds of billions shillings? You can have a small bank which has only Kshs50 million and it remains a small bank but it will serve those small people and these are the people who want to borrow and they are the only people who will revive this economy. So, the policy being followed now, vide the Government, through the Central Bank, is faulty. It is serving no one. It is serving only foreigners. It is a great pity that an African Government pretending to be properly elected, is serving foreigners only.

(Applause)

Mr. Deputy Speaker, Sir, we honestly have a duty. How can we have a country where 90 per cent of Kenyans have no way of going to any lending institution and yet, savings are there but you allow the price to be set by three banks and then we are excluded from borrowing? When we want to start small banks, we are told the unit is no. How? This must be revised. Let us allow those who want to start small banks in the rural areas to lend us money and they will be able to do it and we will begin to prosper. However, so long as we are looking to this big banks--- We are not against the big banks but it is that we take what they are doing as a fact. A fact that all of them want to reduce their banking. They want to reduce the branches they have. They want to raise the amount you must invest at minimum amounts. Therefore, they are withdrawing themselves from the people. They are even closing branches everywhere, so that we have many towns in Kenya which used to have a bank and now they have none.

Mr. Deputy Speaker, Sir, I am saying that we act on two fronts. We ask these banks which are here and minting so many billions from us and we have a right to ask, that they do not close these branches. That, in fact, they grow and have greater access to encourage greater savings. This is the way we are going to grow and on the other hand, let us allow new small banks to start up wherever they want. There is a huge one by farmers. Let them be allowed to start their bank. There is no point telling us some bull shit; that these farmers do not know anything about money. What are you talking about? Those who are managing the present banks were born here in Kenya by these same farmers you are talking about and we will recruit those who will manage from that same lot who are very well-educated and they are running these foreign banks on behalf of the foreign owners, and they can run a local bank on behalf of local owners.

Mr. Deputy Speaker, Sir, the whole of this foolish talk is that we are tying ourselves in knots, only to please foreigners. When shall we begin to please Kenyans? Let us begin now by taking action to limit the interest charge, how high the interest rates may grow and to increase the interest that shall be paid to the people who make the savings. This is because after all, you and I know that is the money we are talking about. You know the money we are talking about and we are now bringing a law that belongs to only one category of people - those who save from their current income. Those of us who consume everything we earn per month, we are not contributing anything. We just consume. However, for those who save some money from their current earnings are the ones who put that money in banks and that is the money we are talking about and we are not involved. We are talking with banks. We want to see who will control *et cetera* and we forget the true person who matters who is that one who saves. So, if he is not encouraged to save, we shall not grow. So, let us give him something. Let us pay him something related to the market you are talking about and that is why we are saying: "Pay him at least 70 per cent of what is being paid at the Treasury Bills level." That is all we are saying. This is because he is the person who matters and at the moment, he is neglected; he is even ordered around and told: "If you are withdrawing your money you must leave some Kshs10 billion in the banks." Now, he is a poor fellow and why can he not be allowed to behave the way he is as a poor person, because he is like that and you start helping him at that point? Why can he not be allowed to live the way he wants? We will be helping him at that point. So, that is all we are pleading for. Personally, I believe that on this particular Bill, we should not have any political differences at all. Here is an issue which is truly of national importance. We should all pass this Bill and have a new beginning. Let us not be told stories of South America and other funny places. This is Kenya and Kenyans, as I said, have been saving their money and they want to be able to utilise it.

With those few words, I beg to support.

Mr. Mkalla: Mr. Deputy Speaker, Sir, on behalf of the hon. Members of the departmental Committee on Finance, Planning and Trade, and pursuant to the provisions of Standing Order No.113, I would like to take this opportunity to present to the House the Report and recommendations of the Committee on the Central Bank of Kenya (Amendment) Bill. The Bill was referred to the Committee on 4th October 2000 upon a Motion moved by the Minister for Finance, pursuant to the provisions of Standing Order No.101(1). The Finance, Planning and Trade Committee held seven sittings to discuss the various aspects of the Bill. The Minister for Finance accompanied by the Permanent Secretary, Financial Secretary, Governor of Central Bank of Kenya and the representatives of the Bankers Association of Kenya attended the sittings and discussed the contents and implications of the Bill in detail.

Mr. Deputy Speaker, Sir, the objectives of the Bill are as follows:-

(a) To amend the Central Bank of Kenya Act, Cap.491 in order to harmonise the cost of borrowing and lending in the banking sector in order to ensure that the rates reflect market conditions.

- (b) To make credit affordable and, consequently, available to Kenyans.
- (c) To reward the depositors; encourage more savings, and to improve the level of savings in this country.

The Committee was informed that high interest rates were occasioned by the following factors:-

- (i) The high Government borrowing built over the last six years from the local banks through Treasury Bills, *et cetera*, which now stands at over Kshs160 billion.
- (ii) High cash ratio requirements by the Central Bank of Kenya as part of its monetary policy instruments to mop up excess liquidity from the economy.
- (iii) Frustrations experienced by commercial banks in attempting to recover non-performing loans, now standing at over Kshs110 billion through the judicial process.
- (iv) High cost structure of commercial banks which cannot be reduced immediately.
- (v) Astronomical inherited union-based salary increases which have resulted in large wage bills for the commercial banks.
- (vi) A low level of investor confidence in Kenya which results in interest rates premium loading by commercial banks to recover the country's risk.
- (vii) Poor lending, particularly by the Government owned banks, due to political influence in approval of non-viable loans. This has exacerbated the non-performing loans situation and contributed to instability in the banking industry.
- (viii) Insider lending and fraudulent activities by directors in indigenous and Asian-owned small medium banks.

Having been informed of the factors contributing to the high interest rates, we asked for action being taken by the Ministry of Finance, Central Bank, commercial banks and the Judiciary to reduce the high interest rates.

The Government has already started implementing the following policy decisions which will facilitate reduction in the interest rates:-

- (i) Faster repayment of the domestic debts and minimising any further borrowing. This will make financial resources available to the private sector and will ensure that increased level of funds availability drives down the interest rates through the market mechanism.
- (ii) Reform of the Government and public institutions procurement systems.
- (iii) The appointment of finance officers to line Ministries.
- (iv) Rationalisation of Government departments to remove duplication of functions and reduce expenditures.
- (v) Implementing the Civil Service Reform Programme.
- (vi) Privatisation of key public enterprises, particularly those banks owed by the Government. This will reduce the opportunities for political influence in advancing loans.
- (vii) Seeking rescheduling of external debts which will ease pressure on Government Budget.
- (viii) The resumption of the IMF loan programme support which enhances investor confidence and policy credibility, thereby lowering the country's premium.

As regards the Central Bank of Kenya, there is progressive reduction of cash ratio from 20 per cent to the current 10 per cent with the aim of lowering it to 5 per cent within two years. Reduction in cash ratio will result in reduction in base lending rates and the target reduction in ratio to 5 per cent will, therefore, lead to reduction in interest rates to 0.625 over all. Interest rates charged to banks through the overnight lending facility have been reduced from 5 per cent to 3 per cent above the Treasury Bills rates. In addition, the Central Bank intends to implement the following measures:-

1. Strengthen prudential bank supervision to reduce non-performing loans and maintain stable financial systems.
2. Rationalise Treasury Bills issue size to Kshs8 billion per week in order to stabilize the Treasury Bills rate.
3. Encourage bank mergers to facilitate rationalisation and enhance competition.
4. Encourage the development of macro-finance institutions to help mobilise resources into the formal banking sector.
5. Continue to maintain low stable inflation.

Mr. Deputy Speaker, Sir, as regards the commercial banks, the banking industry does appreciate the fact that interest rates have been high and have not fallen in tandem with the reduction in Treasury Bills rates. The banking industry is currently undertaking the following structural changes which will result in leaner, but efficient banks that will be in a position to encourage lower interest rates on their advances.

- (a) Rationalisation of branch network and staffing.
- (b) Computerisation of bank operations in order to improve operation efficiency.
- (c) Banks are considering and exploring the legal effects of introduction of the Duplum Rule in Kenya.

This rule limits the maximum interest chargeable to a maximum of up to the capital borrowed.

(d) The banking industry has embarked on the process of formulating a Banking Code of Conduct. This will set out how banks deal with customers in areas such as bank charges and lending information.

Mr. Deputy Speaker, Sir, while looking at these issues, we noted certain consequence of the Bill. The Committee was informed that should the Central Bank of Kenya (Amendment) Bill be passed in its present form, the following ramifications can be expected within the short term and medium term. First, inability to price risks will affect lending decisions. The outcome will be to ration credit to all its borrowers. Those who might access credit are mainly corporate borrowers with demonstratable track records who will then channel credit to the Government through investment in risk free financial assets like the Treasury Bills. This will defeat the objective of the Bill to make credit available to Kenyans. Secondly, given the current state of the economy---

(Loud consultations)

Mr. Deputy Speaker: Order! Order! Hon. Members, let us hear the Chairman of the Finance, Planning and Trade Committee.

Hon. Members: He should table the Report!

Mr. Deputy Speaker: Order! Order! He cannot table a Report which he needs for the business before the House. Hon. Mkalla, how far do you have to go?

Mr. Mkalla: Five minutes, Mr. Deputy Speaker, Sir.

Banks' inability to fully recover the cost of doing business will ultimately affect the future viability of the banking sector and the entire economy in general. This could lead to banking crises and increased hidden costs in the form of banking charges.

The Committee made the following observations. The Committee considered the Central Bank of Kenya (Amendment) Bill and observed that:-

1. Despite the Government pre-commitment to reduce domestic debt, the current Government borrowing has increased from Kshs160 billion to Kshs172 billion according to the Central Bank of Kenya Monthly Review Report. Therefore, Government borrowing is unlikely to decrease to bring down the interest rates through the market mechanism.

2. The current cash ratio requirement by the Central Bank of Kenya is 9 per cent, while in the past the ratio has been fluctuating between 15 and 20 per cent when the economy was performing better. Therefore, the argument that the high cash ratio requirement by the Central Bank of Kenya is a major contributing factor to high interest rates does not hold water.

(Applause)

3. The need for commercial banks to resort to judicial processes to recover outstanding loans would be reduced substantially if the banks exercised due diligence when advancing loans and the Inspectorate Department of the Central Bank of Kenya were more effective.

4. Commercial banks should not attribute their high cost structure to high interest rates but rather to the inefficient management of their banks. Commercial banks should take cognisance of the historical inheritance of union-based salary increase by projecting and proving to the Industrial Court that they can afford and sustain the salary increment. Since commercial banks are locally based, there is no justification for loading of interest rates premium to reduce the country risk rate. Commercial banks should not attribute high interest rate to inside lending and fraudulent activities by directors in the banks, but rather to lack of good professional ethics in lending, inefficient management and lenient supervision by the Central Bank of Kenya. The Central Bank of Kenya should exercise extra supervision on commercial banks while reducing the cash ratio.

Mr. Deputy Speaker, Sir, the Bill has not also specified the penalties to be levied on the banks that do not charge the interest rates stipulated by the law. Again, the Bill does not give leeway to a customer to accept a lower interest rate on a deposit other than the one stipulated in law. The Bill has not properly addressed how the interest rates can be reviewed periodically. Further, the Bill seeks to have the Central Bank of Kenya ensure that the interest rates charged by the banks make up a maximum of 3 per cent above the 91 day Treasury Bills. However, the drastic drop in interest rates can cause serious disruption in the financial sector.

Mr. Deputy Speaker, Sir, the Finance, Planning and Trade Committee recommended that:-

First, other than the charges provided for in Section 39(1) of the Central Bank of Kenya Act, Cap.491, no other charges may be authorised or charged to the borrowing customers as they case may be. Under Section 39(4), the Committee recommends that the borrowing in respect of which the rates charged under Section 39(1) of the Central Bank of Kenya Act, Cap.491, are levied, shall not whatsoever attract personal guarantee of any director in case of companies or individuals in case of partnership.

(Applause)

We want also to introduce another amendment to this Bill and we will call it Section 39(5). It states that: "Notwithstanding the provisions of the preceding subsections of the Act, Cap.491. the maximum interest chargeable by the lending banks will not in any event exceed the principal sum advanced to the borrower." If one has been lent Kshs100 million, then maximum that customer can pay is upto Kshs200 million and nothing more.

Mr. Deputy Speaker, Sir, under Section 39(6), we are saying that in view of the fact that the Bill has not proposed penalties for the banks which contravene the law, the Committee recommends that penalties for exceeding the legal interest rates or under-charging on interest rates should be twice the amount of over-charge or under-charge respectively. The proceeds of the penalties will be shared equally between the Central Bank of Kenya and the customer. The maximum interest rates charged by the banks should be 5 per cent above the 91 day Treasury Bill or the rediscount rate, whichever is the lower.

We also recommended that a committee of ten persons be set up to regularly monitor and set the Treasury Bill rates. The Committee should comprise of representatives from the manufacturing, agriculture, banking, non-governmental organisations, academia, the stock exchange, the Capital Markets Authority, Treasury, the Central Bank of Kenya and the parliamentary Committee on Finance, Planning and Trade. The Governor of Central of Kenya shall chair the Committee.

Mr. Deputy Speaker, Sir, the Committee recommended that money borrowed off-shore by the banks on concessional rates should be on lending basis on the same rates and the handling charges and should not exceed 2.5 per cent above the off-shore lending rate. We also recommended that commercial banks and financial institutions should consider renegotiating and rescheduling of non-performing loans with a view to activating the said loans. Commercial banks and the Co-operative Bank in particular, should give preferential treatment to borrowers in sectors like agriculture, tourism and industry to encourage economic growth.

In conclusion, Mr. Deputy Speaker, Sir, the Committee recommends that the House adopts the Central Bank of Kenya (Amendment) Bill together with the recommendations contained in the Committee's Report.

Mr. Deputy Speaker, Sir, may I take this opportunity to thank the members of the Committee for their valuable contributions during the deliberation on the Bill. I would like to thank the Minister for Finance and his team.

Thank you.

(Applause)

Mr. Wamalwa: Thank you, Mr. Deputy Speaker, Sir.

I do not intend to take too long because having listened to hon. Mkalla read out the recommendations of the Finance, Planning and Trade Committee, I am in full agreement with what has been said or what is contained in those recommendations.

[Mr. Deputy Speaker left the Chair]

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

However, let me say that this is a very important Bill. It is not a partisan Bill; it is the property of this entire Eighth Parliament. I would be very surprised if any representative of the people sitting in this House was to oppose this Bill. This Bill is talking about the small Kenyan, the man who voted for us to come here and the man who is truly our employer. Today, the small man in this country has no access to credit. A great economist once said that only fools do business with their own money. A clever man must do business with borrowed money. That makes a lot of sense because if you are doing business with borrowed money, it gives you the incentive to work harder because you have to pay back. Therefore, you would find that your business succeeds. Banks are institutions which are set up to make money in order to lend it. But if you ask for a loan, banks will not lend you money unless

they are absolutely satisfied that you are so rich that, really, you do not need their money. Otherwise, they would not be so much insistent on security, personal guarantee and all that sort of thing.

(Loud consultations)

Mr. Temporary Deputy Speaker, Sir, I think there are very loud consultations going on in here.

The Temporary Deputy Speaker (Mr. Musila): Order! Order! Hon. Members, could you consult quietly, so that we give a hearing to Mr. Wamalwa?

Mr. Wamalwa: Mr. Temporary Deputy Speaker, Sir, the farmer in Kenya today cannot borrow money; money is too expensive for him. The only people who can borrow money in Kenya today are those who plan to do *magendo* or who are doing *magendo* business. This is because, only a *magendo* business can guarantee you a big enough margin to cope with the outrageous interest rates being charged by banks. An honest businessman trying to make between 10 and 15 per cent profit will not afford to borrow money in Kenya today.

Banks do the so-called "off-shore borrowing" at very low interest rates and lend that money to Kenyans at very high interest rates. For instance, you borrow money from Denmark today at 2 per cent interest, come here and lend that money to Kenyans at 25 per cent or even 30 per cent interest rate. If this is not daylight robbery, then I do not know what daylight robbery is.

Mr. Temporary Deputy Speaker, Sir, if you look at the interest rates charged by various banks in this country, you will realise that there is a discriminatory practice; the small man will be charged an interest rate of between 25 and 28 per cent while multinational companies are not charged more than 14 per cent interest. Even in most places where the Kenya Breweries Limited banks its money, it is not charged more than 9 per cent interest. So, the whole thing can be seen as a conspiracy against the "small" man, who has difficulties accessing credit. When he gets that credit, the interest rates are just too high.

In Kenya today, people could even do without banks. Savings and Credit Co-operative societies (SACCOs) have more or less risen to take the role of banks. I am sure that most hon. Members of this House borrow from their SACCOs rather than go to a bank that charges such high interest. I would [**Mr. Wamalwa**] like to encourage Kenyans to do that. I would also like to appeal to the Government to make it possible for Kenyans to start small community banks as has been done in India.

People, in small communities, can start their own banks. They understand the borrowers and the difficulties he goes through. Such banks would be more amenable to the needs of the borrowers. I personally would like to marshal a small community in Kitale to start the first "National Bank of Kitale" and defy all the so-called "foreign banks".

One of the arguments that have been advanced is that if we lower interest rates, then nobody will invest in Kenya. I think this is a big lie. How can anybody invest in Kenya if Kenyans are not doing business? How can you set up a factory here if Kenyans do not have money with which to buy what you are going to manufacture? I think this is a wrong argument, which has been used to hoodwink the Government. The Government must now put its food down and put the banking sector squarely into the hands of Kenyans.

Mr. Temporary Deputy Speaker, Sir, quite often, people wonder why so many bank robberies take place in Kenya. So many bank robberies take place in this country, because the "small" man cannot borrow money from banks, because interest rates are too high. So, he takes the only other option open to him, which is to rob the banks. I am not encouraging bank robberies, but unless something is done, this phenomenon will continue.

I would like to conclude my contribution by saying that I agree entirely with the proposals made by the Committee on Finance and Planning and Trade, that, interest charged on any loan should not exceed the original loan. Also, banks must be restrained from adding penalties that have not been contemplated by the Central Bank Act.

With those few words, I beg to support.

The Vice-President (Prof. Saitoti): Mr. Deputy Speaker, Sir, clearly, this Bill is extremely popular. That is why the House Business Committee and the consultative meeting that we held yesterday decided that this Bill must be brought to the House expeditiously, so that all of us can have the opportunity to give our views on this matter.

One thing that is clearly agreeable by all of us here is the fact that high interest rates are destructive to this country's economy. That point is very clear; it is contained in any book of economics or monetary studies. Very high interest rates make it very difficult for honest business to be conducted; there is no doubt about that. Indeed, if anything, very high interest rates give incentives only for speculative business, which leads to corruption. This is why we would like to reverse that trend.

At the same time, we all know that the biggest problem that we have in this country, apart from the

HIV/AIDS pandemic, is poverty. That in itself cannot be addressed fully with very high reigning interest rates.

Mr. Temporary Deputy Speaker, Sir, it has been proved elsewhere that the quickest way of trying to create employment opportunities is through the small-scale industry. The formal industry also does this, and is important. However, the cost of production and the ability with which jobs are created by the private sector business units is well documented. The very small informal sector business units, which engage in micro-projects, cannot thrive on very high interest rates.

Equally true is that Kenya is a country whose backbone is agriculture. Agriculture provides food for Kenyans as well as the bulk of foreign earnings for this country. Also, agriculture accounts for the larger share of employment opportunity to our people. Very high interest rates, rather than facilitate the goals of the agricultural sector discourages their achievement. What does that mean? It means that farmers will be out of business. This, therefore, means that we will be forced to keep on importing food and thus lose heavily. Even the other little businesses are in difficulties, because of the trend of the high interest rates we have had. There is no doubt that we have a lot of bankruptcy cases.

Each of the heavy commercial banks is carrying out a very big portfolio of bad non-performing loans. Contrary to some of the views which have been expressed here that banks declare profits all the time, I believe that there are only about three banks that are making profits today. There is doubt about that. The Standard Chartered Bank of Kenya, the Barclays Bank of Kenya, and, maybe, another Forex firm are the only ones doing well. But quite a number of other banks are doing badly today because they have got huge debts which have been overhauled with very high interest rates. Even the so-called Triple A companies are today not in a position to be able to service their loans. I know about that, and I can also see on both sides of the House that there are quite a number of hon. Members whose enterprises have been brought down by very high interest rates. So, the problem of very high interest rates has also been noted by the Government, and we also feel that they must come down. We totally agree that we must bring them down. There cannot be doubt about it, and we want all of us in this House to be totally united in that spirit of bringing down the interest rates. We are with you on that score.

Mr. Temporary Deputy Speaker, Sir, however, I want to say that there has been a great deal of decay about investments - that we do not need foreign direct investments in this country. I want to give a word of caution by saying that we should bring down the interest rates. That is the principle we should follow, but for goodness sake, let us not say that we do not care about the flow of foreign direct investments into the country. As a matter of fact, the two factors are not mutually exclusive. The two can co-exist, and are positive. I am saying so because I have heard about lamentations over that issue. I want to say that the reason why I stand up here and say that we need foreign direct investments is because that is also the mode of ensuring that, one, it will also come in the form of investments and industries. That in itself is also a route for the transfer of technology. We cannot allow ourselves to be cut out from the global technology. One of the easiest way of ensuring that the African economy, and the Kenyan economy for that matter, is integrated and is part of the world economy is to have the technology to do so. Apart from education---

Dr. Ochuodho: On a point of order, Mr. Temporary Deputy Speaker, Sir. Is hon. Prof. Saitoti in order to mislead the House by saying that the reason why foreign direct investments cannot come into this country is because we are interfering by regulating the interest rates while he knows very well that foreign direct investments do not come in because of corruption and insecurity, especially the Goldenberg case?

The Vice-President (Prof. Saitoti): Mr. Temporary Deputy Speaker, Sir, I think the hon. Member will have the opportunity to make his contribution, and as a person who is in the information technology, he should be the last person to dispute what I am saying. I did say that one of the important virtues of direct foreign investment is the fact that it is a mode of transfer of technology, which sometimes is not accessible here. We cannot be able to participate in the world economy if, indeed, we do not have the technology. The other virtue is that it will also contribute to the generation of employment opportunities. So, we must do that. The other equally very important issue is that regarding the banks, we hope that the banks could also help us in their own lending policy, leave alone the interest rates which we are talking about. There is also the flexibility to be able to lend to the small-scale industry - the Jua Kali projects and enterprises. They have had too much reliance on the securities. Most of those micro-projects - the Jua Kali projects - which are running their businesses cannot produce the securities, and more innovative approaches to lending is certainly required in our own banking industry. That is what has been able to spearhead the creation of wealth - the cutting away from the poverty cycle. Reliability of those running the firms is extremely important. You cannot demand security as collateral and yet once the funds are given the person running that industry does not do a good job. You will have to keep on selling the property and sometimes you do not get somebody to buy it, as is the case today. There has got to be a complete re-shifting from over-reliance on the security and collateral to honesty and reliability. I am not saying that we should forget about the security or

collateral. Let them be there, but the banks should work with all of us and give funds to the small farmers and the Jua Kali enterprises. That way, we can get somewhere. I am for that idea.

I want to make a small shift here. Unfortunately, for the developing world - and we happen to be one of them - we cannot run. Globalisation has now come to us and it is cruel if it is not properly grasped and understood. It is marginalising the greater part of the developing world. Globalisation is close to liberalisation and I believe that the Bill before us today is addressing liberalisation. All these financial intermediations are integrated in the whole process. Globalisation has come to mean the quick flow of funds and goods and the process of breaking economic boundaries. There can be no way out about it. So many people are changing their investments. We have got to have contacts. If we do not put it in the right environment, we will be in difficulty. One country alone cannot deal with globalisation.

The next one is liberalisation. There is a gigantic body in the world today known as the World Trade Organisation that now says you must liberalise your market. You may blame the Minister for Finance and the Minister for Tourism, Trade and Industry for allowing into the Kenyan market, goods similar to the ones that have been manufactured here. I do not think the Ministers want this to happen, but this is our International Convention which says: "Look, if you close your market to goods from outside, yours too will be locked out." Unfortunately, we are in that kind of a situation and we have to face it. The more we regulate, the more they will put the problem on us. We must do the best thing even as we go on to put regulations on these interest rates. We must not shut ourselves from the global economy. There are bigger profits there.

There is a lot of feeling that we must move, but we must ensure that Kenya must not be marginalised through the process of globalisation. When it comes to trade, is it realised that African share of international trade is a mere 1.5 per cent? That is all we have. The other thing we need to understand is that the African share of foreign direct investment is a mere 0.1 per cent. Is it also realised that African share of portfolio management - the money which goes through the stock exchange and runs into trillions of dollars, is a mere 0.001 per cent? How will we, in Africa, reverse this trend? How will we do so? How will Kenya do that? We will take a share of our position in the 21st Century, if we also have an open policy. If we do anything other than that, for example, take a complete in-ward looking policy, we will be shut out. We will not be able to fight against poverty. I think we have to agree on that issue and accept the problems which are there.

Mr. Temporary Deputy Speaker, Sir, I know that many hon. Members want us to pass this Bill, but I think it is important that it is discussed fully, so that many ideas flow on the Floor. I think that is the most important thing. After all, there are many ways of skinning a cat, and I would like to appeal to hon. Members to give their ideas carefully. To me, that is important. I do not think that we should talk of the banks as enemies of the people; they have made a mistake, the economy is extremely difficult; let us also work out and see how we can make it better. Let us also understand that the regulation, wonderful as it is today, and I know that we want to regulate everything, could be very difficult at the end of the tunnel. The realities of world are there, they are stuck and cruel, but the interest rates--- and I would like to be on record that I am for the idea of bringing down the interest rates. So, nobody should misunderstand me. There are other people who may have misunderstood me. I am for the reduction of interest rates, but please, let us bear in mind the trends which take place in the world. Let us not do anything which can destroy us. I am sure we can do all these things together. We can bring down the interest rates and prosperity to this nation.

Mr. Temporary Deputy Speaker, Sir, those are my remarks. I support the spirit of bringing down the interest rates.

Mr. Murathe: On a point of order, Mr. Temporary Deputy Speaker, Sir. The Vice-President must unequivocally declare his stand. In the history of this Parliament, you either support or oppose a Bill. The Vice-President must be unequivocal about this Bill. He should either support or oppose it.

The Temporary Deputy Speaker (Musila): Order, Mr. Murathe! I think the Vice-President has expressed his opinion and he is entitled to it.

An hon. Member: What did he say?

The Temporary Deputy Speaker (Mr. Musila): Order!

Mrs. Ngilu: Thank you, Mr. Temporary Deputy Speaker, Sir.

I rise to support this Bill. First, let me congratulate and commend hon. Donde for the work that he has done for the last six months unsupported by this Government. I believe that this is the day that Kenyans will breath air of freedom from what they have been going through. To me, this is a godsend Bill, especially for those people who have not had access to banking facilities in this country. This is especially, women and young business people.

Mr. Temporary Deputy Speaker, Sir, on the other hand, I believe that this is a dreaded Bill to the banks.

However, it is with us and we support it. It is very difficult to talk about poverty in this country, if more than 60 per cent of the population have no access to credit to do business. What do we have to show the many Kenyans who run the economy day-to-day, by doing business. that they perform? If you went out, you will find small-scale business people, women and men hawkers, mothers, young men selling roasted maize on the road sides, shoe-shiners, butchers and others who have been locked out totally. They have no access to financial credit to alleviate their poverty and support their businesses.

Mr. Temporary Deputy Speaker, Sir, I believe it is not the business of the House to regulate or control interest rates. But this has to be done today by this House, simply because the Government, which we had faith in, failed to do so. Before I became a politician and a Member of Parliament, I used to run a business. It was difficult for me to repay my loan because I was told that I had to repay it at a rate of 35 per cent! Who today, in this country, can run a clean business, and pay to a bank an interest rate of 35 per cent? You are saying that, that person should make a profit of, at least, 60 per cent. Which business can make a profit of that percentage?

Mr. Temporary Deputy Speaker, Sir, we have heard on the Floor of the House the many banks that have made huge profits. I think they are fairly efficiently managed. I think they are also very careful when they lend money. What are the reasons that some of the political State banks have not been able to make money? Who banks and who borrows from those banks? Only a year ago, hon. Nyachae, when he was the Minister for Finance, brought into this House the names of those people who had borrowed from local commercial banks and failed to repay. That earned him a sack from the Government! Mr. Nyachae also said that the economy of this country was in the Intensive Care Unit (ICU). He was told that he was against the Government. Today, we know that the economy of this country is in the ICU.

Mr. Temporary Deputy Speaker, Sir, very few people have access to banking. In as much as we would like to protect the local banks, we certainly cannot do so when they do not give services. It is true that we are sending the wrong signal to the outside world. That maybe so. But what signal have the banks sent to us? For instance, the only two banks that operated in Kitui District; the Standard Chartered Bank and the Barclays Bank, closed down. They told the people who banked every month particularly teachers that they could not bank in those two banks.

Mr. Temporary Deputy Speaker, Sir, this is so because one cannot sustain an account in the two banks with the little salary he earns every month. What are Kenyans supposed to do? I do believe the time has come for Kenyans to shape the destiny of this country with whatever we have. But we also hold the Government totally and solely responsible for woes.

Mr. Temporary Deputy Speaker, Sir, the figures that we have been given here by hon. Donde are really chilling and scaring. Surely, to know that this country has lost up to the tune of Kshs294 billion in a short time of eight years, is a pity. I would like to ask the Minister for Finance to say why he could not advise the Head of State when he was going out to look for money from IMF and World Bank. What they came out with was a paltry between Kshs40 billion and Kshs50 billion, while we have lost up to Kshs294 billion. What was the Minister really doing? Why could he advise the President that we have a way of sorting out our own local problems here and putting this economy right.

The person we are talking about when we are debating this Bill is not the big man and may be the big woman in this country. I think we need to talk about that voter who brought you and I into this House. We know for sure that the Government has also borrowed up to a tune of Kshs172 billion. But today, we can say that, "fine, the Government has borrowed" but where has this money gone to? The roads remain in the same state as they were because they have not been repaired by anybody. Today, women in this country are still carrying water on their backs.

In the 1970s, we were promised by this Government that by the year 2000, every home would have clean water. Today, people in this country, including those who live in urban centres like Nairobi and elsewhere have to carry water either in their cars or on their backs. The Government promised citizens of this country that by the year 2000, we would have power in every home, but today we have total darkness. What we are asking is: Where did Kshs172 billion that has been borrowed by this Government go to? Shall we be wrong to say that this money has gone into the pockets of a few Kenyans?

The Central Bank of Kenya claims that there are Kshs114 billion non-performing loans. Who are these people who have borrowed? It is true that some of them are Members of Parliament. But it is only fair that they should be exposed. We should also know what security they had given. We should make use of the judiciary to ensure that banks get this money from the people who borrowed. What securities did they offer to the banks? Three banks are making profits. Why are the local banks in this country not making profits? Who has borrowed from those banks? These are the politically correct individuals in this country who have borrowed from these banks and yet they are the untouchables and nobody would dare to touch them! If I borrow from any of these banks, I

will surely be in the papers tomorrow and my property would be auctioned. Who are these people who cannot be exposed, so that they can pay what they have borrowed?

Mr. Temporary Deputy Speaker, Sir, I think we have a duty as Parliament to support what the Government may want to do. But I also want to say here that, if the Government does not move, then this House is going to move now.

Mr. Temporary Deputy Speaker, Sir, poverty has set in this country and in every home. This is as a result of total mismanagement of this country. I am happy about the previous speakers who said that certainly, we have got to take care of the interests of Kenyans first. I know the World Bank, IMF and other donors may not be pleased with this Bill. However, I think we need to set our own on the interests rates. If it means that something will happen and the World Bank and IMF are going to withdraw their support from this country; let it be so. We will have to start from there, however hard it will be. However, from what we have heard from the previous speakers, I think nothing will happen. I can say that here and I do not know at what rate we used to borrow in those days. As I grew up, my mother was able to go to the market, buy potatoes and tomatoes and sell them and put money in a bank. That bank at that time was Standard Bank. Today, it has wound up in Machakos District. Today, many people have no access to that bank. Women, I believe, today is their day today because they may now have access to banking.

Mr. Temporary Deputy Speaker, Sir, the other thing that I want to say here is that we need to encourage and open up small banks that can support that local farmer and businesswoman. Many women's groups in this country were able to collect money together and put in a bank. Today, money is being put under the pillows by those people who have little money. I want to support this Bill and I would like to say that for whatever it takes, time is now that each one of us should wake up and support this Bill for the betterment of this country.

Thank you, Mr. Temporary Deputy Speaker, Sir.

Mr. Mugalla: Thank you Mr. Temporary Deputy Speaker, Sir.

The liberalisation policy in this country which was introduced by the World Bank has caused more poverty instead of improving the welfare of wananchi and enriching this country. It has denied people the right to borrow, do business and be able to look after themselves. It has brought about a situation in this country where the income policy is upside down. If we do not address the income policy in this country where we have very few people controlling money through banks, then this country cannot develop. We cannot expect to fight poverty if we cannot empower our people financially and the only way to do so is by allowing them access to borrow money.

Mr. Temporary Deputy Speaker, Sir, we talk about industrialisation and what we must consider if we want this country to be industrialised, is that we must look at the internal market. Internal market is the consumption of the products by the local people. If the local people cannot consume the goods and products they produce, how are we going to be industrialised? Therefore, the question of putting a lot of money in the hands of a few people in this country should not be allowed. When the bankers say that because of wages, interest rates are high, it is not true. It cannot be true because the percentage that workers are paid is so small and negligible and bankers should not say that.

For those who fear that if interest rates went down, then we will not have people bringing in money here or investing is not true. How do we expect an investor to bring his goods here if they cannot be bought by the local people? Our factories cannot grow if we do not have an internal market. How will our farmers produce if they do not have access to credit? I do not think that banks will collapse if this Bill is passed. I am sure farmers and workers of this country can mobilise enough money to set up our own banks. Therefore, this Bill is appropriate and it must be supported by everybody in this country.

Mr. Temporary Deputy Speaker, Sir, it is not only in the banking sector where we are concerned. We also have to look into the energy sector, among other sectors where we feel that people are being exploited. It is the duty of the Government and this Parliament to ensure that it creates an environment which will bring riches to our people.

Mr. Temporary Deputy Speaker, Sir, I fully support this Bill because it will help this country.

Mr. Karume: Asante sana, Bw. Naibu Spika wa Muda, kwa kunipa nafasi ili niweze kusema machache juu ya Mswada huu.

Nimesimama hapa kuunga mkono kikamilifu Mswada huu. Wananchi wetu wanajua ni kwa nini tulipigania Uhuru. Tulipigania Uhuru kwa sababu ya taabu tulizopata chini ya utawala wa mkoloni. Tulinyanyaswa na kudharauliwa wakati huo. Tuliiona ni heri kupigania Uhuru ili tufaidike sisi na watoto wetu. Hata hivyo, jinsi mambo yanavyoendelea wakati huu ni kinyume cha matarajio yetu. Badala ya kuendelea mbele, tunafikia kwa sababu ya riba ya juu inayotozwa na benki hapa nchini. Kama vile Waheshimiwa Wabunge wezangu wamesema, riba ya juu inawaumiza wananchi wetu sana.

Bw. Naibu Spika wa Muda, tuna mifano mingi ya visa vya kuhuzunisha baada ya mashamba ya wananchi

wetu kuuzwa na mabengi baada yao kushindwa kulipa mikopo ya benki kwa sababu ya riba ya juu. Kwa mfano, unaweza kuona mtu na jamii yake wamemiliki shamba kwa muda wa miaka 50 au 70, lakini ikiwa mtoto atatumia cheti cha kumiliki shamba hilo kukopa mkopo kutoka benki, atashindwa kuulipa kwa sababu ya riba ya juu. Mashamba mengi hapa nchini yameuzwa na mabengi kwa sababu wananchi wetu wameshindwa kulipa mikopo ya benki.

Bw. Naibu Spika wa Muda, ni jambo la kuhuzunisha ikiwa mtu amemiliki shamba kwa muda wa miaka 70 na kisha linauzwa kwa sababu alishindwa kulipa mkopo na riba inayotowza na benki. Si kwamba wananchi wetu wanakataa kulipa mikopo ya benki, lakini ni kwa sababu riba iko juu sana. Ikiwa mabengi yanatoza riba kati ya asilimia 30 au 40, wananchi wetu hawawezi kuendelea.

Mr. Angwenyi: On a point of order, Mr. Temporary Deputy Speaker, Sir. I beg to move that the Mover be now called upon to reply.

The Temporary Deputy Speaker (Mr. Musila): Under Standing Order No.80, it is quite in order for any Member to stand up and do what hon. Angwenyi has just done. However, the Chair has discretion to make a ruling on such a request. In this case, I am not convinced this Bill has been debated enough. Since we have few minutes remaining before we adjourn, I feel also--

An hon. Member: You are only there to guide the debate!

The Temporary Deputy Speaker (Mr. Musila): Hon. Members, I am here to guide the debate. Is it the feeling of the House that we call upon the Mover to reply?

Hon. Members: Yes!

The Temporary Deputy Speaker (Mr. Musila): If that is really the wish of the House, I have no alternative, but to put the question.

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

The Assistant Minister for Finance and Planning (Mr. Lomada): On a point of order, Mr. Temporary Deputy Speaker, Sir.

Hon. Members: Sit down!

The Temporary Deputy Speaker (Mr. Musila): Mr. Donde has the Floor!

Mr. Donde: Thank you very much, Mr. Temporary Deputy Speaker, Sir.

The Minister for Finance (Mr. Okemo): On a point of order, Mr. Temporary Deputy Speaker, Sir. I have not responded.

Mr. Donde: Thank you, Mr. Temporary Deputy Speaker, Sir, for making that ruling. I would have wished to give some of time to some colleagues, but I am being informed that--

The Temporary Deputy Speaker (Mr. Musila): Order! Mr. Donde, can you sit down so that we hear Mr. Lomada?

The Assistant Minister for Finance and Planning (Mr. Lomada): On a point of order, Mr. Temporary Deputy Speaker, Sir. I do not think it is in order for the Mover to be called upon to reply before the Minister for Finance responds.

Hon. Members: Sit down! No! No!

(Several Members booed at Mr. Lomada)

The Temporary Deputy Speaker (Mr. Musila): Order! Order, hon. Members! I think it is perfectly in order for Mr. Lomada to raise his point of order and then we will make a ruling.

Can Mr. Lomada make his point of order?

Hon. Members: No, we do not want his point of order.

The Assistant Minister for Finance and Planning (Mr. Lomada): On a point of order, Mr. Temporary Deputy Speaker, Sir. It is not in order for the Mover to be called upon to reply before the Minister for Finance responds to the sentiments expressed by hon. Members?

Mr. Ojode: On a point of order, Mr. Temporary Deputy Speaker, Sir.

The Temporary Deputy Speaker (Mr. Musila): Order! Order, Mr. Ojode!

The Minister for Information, Transport and Communications (Mr. Mudavadi): On a point of order, Mr. Temporary Deputy Speaker, Sir.

The Temporary Deputy Speaker (Mr. Musila): Mr. Mudavadi, let me, first of all, respond to what Mr.

Lomada has said. The Chair has given the opportunity to both sides. What did you want the Chair to do if the Minister for Finance did not want to speak? It is not a must that he responds. But if you are saying that the Chair has refused the Minister to respond, that is another thing. But I have not.

Can we hear, Mr. Mudavadi?

The Minister for Information, Transport and Communications (Mr. Mudavadi): Mr. Temporary Deputy Speaker, Sir, you have made your ruling, but I think on a matter of such significance, it is unfortunate. I would like to go on record that we feel that the way we have been ambushed is completely out of order. We are sending a very negative signal to both our local investors and even other investors.

I beg to protest very severely that this is an ambush and is incorrect that this Bill is being rushed in this manner.

Hon. Members: Kaa chini!

Mr. Donde: Thank you, Mr. Temporary Deputy Speaker, Sir. The Minister has been sitting here and he has refused to stand---

(Mr. Okemo stood up in his place)

The Temporary Deputy Speaker (Mr. Musila): Order! I have already made a ruling on this matter, and if anyone has another point of order, I will allow him.

Proceed, Mr. Donde!

Mr. Donde: Mr. Temporary Deputy Speaker, Sir, may I take this time to thank all those who have taken time to speak to this debate, including the Leader of Government of Business who has shown very clearly that we are on the right track. This country---

The Temporary Deputy Speaker (Mr. Musila): Order, Mr. Donde!

(Mr. Okemo stood up in his place)

Mr. Donde: With those few remarks, I beg to move.

(Applause)

The Minister for Finance (Mr. Okemo): On a point of order, Mr. Temporary Deputy Speaker, Sir.

Hon. Members: Sit down!

The Temporary Deputy Speaker (Mr. Musila): Order! Order! Hon. Members, the Chair knows what to do. I will now put the Question.

(Question put and agreed to)

(The Bill was read a Second Time and committed to a Committee of the whole House tomorrow)

(Hon. Members stood up in jubilation)

The Temporary Deputy Speaker (Mr. Musila): Order! Order! May I ask those hon. Members who wish to withdraw from the Chamber to do so quietly! We still have some business to transact. So, let us proceed to the next Order!

(Loud consultations)

Order! Order! Order, hon. Members! Could we have some order, please?

ADJOURNMENT

The Temporary Deputy Speaker (Mr. Musila): Hon. Members, we still have five minutes to the end of the sitting today. However, judging by the mood of the House, the Chair has no alternative but to end this sitting. Therefore, the House now stands adjourned until tomorrow, Thursday, 30th, November, 2000, at 2.30 p.m.

The House rose at 6.26 p.m.

