

NATIONAL ASSEMBLY

OFFICIAL REPORT

Wednesday, 8th November, 2006

The House met at 2.30 p.m.

[Mr. Deputy Speaker in the Chair]

PRAYERS

PAPER LAID

The following Paper was laid on the Table:-

The Report of the Departmental Committee on Finance, Planning and Trade on the Finance Bill, 2006

(By Dr. Oburu)

Dr. Oburu: Mr. Deputy Speaker, Sir, this Report is a replacement of the one which was not in a proper format presented before the House by hon. Oparanya last week.

QUESTION BY PRIVATE NOTICE

ALGAE INVASION IN LAKE VICTORIA

(Mr. Marende) to ask the Minister for Environment and Natural Resources:-

What urgent steps is the Minister taking to avert the destruction of flora and fauna in Lake Victoria by an algae invasion that threatens the livelihood of millions of Kenyans and other populations in the diaspora?

Mr. Deputy Speaker: Hon. Members, with regard to the first Question by Private Notice, we have a request by the Minister who is currently leading the Kenyan delegation in the ongoing conference at UNEP Headquarters in Gigiri that he cannot make it to the House today.

Mr. Marende, the Minister requested that I defer this Question. What do you think about that?

Mr. Marende: Until when is the Question going to be deferred?

Mr. Deputy Speaker: Probably until next Thursday.

The Vice-President and Minister for Home Affairs (Mr. Awori): Mr. Deputy Speaker, Sir, the conference will continue until 17th November, 2006. Therefore, the Minister will still be away. I request that the Question be deferred until the week after next week.

Mr. Deputy Speaker: Very well. I think that is reasonable and I hope you understand, Mr. Marende. Therefore, the Question is deferred until the Tuesday after 20th November, 2006.

Mr. Marende: Mr. Deputy Speaker, Sir, that is fine except that I am being prompted by my colleagues that this is a very urgent matter.

Mr. Deputy Speaker: I do not know what can be done. Does the Minister have an Assistant Minister?

Hon. Members: No!

Mr. Deputy Speaker: There is no Assistant Minister in the Ministry. Anyway, why do you have to be prompted if it is your Question? You should know the seriousness or the urgency of the matter. So, we shall defer the Question until 21st November, 2006. Will anything have fallen apart by then, Mr. Marende?

Mr. Marende: Mr. Deputy Speaker, Sir, I accept that except that the Chairman of the Committee says that he also wants to address this matter as quickly as possible.

Mr. Deputy Speaker: Well, that Question will be dealt with on that day. It is so ruled.

(Question deferred)

ORAL ANSWERS TO QUESTIONS

Question No.358

SHORTAGE OF TEACHERS IN UGENYA CONSTITUENCY

Archbishop Ondiek asked the Minister for Education:-

- (a) if he is aware that there is a huge shortage of teachers in schools throughout Ugenya Constituency as a result of which schools such as Sifuyo Primary School with classes one to eight have only five teachers; and,
- (b) what he is doing to correct the situation.

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

(a) I am aware of a shortfall of 391 primary school teachers and 78 secondary school teachers in Ugenya Constituency. More teachers will be posted to Sifuyo Primary School by the end of November, 2006.

(b) During the recently concluded recruitment of teachers, Siaya District was allocated a total of 183 teachers of which 159 were for primary schools and 24 for secondary schools. Out of these number of teachers, Ugenya Constituency will get a share of 65 primary school teachers and 10 secondary school teachers. Ugenya and other areas with a shortage of teachers will be considered again in 2007 when the replacement of teachers is carried out. Meanwhile, the Ministry will continue balancing teachers so that schools that have inadequate teachers get them from schools that have more teachers than they need. Negotiations with the Treasury for additional budgetary allocation in 2007/2008 to enable the Ministry recruit more teachers are ongoing.

Archbishop Ondiek: Mr. Deputy Speaker, Sir, I would like to thank the Assistant Minister for the efforts he has made with regard to Sifuyo Primary School. However, even last year, the Assistant Minister promised the House that they would transfer teachers to the same school.

Mr. Deputy Speaker, Sir, today, he is talking about transferring teachers there by the end of November, 2006. So, which one is the truth; what he told the House last time and did not do, or what he has told us today?

Dr. Mwiria: Mr. Deputy Speaker, Sir, I am sure I said that we would send teachers to the school when they become available. It appears like teachers are now available. So, in both cases I am saying the truth.

Mr. M.A. Haji: Mr. Deputy Speaker, Sir, the problem of shortage of teachers is countrywide. However, one of the factors contributing to shortage of teachers is natural attrition processes such as death, resignation and so on. Why is it that the Ministry does not replace teachers immediately there is a vacancy? Why do they have to wait for a year? Why is it not possible for them to immediately recruit teachers?

Dr. Mwiria: Mr. Deputy Speaker, Sir, you will recall that this matter has already been discussed and we have made the recommendation that we should be recruiting teachers immediately.

I would like to caution hon. Members that when the interviews are done there is always a priority list that we adhere to. The system could also be abused whereby District Education Boards (DEBs) also recruit other people.

As soon as we perfect the system, we would like this to be the way. For instance, if we have 30 vacancies in a district and we only manage to recruit 20 teachers after the interviews, then the next vacancy should automatically go to the 21st teacher on the list and so on. We need to make sure that the list is foolproof before we can conclude any recruitment exercise.

Mr. Angwenyi: Mr. Deputy Speaker, Sir, could the Assistant Minister confirm or deny that the list of people who are interviewed and shortlisted by the DEBs is "doctored" at the TSC before the letters of appointment are sent out to the teachers who have been recruited?

Dr. Mwiria: Mr. Deputy Speaker, Sir, what is it that I am being asked to confirm or deny? So, I choose one of the better one. I deny that allegation.

(Laughter)

(Mr. Sambu stood up in his place)

Mr. Deputy Speaker: If you want to ask a question, Mr. Sambu, you catch my eye. Do you want to ask a question? I just want us to adhere to what the Chair has been insisting on. Please, stand up and you will catch my eye. You do not have to shout for point of order. So, Mr. Sambu, you have now stood up and I have given you a chance to ask a question.

Mr. Sambu: Thank you, Mr. Deputy Speaker, Sir. The Assistant Minister has just denied that the list of the people who were interviewed is "doctored". I have evidence that the DEBs conducted interviews in Kapsabet and they never changed what the Ministry of Education had done. The DEB sat under the chairmanship of the District Commissioner, with the District Officer as the secretary. We formalised the list and the successful teachers were informed. When the list reached the TSC, the names of eight teachers had been removed from the list. What is the point of advertising and asking people to go for interviews when the TSC is doing their own thing?

Dr. Mwiria: Mr. Deputy Speaker, Sir, I think the hon. Member is talking about what we normally refer to as system of vetting. Even after the DEBs have submitted lists, sometimes there are certain cases where members of DEBs may have vested interests. There are some cases where some are recruited while they should not have been recruited. This is to be expected since there are hundreds of teachers.

For example, in Meru North District where I come from, some teachers were recruited for 2003 when the list of 2002 was not completed for a number of reasons. Some of them were special cases or they were going to retire in a year and so on. That list is also being vetted along with the other lists from the rest of the country. We recommend this because some things can go wrong at the district headquarters. It is just vetting. If the hon. Member has evidence that the eight deserve to be employed, then they will be reinstated. If he does not have any evidence that they are the most deserving, he had better forget about them.

Mr. Arungah: Mr. Deputy Speaker, Sir, the issue of shortage of teachers has become perennial. For the good of this House, according to the strategic plan they have, when will the

Ministry be able to employ enough teachers? Is it in 20 years or ten years because this problem has to come to an end? We are not children who are grumbling about it everyday. When will this issue of shortage of teachers come to an end?

Dr. Mwiria: Mr. Deputy Speaker, Sir, I already indicated that we have been negotiating with the Treasury. We have also presented a paper to the Cabinet to discuss this matter, to see whether we can go beyond the ceiling and do the recruitment. As soon as Treasury gives us more money, which I believe will be before ten to 20 years, we will then have enough teachers.

Mr. Deputy Speaker: Mr. Assistant Minister, are you saying before 20 years?

Archbishop Ondiek: Mr. Deputy Speaker, Sir, in his answer, the Assistant Minister said that Ugenya has got 34 secondary schools and that they have already deployed ten teachers to Ugenya. I do not know whether this is true, but I trust him. Is the Assistant Minister aware that eight teachers from Ukwala Secondary School were promoted to be headteachers and they have not been replaced up to now, which is almost one year?

Dr. Mwiria: Mr. Deputy Speaker, Sir, I am not aware because if a school loses eight teachers, there should be some effort at making replacements. It is good that eight teachers from that school have become headteachers, but that is unrealistic. Nevertheless, I will check that information. I do not think that is the case. I am not aware. If that is the case, and there are no replacements, we will try to help the hon. Member to ensure that some teachers are posted to that school.

Question No.642

CONTACT BETWEEN ARTUR BROTHERS AND
KENYA EMBASSY OFFICIALS IN UAE

Mr. Ligale asked the Minister for Foreign Affairs:-

(a) whether he is aware that the Artur brothers were based in Dubai in the United Arab Emirates (UAE) before venturing into Kenya from where they were deported following the much publicised security breach at the Jomo Kenyatta International Airport (JKIA);

(b) if he could confirm whether or not the two brothers had any contacts with the Kenya Embassy in the UAE based at Abu Dhabi and if so, indicate details relating to consular and other services extended to them; and,

(c) whether he could also confirm that Embassy officials facilitated contacts between the brothers and senior Government officials and business persons in Kenya that led to them being accorded undeserved VIP. treatment in the country.

The Assistant Minister for Foreign Affairs (Mr. Wetangula): Mr. Deputy Speaker, Sir, I beg to reply.

(a) I am not aware that the Artur brothers were based in Dubai, UAE before they ventured into Kenya.

(b) The Artur brothers have never had contact with the Kenya Embassy in Abu Dhabi, UAE, neither has the Embassy provided them with consular or any other services.

(c) The embassy officials have never facilitated any contact between the Artur brothers and senior officials or business personalities in Kenya.

Mr. Ligale: Mr. Deputy Speaker, Sir, this Assistant Minister is normally serious, but this time he knows he is not providing serious answers. These people must have come from somewhere to come to Kenya. They must have had some visas accorded to them to enter this country unless the Assistant Minister wants to tell us that they got visas at the airport here. It is in the public domain that the Artur brothers were deported by this Government to Dubai. Why were they deported to that

country if they did not come from there?

Mr. Wetangula: Mr. Deputy Speaker, Sir, Mr. Ligale knows I am very serious. The question is whether I am aware that the Artur brothers were based in Dubai and I have said that I am not aware. I do not know where they were based.

Mr. Deputy Speaker: The hon. Member asked you why you deported them to Dubai.

Mr. Ligale: Mr. Deputy Speaker, Sir, I asked the Assistant Minister to explain to the House why the Government deported the Artur brothers to the UAE if they did not have any roots in that country.

Mr. Wetangula: Mr. Deputy Speaker, Sir, under international law, you either deport a person to his country of origin, the country where he is ordinarily domiciled or the country where he tells you it is safe for him to be deported to. That is what was done.

Rev. Nyagudi: Mr. Deputy Speaker, Sir, in relation to part "c" of the Question, we are aware that there was a lady called Winnie Wangui. Could the Assistant Minister confirm or deny that she worked at the Ministry of Foreign Affairs?

Mr. Wetangula: Mr. Deputy Speaker, Sir, Winnie Wangui was an officer in my Ministry. She no longer is.

Capt. Nakitare: Mr. Deputy Speaker, Sir, the Assistant Minister knows very well that when you are deporting a criminal, he has to be under surveillance by the Interpol. What was the country of origin of the Artur brothers and why were they here?

Mr. Wetangula: Mr. Deputy Speaker, Sir, there is no requirement either in municipal or international law that when you deport somebody, he has to be under surveillance by the Interpol unless there is a warrant of arrest from another country, where Interpol has been asked to intervene and be involved, only then can such deportees be given escort.

Mr. Ligale: Mr. Deputy Speaker, Sir, the Assistant Minister is cleverly trying to avoid answering these questions but the Artur brothers saga will never leave this country until we get the truth. It is also in the public domain that at some point these Artur brothers, the so-called Winnie Wangui and other people were holding discussions in the UAE to sign contracts and business deals in this country.

Is the Assistant Minister telling us that all that time, they had no contact whatsoever with our Embassy in the UAE?

Mr. Wetangula: Mr. Deputy Speaker, Sir, I do not understand what my colleague is trying to say. This Government, and indeed any government, would have no business whatsoever policing any Kenyan who goes to the UAE or any other country to meet business people.

Capt. Nakitare: On a point of order, Mr. Deputy Speaker, Sir! Is the Assistant Minister---

Mr. Deputy Speaker: Order! The Chair has already discouraged hon. Members from interrupting the Assistant Minister. You are out of order. So, please, remain calm.

Mr. Wetangula: If any Kenyan of whatever name or description goes to the UAE for whatever reason or to meet whoever they want to meet, the Government of Kenya has no jurisdiction over such activities. If they met, which I do not know as I have said, the Government has not been informed about it. Be that as it may, my colleague may wish to know that a commission of inquiry was set up and the report was presented to His Excellency the President. It will be made public soon. The report will be tabled in this House and hon. Members can interrogate it as much as they possibly can.

Mr. Marende: On a point of order, Mr. Deputy Speaker, Sir. My point of order is with respect to the answers that the Assistant Minister has so far given. That would be a legitimate point of order because points of order are allowed---

Mr. Deputy Speaker: Order, Mr. Marende! Just proceed with your point of order and I

will rule.

Mr. Marende: Mr. Deputy Speaker, Sir, is it in order for the Assistant Minister to avoid answering questions which have been asked and leave uncertainties throughout his answers when his duty is to answer questions? For example, the Assistant Minister was asked why the Government deported the Artur brothers to Dubai. He gave three possibilities which are largely theoretical. He said that a person is deported to either the country where he originated from, where he is ordinarily domiciled or the country that he asks to be deported to, to be safe. Could the Assistant Minister be specific on why they deported the Artur brothers to Dubai?

Mr. Deputy Speaker: Mr. Marende, you are a lawyer and you are trying to address the House as if this is a court room. This is not a court room. That is not a point of order. That question was asked and it was answered. Hon. Members, you may not be satisfied by the answers given by Ministers. That is why there is a provision in our Standing Orders to bring a matter, that you think was not properly answered, to the House and we will give you time to have it debated. As far as the Chair is concerned, the matter is finished.

Question No.638

REPAIR OF CHEPTIRET-MOI UNIVERSITY ROAD

Mr. Deputy Speaker: I want to bring to the attention of Mr. Koros that the Minister for Roads and Public Works has requested that this Question be deferred. He is out of town for some special reasons that the Chair understands. Mr. Koros, are you satisfied?

Mr. Koros: Yes, Mr. Deputy Speaker, Sir. Defer it to Tuesday, next week.

Mr. Deputy Speaker: Very well. The Question is deferred to Tuesday, next week by consent of Mr. Koros.

(Question deferred)

Mr. Deputy Speaker: Next Question by Mr. Ojode!

Question No.585

COMPENSATION FOR MAU MAU
FREEDOM FIGHTERS

Mr. Ojode asked the Minister of State for Public Service:-

- (a) what steps the Government has taken to compensate Mau Mau freedom fighters; and,
- (b) how much money has been set aside for that purpose.

The Minister of State for Public Service (Mr. Akaranga): Mr. Deputy Speaker, Sir, I beg to reply.

(a) The Government has not taken any steps to compensate Mau Mau freedom fighters. However, some freedom fighters who participated in the war of liberation have been recognised by being commended through honours and awards.

(b) In view of the answer to part "a" of the Question, the issue does not arise.

Mr. Ojode: Mr. Deputy Speaker, Sir, you have heard the answer given by the Minister. Freedom fighters' children were supposed to be offered free education while survivors were supposed to be given some monthly allowance by the Government. I do not---

The Minister for Planning and National Development (Mr. Obwocha): Who said that?

Mr. Ojode: Mr. Deputy Speaker, Sir, could you, please, protect me from hon. Obwocha because there were no freedom fighters from Kisii?

(Laughter)

The Minister for Planning and National Development (Mr. Obwocha): On a point of order, Mr. Deputy Speaker, Sir. Is the hon. Member in order to address me instead of addressing the Chair? Secondly, I want to inform him that out of the freedom fighters who died from Kisii, including Otenyo, his dad was nowhere to be seen.

(Laughter)

Hon. Members: That is personal!

Mr. Deputy Speaker: Mr. Obwocha, I think you should address the Chair; stop exchanging words from across the Floor and also avoid personalising issues and debates.

Mr. M.Y. Haji: On a point of order, Mr. Deputy Speaker, Sir. Is hon. Obwocha in order to refer to one's dad? Is this a parliamentary debate or a market debate? How can he refer to hon. Ojode's father? Is he in order?

Mr. Deputy Speaker: Hon. Members, this is why I said that we should stop personalising issues. Therefore, Mr. Obwocha, what does hon. Ojode's dad have to do with this issue?

The Minister for Planning and National Development (Mr. Obwocha): Mr. Deputy Speaker, Sir, I said that because it is well known in this country that my dad, the late Jeremiah Nyabuto, served this country in the Second World War defending this country---

Hon. Members: Who knows that?

The Minister for Planning and National Development (Mr. Obwocha): Mr. Deputy Speaker, Sir, we have not heard of where hon. Ojode's father featured. Maybe he does not even have a dad.

(Laughter)

Mr. Deputy Speaker: Order, Mr. Obwocha! You have put it so well about the activities of your late dad and so on, but then you ended up by saying, that maybe, hon. Ojode does not have a dad. You are making things worse! I thought we had resolved the situation and now you are making things worse.

Capt. Nakitare: On a point of order, Mr. Deputy Speaker, Sir. Our fathers have nothing to do with the business here!

Mr. Deputy Speaker: Order! Capt. Nakitare, you are out of order!

The Minister for Planning and National Development (Mr. Obwocha): Mr. Deputy Speaker, Sir, because of orderly debate, I would like to withdraw and ask hon. Ojode to proceed with the Question in the normal manner.

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

Mr. Deputy Speaker: Mr. Mwandawiro, sit down!

Mr. Ojode: Mr. Deputy Speaker, Sir, I have a list of freedom fighters here but, unfortunately, the name of hon. Obwocha's dad is not here.

(Laughter)

Mr. Deputy Speaker, Sir, this is a very serious issue. On 1st April, 1953, about 16 people were brutally murdered in Kiambaa Village in Githunguri. I have a list of those who participated as freedom fighters in Luyialand, Nyanza and in Nandi. I have a few from Kisii where the name of hon. Obwocha's dad is not there.

Mr. Deputy Speaker, Sir, I have the names of the 16 people who were murdered and I will table them. For the benefit of some of us, I would just want to name a few.

Mr. Deputy Speaker: Order, Mr. Ojode! When you table the list here, hon. Members will have access to it. So, you do not have to read it. You only need to ask a question.

Mr. Ojode: Thank you, Mr. Deputy Speaker, Sir. My question is: Since these people were murdered by homeguards, some of whom are here---

(Laughter)

Hon. Members: On a point of order, Mr. Deputy Speaker, Sir.

Mr. Ojode: Mr. Deputy Speaker, Sir, could you protect me so that I ask my question?

Mr. Boit: On a point of order, Mr. Deputy Speaker, Sir. You have heard the hon. Member say that there are some homeguards who are present in this House. Could he name them?

(Applause)

Mr. Deputy Speaker: Order, hon. Members! I think we had better be serious. Mr. Ojode, you have just made a very serious allegation against an hon. Member. Do you have evidence?

Mr. Ojode: Mr. Deputy Speaker, Sir, you are aware, and it is in the public domain, that there are homeguards in this House.

Mr. Deputy Speaker: I am not aware.

Mr. Ojode: Mr. Deputy Speaker, Sir, the majority of my colleagues are aware.

Mr. Deputy Speaker, but let me make my point.

Mr. Kajwang: On a point of order, Mr. Deputy Speaker, Sir. Hon. Ojode cannot be let to escape with such a serious allegation that this House is made of homeguards and that we are somehow aware of who they are. He must name the homeguards or withdraw or walk out.

Mr. Ojode: Mr. Deputy Speaker, Sir, you are aware of what the Standing Orders say. I cannot name my colleague without bringing a substantive Motion. The homeguard is known and he is here in the House!

Mr. Deputy Speaker: Order, Mr. Ojode! I do not know why you just want to flare fresh trouble around here.

Mr. Mwiraria: On a point of order, Mr. Deputy Speaker, Sir. Hon. Ojode has stated categorically that we have murderers in this House. Could he substantiate his claims or withdraw and apologise?

Mr. Deputy Speaker: Order, Mr. Ojode! You know you are taking a lot of our time. When we are trying to solve one problem, you add another one. You have already made two allegations. One, that there are homeguards here. Second, that there are murderers here. Could you substantiate your claims or withdraw and apologise? I will not waste a lot of time with you on this one.

Mr. Ojode: Mr. Deputy Speaker, Sir, because the Chair has ordered me to withdraw and the Chair knows the *Kimendero* who is here with us, I wish to withdraw and apologise.

(Laughter)

Mr. Deputy Speaker: Order! Order! Mr. Ojode, do not invoke the name of the Chair whenever you want to make allegations. Whenever you want to make an allegation, you say that the Chair knows. The Chair knows nothing. Therefore, could you, unconditionally, withdraw and apologise? I am not going to waste time with you on this one.

Mr. Ojode: Mr. Deputy Speaker, Sir, the Chair is not aware.

Mr. Deputy Speaker: Order! Order!

Mr. Ojode: Mr. Deputy Speaker, Sir, I am withdrawing my allegation.

Mr. Deputy Speaker: Could you withdraw and apologise immediately?

Mr. Ojode: Mr. Deputy Speaker, Sir, I withdraw and apologise. What I was trying to bring home is this: You remember that in the last two years, the Government spent Kshs3.8 million to look for a Mr. Ayanu from Ethiopia. That is enough money to cater for the welfare of some of the children of our freedom fighters. That is basically what I was saying.

(Applause)

The children of the Mau Mau freedom fighters are hawkers in town.

Mr. Deputy Speaker: What is your question?

Mr. Ojode: Mr. Deputy Speaker, Sir, would I be in order to ask the Minister to go and set up a task force to have some of the names of those who survived? For those who perished, their families can be catered for.

Mr. Akaranga: Mr. Deputy Speaker, Sir, the spirits of the freedom fighters have entered into some of the hon. Members. I agree that the freedom fighters did a great job for this country. As the hon. Member has suggested - this is an issue I have already discussed with him - my Ministry will set up a task force, which will come up with a criteria of identifying the freedom fighters. The freedom fighters for this country's liberty are not just the Mau Mau. There are other honourable people who did duty for this country.

*(Several hon. Members stood
up in their places)*

Mr. Deputy Speaker: Next Question, Mr. Lesrima!

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

Mr. Deputy Speaker: Declined! No further questions on this matter. A lot of time has been squandered by the Questioner.

Proceed, Mr. Lesrima!

Question No.123

NUMBER OF REGISTERED GROUP
RANCHES IN SAMBURU DISTRICT

Mr. Lesrima asked the Minister for Lands:-

(a) how many group ranches are registered in Samburu District; and,

(b) when he will gazette the abolition of fees for group ranch title registration.

The Assistant Minister for Lands (Mr. Kamama): Mr. Deputy Speaker, Sir, I beg to reply.

(a) There are 30 registered group ranches in Samburu District.

(b) Abolition of fees for any registered land, including group ranches, can only be done with the authority of Parliament. In this case, Parliament is required to amend the Land Adjudication Act, Cap.284, and the Land Group Representatives Act, Cap.287, to abolish or waive payment of land adjudication fees by affected group ranches.

Thank you, Mr. Speaker, Sir.

Mr. Lesrima: Mr. Deputy Speaker, Sir, is the Assistant Minister aware that several registered group ranches have not been able to collect their title deeds for a period of 20-26 years due to the high charges involved? It costs 600 cows to get a title deed. Could the Assistant Minister tell the House when he can waive this fees?

Mr. Kamama: Mr. Deputy Speaker, Sir, it is not practically possible to waive fees for over 30 ranches. About five group ranches can apply to the Minister for fees waiver and their cases can be considered. However, waiving fees for more than 30 group ranches will lead to a great loss in revenue for this country. So, his case can be considered but we cannot waive fees for more than five group ranches. He is at liberty to apply for a waiver and we will sit down and consider his case.

Mr. Lesrima: Mr. Deputy Speaker, Sir, just before the referendum on the Draft Constitution, His Excellency the President promised ranchers that the fees would be waived. What has happened since then?

Mr. Kamama: Mr. Deputy Speaker, Sir, I am not aware of that presidential directive.

Mr. Deputy Speaker: Hon. Members, before we proceed to the next Question, I would like to confirm that I have just seen the list of 102 names that Mr. Ojode was referring to. Nobody knows the origin of this list. The list is not even signed and it is a photocopy. It is, therefore, rejected.

Next Question, Mr. M.Y. Haji!

Capt. Nakitare: On a point of order, Mr. Deputy Speaker, Sir.

Mr. Deputy Speaker: What is it, Capt. Nakitare? What is bothering you?

Capt. Nakitare: Mr. Deputy Speaker, Sir, what is bothering me is the fact that Mr. Paul Ngei died a cripple; Mr. Bildad Kagia died without recognition. The efforts made by the Mau Mau freedom fighters to earn this country Independence is a serious issue that should be allocated adequate time to be discussed by this House. Would I be in order to request the Minister to come back with a substantive answer to the Question, so that he can satisfy Kenyans?

Mr. Deputy Speaker: Capt. Nakitare, you have asked whether you would be in order to ask the Minister to come back with a substantive answer to the Question. You are absolutely out of order. You had better look at the Standing Orders. How does your point of order arise? We have already passed that matter. I just made a ruling on this list, and that is it!

Mr. Ojode:---(Inaudible)

Mr. Deputy Speaker: Order! Order! Mr. Ojode, you are being a nuisance! We passed that Question. I just made a ruling on this list. My ruling is final.

Proceed, Mr. M.Y. Haji!

Question No.583

DELAY IN ISSUANCE OF PASSPORTS

Mr. M.Y. Haji asked the Minister of State for Immigration and Registration of Persons:-

(a) whether he is aware that issuance of passports is taking a long time, contrary to the Government policy that the same be processed promptly;

(b) whether he is further aware that people from North Eastern Province wait for passports even longer due to a vetting exercise conducted in Nairobi; and,

(c) who constitutes the vetting panel and why this exercise cannot be undertaken at the provincial or district level.

Mr. Ojode:---(Inaudible)

Mr. Deputy Speaker: Order! Order, Mr. Ojode! This is the last time I am warning you!

Mr. Ojode:---(Inaudible)

Mr. Deputy Speaker: Mr. Ojode, you are being disorderly!

Proceed, Mr. Minister!

The Minister of State for Immigration and Registration of Persons (Mr. Konchella): Mr. Deputy Speaker, Sir, I beg to reply.

(a) Currently, the issuance of a passport takes 20 days for a new applicant. However, my Ministry is re-engineering its processes to make issuance of the document faster. Applicants wishing to replace their passports on expiry after 10 years wait for 10 days, while those wishing to renew their passports on expiry after five years are served on the spot.

(b) I am aware that there are delays occasioned by verification of primary documents submitted by applicants to support their applications. The documents have to be verified by the Ministry, in consultation with other Government departments, for purposes of safeguarding security, integrity and acceptability of the passports internationally.

(c) Passport Vetting Committees comprise senior Immigration Officers and law enforcement officers, who work in consultation with the National Registration Bureau and the Civil Registration Department. The vetting exercise cannot be undertaken at the provincial or district level due to logistical and financial constraints. However, the Ministry has opened a passport application receiving centre in Eldoret, on a pilot basis. Soon, other centres, including Garissa, will be considered.

Thank you, Mr. Deputy Speaker, Sir.

Mr. M.Y. Haji: Mr. Deputy Speaker, Sir, I do not know whether I should laugh or cry. Part "a" of my Question was:- "Is the he aware that the issuance of passports is taking a long time, contrary to the Government policy that the same should be processed promptly?"

Here, he says that he is not aware. But, again, he says that it takes 20 days. Is 20 days really a short time? Secondly, I am really shocked by the Minister, who is telling this House that there is a special vetting committee here in Nairobi, whereas you are aware that we have PCs, DCs and DOs right on the ground with their security committee, who could as well do this vetting. It is not only that. Somebody coming from Mandera will have to use Kshs6,000 for transport. If he has to stay in Nairobi for 20 days waiting for his passport to be processed, he will have to spend another Kshs2,000 every day and yet, we are aware that the people of North Eastern Province are under-developed and have a very high level of poverty. Is this Government in order to aggravate the poverty of these people by forcing them to come here and wait for 20 days to get their passports?

Mr. Konchella: Mr. Deputy Speaker, Sir, with due respect to the hon. Member, if he can jog his mind, he would remember that he is the one who actually introduced vetting when he was the PC. So, part of the things that we are following is what the law says for those officers who are in office, including him. But that does not negate the fact that the people are suffering and spending a lot of money. We want to ensure that the integrity of our passports is upheld worldwide. There

are a lot of problems in North Eastern Province because of the influx of the Somali community. It is a fact that Somalis are related from wherever they are. They are brothers and sisters and they will find one way or another to---

Mr. Billow: Even the Maasais!

Mr. Konchella: Yes, including the Maasais, I agree. So, they will find one way or the other to try and get Kenyan documents. So, for us to control this thing, we have to vet properly. But I have said that we have started to vet people, even in Eldoret, for the issuance of passports and we intend to extend this service to every provincial level so that in Garissa, they can also do vetting because there are more elders there who are known to the people than the people who are in Eastleigh in Nairobi, who we are using now. So, I actually accept what he is saying, that we need to go further to do the vetting in Garissa, but not in the districts because of logistical problems and financial constraints.

Mr. Wario: Mr. Deputy Speaker, Sir, if it is true that it takes 20 days to process a passport, why did it take Idriss Kunow Lalafa one-and-a-half years just to be invited for an interview? If it takes 20 days, why did it take this constituent of mine one-and-a-half years to be invited for an interview?

Mr. Deputy Speaker: Is the Minister aware of what you are saying? Mr. Minister, are you aware?

Mr. Wario: Mr. Deputy Speaker, Sir, if he is not aware, let me repeat the name: Idriss Kunow Lalafa.

Mr. Deputy Speaker: Order! Order!

Mr. Konchella: Mr. Deputy Speaker, Sir, let him bring a Question and I will answer it.

Mr. Deputy Speaker: Order! Order! I just want the questions to be relevant.

Mr. Konchella: Mr. Deputy Speaker, Sir, let the hon. Member bring a Question and I will answer it, because we have no details about that case.

Dr. Ojiambo: Mr. Deputy Speaker, Sir, I would like to request the Minister to scrap the vetting process at the national level and re-assign the vetting at the district level, or wherever it is, because the issuance of passports is not only important to the Somalis and the people of the North Eastern Province, but also to some of us who live on the border, like in Busia. The DCs, chiefs and assistant chiefs do a thorough job and they issue identity cards and birth certificates to these people before they come to apply for passports.

Is it in order for them to come and suffer another humiliation here in Nairobi, staying in the streets, spending money, when the job has been done by the same Government and birth certificate and identity cards are Government documents?

Mr. Konchella: Mr. Deputy Speaker, Sir, we only charge once, so I am not sure what the hon. Member is talking about. But if they have already been vetted by committees that are established within the districts, that is enough! She should bring forward a specific case and I can follow it up and advise her accordingly.

Mr. Deputy Speaker: Last question, Mr. M.Y. Haji! We have limited time.

Mr. M.Y. Haji: Mr. Deputy Speaker, Sir, in the first place, I want to demand that the Minister apologizes to me because I did not start screening the Somali people. It was done by the Government and my work as the PC was only to implement Government policies. So, he needs to apologize to me.

Mr. Deputy Speaker, Sir, secondly, we did a very good job. We have registers, both at the district and provincial headquarters. Why do they have to come all the way to Nairobi? Could he answer that?

Mr. Deputy Speaker: Mr. Minister, answer the former PC!

Mr. Konchella: Mr. Deputy Speaker, Sir, first of all, the people of North Eastern Province really need to thank this Government for giving them priority and a lot of things. For example, they hold the highest number of passports than any community in Kenya.

*(Mr. Billow and Dr. Ali stood up
in their places)*

Mr. Deputy Speaker: Order! Order! I have asked hon. Members many times to let the Minister finish. The Minister may have said something you do not like or agree with, but let him finish, then if you have an issue, raise it.

Proceed, Mr. Minister!

Mr. Konchella: Mr. Deputy Speaker, Sir, we are not denying anybody passports, if he is a Kenyan, but we have to verify that we are giving the document to the right people because of the influx of a community that is similar to those of Kenyans in North Eastern Province. So, they should really know that, currently, they hold the highest number of passports per community in Kenya. So, they are not being discriminated. We are just following the law to make sure that when you are given a passport, you are really a Kenyan and you do not intend to use our passport to cause problems in other countries, because Kenya is going to be blamed for that action.

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

Mr. Deputy Speaker: Do you want to ask a question, Mr. Sirma? What is it?

Mr. Sirma: On a point of order, Mr. Deputy Speaker, Sir. Is the Minister in order to ask the people of North Eastern Province to be grateful to them yet they are obligated as a Government to take care of them by right?

Mr. Deputy Speaker: Mr. Minister, are you in order?

Mr. Konchella: I believe that all Kenyans should be grateful for what the Government is doing, if it is serving them. If it is not serving them, then they have no reason to be grateful.

Mr. Deputy Speaker: *Ni kitu gani kinachokukera, Bw. Billow?*

Mr. Billow: On a point of order, Mr. Deputy Speaker, Sir. The Minister used some very strong statement. He said that because we have Somalis living in another country, then we have to do much more to make sure that we maintain the integrity of our passports in the world, yet there are many communities who live in various other countries. He said that it is a question of integrity. What action did he take when he was checking the integrity of the Artur brothers when he gave them passports? Are they more important than us? Is he talking of integrity?

(Applause)

Mr. Konchella: Mr. Deputy Speaker, Sir, that is not a question. I think he is just making a statement.

Mr. Deputy Speaker: Next Question, Mr. Wario!

Question No.167

UPGRADING OF BURA HEALTH CENTRE
TO SUB-DISTRICT HOSPITAL

Mr. Wario asked the Minister for Health:-

(a) when she will deliver ambulances to Bura and Madogo Health Centres

in Bura Constituency, as promised to this House; and,

(b) when Bura Health Centre will be upgraded to a Sub-District Hospital?

The Assistant Minister for Health (Dr. Kibunguchy): Mr. Deputy Speaker, Sir, I beg to reply.

(a) Bura Health Centre in Bura Constituency was allocated a double-cabin vehicle in 2004. The registration number of the vehicle is GK A798 G. This vehicle is also improvised for the purposes of referrals whenever emergencies arise. However, Madogo Health Centre, which is administered from Coast Province, is only two kilometres from Garissa Provincial General Hospital, where they can seek ambulance services for referral purposes. Since both Bura and Madogo Health Centres have radio call services, the arrangement for referral services can be made conveniently.

(b) Bura Health Centre has not been considered for upgrading to a Sub-District Hospital since the population it serves is slightly over 21,000 and it is being adequately catered for by the health centre.

According to the Ministry's standards, for a health centre to be upgraded to a sub-district hospital, it should serve a catchment population of between 100,000 and 250,000.

Secondly, Bura Health Centre does not have X-ray and theatre services.

Mr. Wario: Mr. Deputy Speaker, Sir, it is sad for me to hear what the Assistant Minister has said. I asked the same Question in 2004. That is why my Question partly states, "as promised to this House." In his answer, he says we have to meet some conditionalities, which we did on our part. Now, that he has shifted the goal posts, could the Chair intervene to assist us? We were asked to approve this through the District Development Committee (DDC), and we have done it. Now that it is a totally different subject, what do I do?

Mr. Deputy Speaker: Dr. Kibunguchy, you have heard the hon. Member!

Dr. Kibunguchy: Mr. Deputy Speaker, Sir, I have Questions that were asked in 2003 and 2004 on the same subject. The answer I have given today is not contradictory. What I am telling the hon. Member is that, apart from all the other facilities, a sub-district hospital needs to serve a certain population. It is not just any health centre that will be upgraded to a sub-district hospital. Bura does not have the population to warrant the Bura Health Centre to be upgraded to a sub-district hospital. Its catchment population is only 21,000. For it to be upgraded to sub-district hospital, it needs to serve a population of, at least, 100,000.

Mr. Munya: Mr. Deputy Speaker, Sir, I would like the Assistant Minister to clarify what specific criteria the Ministry uses to allocate ambulances, other than political criteria. We have areas which do not have ambulances while others have many of them.

Dr. Kibunguchy: Mr. Deputy Speaker, Sir, that allegation is not true. We give ambulances according to the amount of work and distances from the nearest hospitals. For the benefit of the House, before the end of this month, we will acquire 115 ambulances. We are going to give every district an ambulance. We are also considering giving them to the faith-based hospitals. In fact, some of them are at the Ministry Headquarters. We want to flag them off before the end of this month.

Mr. Deputy Speaker: Last question, Mr. Wario!

Mr. Wario: Mr. Deputy Speaker, Sir, you heard the last part of the Assistant Minister's answer. He says Bura Health Centre has no X-ray services or major theatre. Whose responsibility is it to set up these facilities? Is it mine?

Mr. Deputy Speaker: Dr. Kibunguchy, is it Mr. Wario's fault that there is no theatre facility at the health centre?

Dr. Kibunguchy: Mr. Deputy Speaker, Sir, I am not saying that it is his responsibility to build a hospital. In fact, most health centres do not have theatre facilities. Those facilities are

mainly in the hospitals. Bura Health Centre is doing its work adequately. In case of any emergency cases, it has an ambulance to transfer patients to the district hospital which is only 50 kilometres away.

Mr. Deputy Speaker: Next Question by the Member of Parliament for Aldai Constituency!

Question No.554

PAYMENT OF DUES TO MR. SOLOMON LIONA

Mr. Choge asked the Minister for Local Government:-

(a) whether he is aware that Mr. Solomon Kisali Liona was an employee of the City Council of Nairobi in Fire Service Department;

(b) whether he is further aware that vide Minute No.2 of October, 2002, the Council gave its approval for payment for 148 days worked as overtime by Mr. Liona; and,

(c) what he has done to ensure that this retired officer is paid his dues and reimbursed all expenses incurred while pursuing the payment.

The Assistant Minister for Local Government (Mr. Shaaban): Mr. Deputy Speaker, Sir, I beg to reply.

(a) Yes, I am aware that Mr. Solomon Kisali Liona was an employee of the City Council of Nairobi in Fire Service Department.

(b) Yes, I am aware that vide Minute No.2 of October, 2002, the Council gave its approval for payment of 148 days worked as overtime by Mr. Liona in 2004.

(c) A cheque No.15256 of Kshs90,879.50, dated 17th September, 2004, was collected on 20th September, 2004. Therefore, the issue of reimbursement of the expenses incurred while pursuing any pending payment does not arise, as Mr. Liona was paid his dues.

Mr. Choge: Mr. Deputy Speaker, Sir, on the face of it, I am satisfied with the answer. I will, therefore, let the matter rest.

Mr. Deputy Speaker: Thank you, Mr. Choge. If we proceeded that way, we would have finished with Questions a long time ago.

Next Question by the Member of Parliament for Kangundo Constituency!

Question No.405

SUPPLY OF ELECTRICITY TO
KATANGINI MARKET

Mr. M. Maitha asked the Minister for Energy when he will supply electricity to Katangini Market in Kalanduni Location, Matungulu Division, given that power lines pass over the market.

The Minister for Planning and National Development (Mr. Obwocha): Mr. Deputy Speaker, Sir, I beg to reply.

Given that there is already a transformer at Katangini Market which is currently supplying power to an installation owned by Celtel Company, I would like to request the hon. Member to advise residents and institutions within the vicinity to apply directly to the Kenya Power and Lighting Company (KPLC) with a view to having them supplied with electricity under the KPLC new policy on transformer maximization. Under this policy, a consumer within a distance of 600

metres from the existing transformer is required only to pay Kshs31,500 on single-phase and Kshs43,100 on three-phase supply, respectively.

On the single-phase, the rate is Kshs25,000 plus 16 per cent Value Added Tax (VAT) of Kshs4,000. The meter deposit is Kshs2,500. These add up to Kshs31,500. So, if it is within the vicinity, we would like to maximise the usage of power.

Mr. M. Maitha: Mr. Deputy Speaker, Sir, I must thank the Celtel Company because it installed the transformer after I had asked the Ministry this Question. Given the fact that the people living around that market have also a right to be supplied with electricity by this Government, could he allocate some money to supply power to the market, as I ask them to also contribute, as he has directed?

Mr. Obwocha: Mr. Deputy Speaker, Sir, which power is the hon. Member asking about? I said we have supplied power to Katangini Market. If there is a transformer then power has already been supplied to the market. If the individuals within that vicinity want to be supplied with electricity, according to our policy, they should pay some money and it will be done. We only supply power to institutions like markets, secondary schools and health centres.

Mr. Manoti: Mr. Deputy Speaker, Sir, while we appreciate what the Ministry is doing, very few Kenyans can afford to pay Kshs31,500 for installation of meters. Could the Minister allow those willing to be connected to electricity to pay this amount in instalments? In this way, many people will afford power.

Mr. Obwocha: Mr. Deputy Speaker, Sir, the charges we provide when one applies for electricity depends on the distance from the supply unit to where it is required. It is not a standard amount of Kshs31,500. One could be near a supply unit and be asked for Kshs8,000 and so on. However, I would like to assure the hon. Member that, as a Government and a Ministry, we are working on a policy in which when one is asked to pay a deposit, its paymnet can be spread over 12 months. In this way, it would be easier for our people to access electricity.

Mr. Deputy Speaker: Last question, Mr. M. Maitha!

Mr. M. Maitha: Mr. Deputy Speaker, Sir, could the Minister tell this House which projects are benefiting from the Rural Electrification Programme in Kangundo Constituency, if there are any?

Mr. Deputy Speaker: Mr. M. Maitha, I am not defending the Minister but your Question was very specific. However, now you have broadened it to something else. You had asked a Question about Katangini Market. The Minister has responded and now you are asking him a question about Kangundo Constituency.

Mr. Minister, I am not speaking for you. Go ahead and respond!

Mr. Obwocha: Mr. Deputy Speaker, Sir, you have already guided the hon. Member. I do not know what more to add.

Mr. Deputy Speaker, Sir, I have told this House severally that this financial year, upto 30th June, 2007, we are giving funds to 940 projects countrywide without discrimination. This includes Kangundo Constituency.

If the hon. Member really wants information, let him file a Question. I will tell him which projects will benefit in Kangundo Constituency. The constituency is covered. Every constituency will get between two and four projects this year.

Mr. Deputy Speaker, Sir, we are serious people. We are a serious Government. We are a serious Ministry.

Mr. Deputy Speaker: Next Question, the hon. Member for Maragua Constituency, Mr. Mbau!

DEPLORABLE LABOUR RELATIONS
IN KIAMBU MWITUMBERIA ESTATES

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

(a) whether he is aware of the deplorable labour relations prevailing in Kiambu Mwitumberia Estates in Maragua Constituency;

(b) what steps he has taken since the matter was lodged in his office in December, 2004; and,

(c) when the aggrieved workers' complaints about low salaries and pending balances will be resolved.

The Assistant Minister for Labour and Human Resource Development (Mr. Leshore):
Mr. Deputy Speaker, Sir, I beg to---

Mr. Deputy Speaker: Could someone move the microphone closer to the Assistant Minister?

*(Orderlies moved the microphone
closer to Mr. Leshore)*

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

(a) Yes, I am aware that there were deplorable labour relations in Kiambu Mwitumberia Estates in Maragua Constituency up to May, 2005 when the old Board of Directors was voted out of office and a new one took over.

(b) When my Ministry intervened, staff quarters which were found to be unfit for human occupation were demolished. The coffee pickers, who in the past used the houses, now operate from their homes. They are not company employees.

Mr. Deputy Speaker, Sir, after the employees lodged their complaints at the labour office, several meetings were held between the parties, and an agreement was reached to the effect that the company pays 14 of those employees a total amount of Kshs103,321. To date, a total amount of Kshs107,511 has been paid to the workers.

(c) The unpaid balance of Kshs12,810 will be paid to the employees before 31st December, 2006.

Concerning the complaints about the low salaries, I have established that nobody at the farm earns less than Kshs120 per day, whereas the statutory minimum is currently Kshs106.45 per day.

Mr. Mbau: Mr. Deputy Speaker, Sir, I would like to thank the Assistant Minister for this answer. I, however, want to emphasise that it is high time we called upon the Government to be considerate of the plight of workers. This is because when times have been lean, workers have stood on the side of companies. Is the Assistant Minister aware that these workers have worked for this company for a long time and stood by it? The company now says it has paid 14 of these workers. Is the Assistant Minister aware that these 14 were officials who used to pursue this matter on behalf of a total of 49 workers? The company has kind of seduced those who have been leading the fight by the workers, leaving the rest out. What is the Assistant Minister going to do about the cases of the other workers which have not been settled?

Mr. Leshore: Mr. Deputy Speaker, Sir, I understand that there was a problem in that company with the old Board of Directors. However, when the new Board took over, the rest of the workers wrote a letter to the labour office in Thika withdrawing their case. That is why the new

office holders gave only the 14 workers compensation.

Mr. Poghiso: Mr. Deputy Speaker, Sir, this is a sector that is being threatened by not only the poor labour relations but also by mechanisation, or use of machines to pick coffee and tea. Unless these issues are addressed these workers will not get representation. My understanding is that the Assistant Minister seems to be reading from the employer's script and not from where the employees' stand. Does he have the capacity to attend to workers' cases in all individual companies, especially coffee and tea companies? Does he have a shortage of officers, so that problems of employees are not being addressed? Is there a lack of capacity by the Assistant Minister?

Mr. Leshore: Mr. Deputy Speaker, Sir, I wish to tell my hon. colleague that our Ministry is understaffed. That issue is going to be taken to the Cabinet very soon. Also, we have about eight Acts that govern employees undergoing review, and very soon they will be tabled in this House. These Bills will assist the Ministry overcome the plight of the workers.

Mr. Deputy Speaker: Last question, Mr. Mbau!

Mr. Mbau: Mr. Deputy Speaker, Sir, is it possible for the Assistant Minister to prevail upon the company to pay the balance of Kshs12,800? The company is now doing well. Does it have to wait for end of the year for it to pay the workers? The workers have waited for four years.

Mr. Leshore: Mr. Deputy Speaker, Sir, as I said, the Board of Directors undertook to pay them before the end of 31st, December, 2006.

Mr. Deputy Speaker: Hon. Members, I do not think that, that will be waiting for too long. Hon. Mbau, if they have waited for four years, why can they not wait for two months?

COMMUNICATION FROM THE CHAIR

DEFERMENT OF THE REFUGEES BILL

Mr. Deputy Speaker: Hon. Members, that is the end of Question Time. You will realise that we have over-shot Question Time by 12 minutes.

Hon. Members, the next Order is The Refugees Bill. I have received a request by the Leader of Government Business to defer it and I now order that we move to the next Order. I will defer Order No.7.

(The Refugees Bill was deferred)

Next Order!

BILLS

Second Reading

THE MICROFINANCE BILL

The Minister for Finance (Mr. Kimunya): Mr. Deputy Speaker, Sir, I beg to move that The Microfinance Bill be now read a Second Time.

As I alluded in my Budget Speech earlier this year, our economy has recovered. What is important now is how we drive it forward. But despite the recovery, poverty and unemployment are still a challenge to us as a country. In order to address these challenges substantially, the economy of our country must expand upwards by about 10 per cent as envisaged in our Kenya Vision 2030,

whose design and development process was launched by His Excellency the President just the other day.

One of the tools that can help us to achieve this vision is The Microfinance Bill, which will go a long way in deepening access to financial services by the less privileged in our society.

[Mr. Deputy Speaker left the Chair]

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

Mr. Temporary Deputy Speaker, Sir, microfinance business, which basically refers to the provision of financial services to the poor and the small and micro-enterprises, holds an enormous potential to alleviate poverty. Widespread experiences and research have shown that sound microfinance institutions are vital ingredients for economic growth and welfare improvement. The Government recognises that greater access to, and sustainable flow of financial services to the poor and the informal sector is critical to progress in poverty reduction.

This Bill has been much anticipated and debated. There have been a lot of stakeholders' expectations and anticipation in developing it. Its primary objection is, basically, to make provision for licensing, regulating and supervising microfinance businesses.

Mr. Temporary Deputy Speaker, Sir, the potential for using institutional credit and other financial services for poverty alleviation in Kenya is quite significant. About 60 per cent of our population or 18 million people are poor and mostly out of the scope of the formal banking services. It is estimated that there are close to 1.3 small and micro-enterprises, which combined, employ nearly 2.3 million persons or 20 per cent of the country's total employment. They contribute, in overall terms, 18 per cent of our Gross Domestic Product (GDP) and within the non-agricultural GDP, they contribute 25 per cent. Despite this important contribution, only 10 per cent of the small and microenterprise sector receives credit and other financial services from the formal sectors.

Our microfinance institutions are registered under different Acts of Parliament. They are scattered over the Non-Governmental Organisations and Co-ordination Act, the Building Societies Act, the Trustees Act, the Societies Act, the Co-operatives Act, the Companies Act and the Banking Act. You will appreciate that with that kind of multiplicity in terms of registration systems, it is difficult to address the critical issues relating to ownership, governance, safety and stability of the microfinance institutions and, indeed, of the funds that they are holding on behalf of the public. Lack of appropriate legislation and regulatory oversight is the main impediment to the growth and development of the microfinance institutions in this country.

Mr. Temporary Deputy Speaker, Sir, the proposed Bill aims at ensuring that licensed microfinance institutions comply with the requirements of financial sector soundness, safety and stability. The institutions to be regulated under this Bill shall provide savings, credit and other financial services to both the micro as well as the small and medium enterprises and to the low income households in both rural and urban areas. The Government has initiated reforms to include financial systems with multiple financial service providers that serve the entire population and not just a tiny minority. Microfinance is the provision of financial services to the low income households and micro-enterprises as an integral part of a competitive and diverse financial system that uses innovative delivery channels and methodologies to all segments of the society.

Our low income households and micro-enterprises, including the small-holder farmers and women, need to access financial services and are willing to pay for affordable services. The Microfinance Bill will introduce new players in the deposit-taking intermediation process and

thereby introduce and increase competition in the industry. The legislation will also enable the licensed microfinance institutions to lower their cost of funds by accessing deposits which are considered to be a cheaper source of funding. Both the increased competition and the low cost of funds coupled with improved management and sound governance practices are expected to reduce the interest rates and make the credit affordable, especially to our rural poor, youth and women.

Mr. Temporary Deputy Speaker, Sir, the Bill sets the minimum core-capital requirements at two different levels for the deposit-taking microfinance institutions. It sets the minimum capital requirement of, at least, Kshs60 million and Kshs20 million for another class of microfinance institutions, based on geographical or administrative criteria. The minimum capital is set again with the aim of encouraging a wider coverage and penetration to the low income households and more so, in the rural areas. It is important to note that what is considered as adequate capital to be held by a microfinance institution will be assessed relatively to the level of business that is likely to undertake in a viable and sustainable manner. There is, therefore, the minimum threshold below which it may not be viable to hold capital for a deposit-taking microfinance institution.

The low income consumers of financial services and the unsophisticated customers who cannot monitor and evaluate the healthiness of their financial entities need to be protected from the predatory lenders and other unscrupulous practices or in terms of accidental failures of the financial institutions. The Microfinance Bill, just like the Banking Act is providing for depositors' savings protection scheme to the tune of Kshs100,000 per saver under the Deposit Protection Fund Board. This protection is not currently available under the microfinance practices that we have now. Furthermore, the Government, under the financial sector reforms, namely, the Financial and Legal Sector Technical Assistance Programme, is also in the process of developing a consumer protection legislation that will provide protection to consumers of all financial services which are provided by commercial banks, microfinance institutions, savings and credit co-operatives and higher purchase companies.

Mr. Temporary Deputy Speaker, Sir, the Microfinance Bill will contribute to the provision of financial services to the low income households and our small and micro-enterprises. This will in turn help to build an inclusive financial system that serves a greater number of our population and in the process, spur economic growth and reduce poverty in our country. This Bill is coming at an opportune time when our economy is registering high and sustainable growth. Most of our people are yearning to be given the right environment and be empowered to undertake businesses within formal systems. We are seeing more people bringing their money from under their mattresses and putting it into the formal system. I believe that this Bill could not have come at a better time.

I believe this House owes Kenyans a chance to better their lives and to give them a platform on which they can operate and access credit that can help build this country. I would like to urge the House to give Kenyan entrepreneurs, the small and micro-entrepreneurs, our women and youth, this boost that they require by passing this Bill in the shortest time possible. If we can even go to the Committee Stage today or tomorrow, we can have these people enjoying the benefits of a liberalised system.

With that appeal to the hon. Members, I would like to move the Bill and request hon. Katuku to second it.

The Minister for Water and Irrigation (Mr. Katuku): Thank you, Mr. Temporary Deputy Speaker, Sir. As I second this important Bill, I would like to thank the Minister for Finance for finally bringing this Bill to this House. It is a Bill that has been worked on for many years and has been pending before this House for sometime. The introduction of this Bill gives our investors, business community and Kenyans a chance to participate in a more organised way, bearing in mind that the Bill gives us a chance to have more coordinated financial activities. The Bill seeks to

protect Kenyans who have lost money in dubious institutions which are not structured and regulated in any way. This Bill brings about regulations to some of the mushrooming institutions which are calling themselves banks, and robbing our people of their resources. People visit such institutions thinking that they are banks when they are just family institutions, and deposit their money. When they need to withdraw it, they go back only to find the institutions closed. Some of those institutions promise to advance credit facilities to customers once they have deposited their money. By bringing this Act into place, we will be able to regulate and know who is in business, doing what and in what area.

The Act will also ensure that the Central Bank of Kenya (CBK) has a greater role to supervise microfinance institutions. It will ensure that people who are appointed to work in the institutions have background knowledge of running financial institutions, unlike in the prevailing situation where you find people who have no background knowledge opening up financial institutions just because they have money they have stolen or earned from somewhere, yet they are not qualified. With the Act in place, we will expect the CBK to vet people who want to establish microfinance institutions so as to make sure that they have background knowledge.

The introduction of this Bill gives Kenyans a chance to access credit facilities from recognised institutions. These is what most Kenyans are lacking. Sometimes bank interest rates go up to a level which ordinary Kenyans cannot afford. Once financial institutions are regulated, interest rates will go down to a level where Kenyans can borrow money and do business. Most Kenyans today rely on SACCOs to carry out most of their investments. Some of them rely on merry-go-round groups. The enactment of this Act will ensure that we give Kenyans a chance to have recognised institutions which can give them credit.

Mr. Temporary Deputy Speaker, Sir, in addition to that, we have seen financial institutions going under with people's money. This Bill has a provision to ensure that a Depositors' Protection Fund is in place, in all financial institutions. The fund established under this Bill, just like in other financial institutions, is to take care of those who deposit their monies in the institutions so that in case they collapse, those affected can benefit from the fund. Without wasting time, I would like to appeal to hon. Members, bearing in mind that the Bill is long overdue, to pass it and give Kenyans a chance to have a law which will regulate or ensure the control of financial institutions. It will also ensure the establishment of financial institutions that are recognised by the law, and do away with those that have messed up Kenyans by going round and collecting money from individuals, yet their directors are not known and they are not recognised. I hope this House will pass this Bill so as to give Kenyans well regulated microfinance institutions. I hope that investors will put up such institutions so that Kenyans can access credit facilities, not only in the urban areas, but also in rural areas. Big institutions ask for big collaterals from customers who want to access credit. However, microfinance institutions will offer better terms. I hope that once regulated, microfinance institutions will give Kenyans a chance to contribute to our growing economy.

As I conclude, I would like to express my disappointment with some of our colleagues in this House. Recently, I read in one of our local newspapers about one of our colleagues who has been going round saying that our economy is growing very well owing to monies earned from the sale of drugs, and taken to the Nairobi Stock Exchange (NSE). That is unpatriotic and if anyone has any information regarding dirty money, he or she should report the matter to the relevant authorities. I hope that when that hon. Member steps at our airport, the relevant authorities will be waiting for him so that he can record a statement and tell us who is dealing with the dirty money. How can hon. Raila go out there and say such things? It is a shame! Talking about your country while out there is not very good.

With those few remarks, I beg to second.

The Temporary Deputy Speaker (Mr. Poghiso): Mr. Minister, you know the rules of this

House. You cannot get away by sitting down just because your time is over. You have to withdraw your remark of naming and making reference to an hon. Member. Unless you withdraw, you have to follow the rules pertaining to discussing an hon. Member.

The Minister for Water and Irrigation (Mr. Katuku): Mr. Temporary Deputy Speaker, Sir, I do not want to engage the Chair in any discussions. Therefore, since I am an old disciplined hon. Member of this House, with your guidance, I withdraw. However, when he steps here, I will expect the hon. Member to tell this House why he---

The Temporary Deputy Speaker (Mr. Poghisio): Order, Mr. Minister! It is okay to talk about situations that happen, such as this one. However, it is not right to drag the names of hon. Members into it. The Minister has, however, withdrawn.

(Question proposed)

Mr. Weya: Thank you, Mr. Temporary Deputy Speaker, Sir, for giving me the chance to say one or two things about this Bill. For a long time, the issue of micro finance has been hanging over our heads. We have had a lot of loan sharks operating in this country and reaping off individuals in society.

Today, in every household there is micro-financing going on with people borrowing money using their household items like radios, televisions or even bicycles as security, and they pay up to 25 per cent a month in terms of interest. Because of the urgency of that money being returned, they are very frustrated and most times, they are unable to pay and the security is taken away from them. Women have been using merry-go-rounds as a way of borrowing money from amongst themselves and sometimes they find themselves in a fix when their investments do not pick up.

Mr. Temporary Deputy Speaker, Sir, I think we need to look at what is happening around us, because we are now living in a global village. A good example is India. It has been proved that the poor always pay their debts. It is only the elite who do not pay their debts. The elite borrow from financial institutions without the intention of planning to pay it back.

Mr. Temporary Deputy Speaker, Sir, on the issue of what is happening in our society and about money laundering, any economy that is doing well must start from the bottom going up. What has happened is that those who had been operating in past corrupt governments have realised that their money cannot be held overseas because it may be frozen. So, all the illegally-earned money is now being channelled back disguised as foreign investors---

The Assistant Minister for Foreign Affairs (Mr. Wetangula): On a point of order, Mr. Temporary Deputy Speaker, Sir. This is a very critical Bill and I would expect that our contributions would enrich it. Is the hon. Member in order to engage in a speculative and near defamatory discourse on issues that he cannot substantiate instead of debating the Bill?

Mr. Weya: That is argument, Mr. Temporary Deputy Speaker, Sir.

The Temporary Deputy Speaker (Mr. Poghisio): Order, Mr. Weya! Specifically, we are discussing the Microfinance Bill. So, the Member is basically asking that you enrich the Bill.

Mr. Weya: Mr. Temporary Deputy Speaker, Sir, I am building my argument. I am talking about resources coming back into the country through the financial institutions and then being re-invested. This is an issue that needs to be addressed to find out why we have this amorphous 5.8 per cent growth whereas in reality when you go to the rural areas where growth is supposed to start from, it is not happening.

Mr. Temporary Deputy Speaker, Sir, the issue of financial institutions is something that we need to address. The big banks are pulling out of the rural areas.

The Temporary Deputy Speaker (Mr. Poghisio): Do you have a problem with the growth?

Mr. Weya: No, I have no problem. I am saying it is there, but it is not realistic in the grassroots. A company like Safaricom is really growing and even banks are really growing. The financial institutions are really extending. We have no doubt about that. But when you go down to the rural areas, are we feeling this effect? That is my argument.

We want the ordinary mwananchi at the grassroots to feel the growth. If we look at the time NARC came into power and now, the prices of most goods have increased. At that time, sugar cost Kshs32 per kilogramme, now it is Kshs62. That is the point I am trying to drive home. I am talking about the man in the village, our voters; not the few elites who are holding shares in the Nairobi Stock Exchange.

Recently, I went to South Africa and I found out that the Government is trying to fight poverty in the grassroots by supplying inputs to the poor persons in the rural areas to enable them to take off. For example, my constituency used to grow cotton and now we want to revive the cotton industry. For a while, the cotton farmer has not been able from zero to take-off because the seeds are not there and they cannot afford to buy fertiliser. They are not even able to plough their land.

In the 21st century, it is very wrong for a country like Kenya to have people tilling land using hoes. We need to look at how we can mechanise farming and create a finance that can enable our people to hire a tractor that is able to plough two acres within three hours instead of two acres within a week. This is the vision we need. As a young leader, it is my vision that we mechanise farming at the grassroots level. With the CDF, I have been able to subsidise the farmers efforts by buying a tractor where they can plough their land at Kshs1,500 per acre instead of Kshs3,500 per acre. Many governments around the world are subsidising their farmers and there is no reason why we cannot do the same. We need to finance the agricultural sector.

Mr. Temporary Deputy Speaker, Sir, microfinancing is also key to industry. In order for Kenya to look at industry in the issue of ICTs, we should look at how we can finance our youths in the rural areas to become computer-literate and keep up with what is happening across the world. We should look at what is happening around us to be able to finance the right product; whether ICT, agriculture or industry. This industry can also be very basic.

Mr. Temporary Deputy Speaker, Sir, recently, when I went for a cotton seminar, there was this lady who was given an order to supply 20 containers of her produce to the USA every month. She was a small producer. But she was told to produce 20 containers every month for a year. She went back to look at how to meet this order. If we could have a network of microfinancing around the country, we would help many other entrepreneurs like her and we would create employment and make money for our people.

Mr. Temporary Deputy Speaker, Sir, microfinance institutions in other countries are created from simple ideas. University graduates and students from other institutions such as colleges are always looking for employment. This country might not have the capacity to employ all these people. However, we know that some of the ideas these young people may be having can generate money. In some countries, for example, a graduate may go to a bank to borrow money to finance a particular idea. The bank will review the idea and decide whether to support it or not. If it is a brilliant one, the bank will be ready to finance it. However, in this country, if a graduate goes to borrow money to finance an idea he is asked for security. The only security that this young woman or man may have is the degree certificate in his or her pocket. The bank may ask for a title deed, this person may not own a piece of land. This young individual may lack what to give as a guarantee. Some may even opt for a cartel type of bargain where they say they can buy equipment "a", "b", "c" or "d". The cheque the bank will issue could be used to pay for the equipment. One may think this is the only security, but banks in this country do not just want to hold equipment as security, they want to hold land and the currency in someone's bank account. They make it more

difficult for young Kenyans to access loans by asking for a six-month banking record. They claim they want to know somebody's financial capacity. By so doing, we are not enabling our people to come out of poverty.

Mr. Temporary Deputy Speaker, Sir, we, as hon. Members, need to look into how we can work out ways of empowering our people by giving them opportunities to borrow money and develop themselves as individuals.

With those few remarks, I beg to support.

The Assistant Minister for Justice and Constitutional Affairs (Mr. Mungatana): Mr. Temporary Deputy Speaker, Sir, I want to thank you for giving me this opportunity to also make my contribution. First of all, I want to start by congratulating the Minister for Finance for moving the Microfinance Bill.

I will not speak for very long because this is the type of Bill that we should pass as fast as possible. Why do I say so? Many of us will remember the reign of the shopkeeper in the rural areas. This is a man who would collect all the money from women and youth groups and keep it in his *duka* for safe keeping. Any time our people wanted back their money to do business, they would be told to wait until the end of the month or for two weeks. In the meantime, while the shopkeeper was doing business with that money, these poor people in many parts of our rural areas would not be allowed to get any loan from the shopkeepers. If they were to be given loans, they were asked to pay exorbitantly for those services.

Mr. Temporary Deputy Speaker, Sir, we all agree that we need financial services for our people in the rural areas. We also need this facility for the people who cannot access this kind of service in urban areas or who are asked for huge deposits by banks. I wholly urge this House to support this Bill and join other hon. Members who will speak in support of this Bill.

Mr. Temporary Deputy Speaker, Sir, we remember on many occasions that due to the desperation and high demand of this type of service, many pretenders to the throne have come up to give this type of service to that class of people. The stories abound everywhere. We have seen people who have been made to believe that if they give a particular financial institution Kshs500 or Kshs1,000 for a few months, then they can go to that institution and they will be able to secure a loan to invest in a business. What has happened is a story that we all know. We have read in the newspapers, and our constituents have experienced it, after a period of time, they are given a lot of hope. When they visit that particular financial institution, they are told: "Come tomorrow or next month, you have not done this or that." Even when they have met all the conditions that they have been given, they are told they did not qualify to get the loans. In the meantime, the little money they have been giving to those unregulated people goes missing. Sometimes even those institutions close down. Therefore, it is a very wise thought that this law has come to regulate the people who will be taking these small deposits.

Mr. Temporary Deputy Speaker, Sir, I am very happy to note that one of the things that is being proposed is that there will be a deposit protection scheme of up to Kshs100,000 for those who will bank their money so that in the event there is any collapse of the institution through business problems, the small depositors; our constituents in the rural areas; are protected. In this time and age, with the growth the economy has experienced within this short time that the NARC Government has been in power, we need to open up space for those people who are willing to work hard in the small businesses. These people need to access credit. We should also financially protect them.

Mr. Temporary Deputy Speaker, Sir, finally, I want to support what the Minister said, that the requirement for the minimum capital will only be Kshs60 million. Essentially, this means that there will be proper competition for those who are willing to invest in this sector. This sector will now be properly regulated. This, therefore, means that the number of people who can raise the

Kshs60 million will be more. There will also be competition for the provision of proper services to this client base, which will result in high quality services.

This is a wonderful idea. I would urge other Kenyans who have been locked out of the normal banking requirements, which require high capital input of up to Kshs400 million to Kshs500 million, to seize this opportunity and serve the ordinary *mwananchi*. They will also be able to make something little out of the money that they will give. The poor people will also be in a position to get excellent services because the competition will be on the provision of quality services.

I do not need to say more on this Bill. I will stop there, so that my comrades can also make their quick contributions and we have this Bill passed, because many people out there are waiting for it.

With those few remarks, I beg to support.

Dr. Oburu: Mr. Temporary Deputy Speaker, Sir, this is a very important Bill. It has been before the Departmental Committee on Finance, Planning and Trade. We were supposed to present our report, but were not aware that this Bill was coming before the House this afternoon. Unfortunately, it has come very fast. So, we are going to give our report on it tomorrow.

I am standing here in support of this Bill. This is a Bill which is going to address---

The Assistant Minister for Foreign Affairs (Mr. Wetangula): On a point of order, Mr. Temporary Deputy Speaker, Sir. I do not intend to interrupt my good friend, Dr. Oburu. But as the Chairman of the Departmental Committee on Finance, Planning and Trade, is it not fair and beneficial to the House that he brings their report and guides us through it, so that we see what his Committee has done, instead of contributing to the Bill now and bringing their report tomorrow?

Dr. Oburu: Mr. Temporary Deputy Speaker, Sir, that would have been done if we were actually notified that this Bill was coming before the House today. I have just learned about it because the other Bill was replaced since the Minister was not ready. We were not aware that actually---

The Temporary Deputy Speaker (Mr. Poghiso): Order, Dr. Oburu. I think it does not do to say that the Departmental Committee on Finance, Planning and Trade, or its Chairman, was not aware of this Bill. It is on the Order paper. Once anything is on the Order Paper, it is always good to assume that it would be dealt with the same day. After all, it is high up on the Order Paper.

Dr. Oburu: Mr. Temporary Deputy Speaker, Sir, I am not complaining. I am just drawing your attention to the fact that---

The Temporary Deputy Speaker (Mr. Poghiso): You are complaining. I think that we should let the Chairman contribute now. But he should send for the report if he can do that. Another hon. Member of the Committee can present it later. It is important to have the view of the Committee.

Dr. Oburu: Mr. Temporary Deputy Sir, it will come. We have agreed that hon. Okemo will, indeed, present it on behalf of the Committee.

This is a very important Bill because it is addressing an issue which major banks in this country have been unable to address. When the policy of liberalisation was introduced in this country, it was our expectation that banks would use the liberalised system of financing to spread their services to rural areas, which up to then had no access to financial institutions. We were expecting them to charge higher interest rates because of higher risks in those areas. But nobody in this country expected the major banks to shrink their services and close down their branches in rural areas. This has made financial services completely unavailable to the majority of Kenyans in our rural areas. What happened after liberalisation was that the major banks closed down their branches in rural areas, and wananchi were left without any access to financial services. This made it very difficult for small depositors to deposit their money in big banks. Such banks require high

minimum account levels, which are unaffordable by small savers, especially the teaching fraternity and those who earn small salaries in rural areas

Mr. Temporary Deputy Speaker, Sir, it is very pathetic that the microfinance sector is operating without any regulatory framework. This has resulted in a situation where microfinance institutions give small savers and poor Kenyans money borrowed from major banks. When you deposit money with a microfinance institution, it has no right to give you the same amount of money. When you deposit money with them, they have to deposit that money with major banks. Then, they cannot withdraw that money to lend it to you, because there is no regulation which allows them to do that. They have to use that money which you deposit with them to secure an overdraft from major banks and then on-lend to small savers. This is the major reason why interest rates have been very high.

Mr. Temporary Deputy Speaker, Sir, microfinance is important in the sense that it gives that poor woman in the village, who earns Kshs100 or Kshs50, a chance to save and get a loan of even Kshs1000. This is a lot of money to that woman in the village who wants to access credit.

We cannot talk of poverty alleviation in this country if we do not seriously address the issue of microfinance. Countries like Bangladesh used microfinance to pull themselves out of poverty. It is, therefore, very important that we quickly adopt a regulatory framework which will allow wananchi to bank small amounts of money. This money should be saved and then lend to them at a low rate. Microfinance institutions will be able to do that because they will not be depending on overdrafts from established banks, where interest rates are very high.

In this country we have had fraudsters, people who purport to be doing microfinance business. They collect money from rural areas. They pretend that they will double or triple the lending and then escape with people's money. Some of these institutions call themselves "rural banks", but in the actual sense they are not banks, because they are not regulated by the Central Bank of Kenya. Nobody knows what they do. Therefore, even if they escape with peoples money, it is not possible to follow them up. If you want to follow them, you do so just under the ordinary Penal Code. This particular Bill intends to regulate microfinance institutions to bring order into this sector. Those who will do this business will be required to set aside minimum capital, so that their credibility is established. In that way, those who will deposit money with them will know that these institutions are recognised by law and have some protection. It is also very pertinent that this particular Bill differentiates between those in urban areas and those in far-flung rural areas. The requirement for capital for somebody operating countrywide is going to be Kshs60 million. The requirement for those operating in rural areas is going to be Kshs20 million. This is comparable to what is in other countries which have established microfinance systems. It is comparable to what is in Nigeria and Bangladesh. Therefore, it is not something that is out of ordinary practice. It is something which is quite within the practices of countries which have established the microfinance system.

The difference between a microfinance and the normal banking institution is that it is not allowed to accept third party cheques. They will also not be allowed to operate current accounts. They will not be allowed to trade in foreign currencies or finance foreign trade and so on. These services are not important to the ordinary Kenyan. Let the big banks do those things which microfinance institutions will not be allowed to do.

Even though this Bill allows the major banks to also engage in microfinance activities if they want, I would really want to warn them not to ignore poor Kenyans in our rural areas. Now that parliament is enacting a law which will address the gap which they have deliberately created because of their greed for profits, I would like to urge them to refrain from getting into this field, because it is not their specialisation. They have been concentrating on big customers and have, in fact, closed most of their branches in rural areas. Microfinance institutions have come up to fill the

gap which was left by them. The big banks should not try to introduce too stiff a competition that would kill microfinance institutions and get them out of business. Once big banks are out of business, they are likely to come back and start practising the same old activities even after dealing a death blow to the microfinance institutions. This is something that is likely to happen because this Bill allows them to establish their own microfinance branches.

Mr. Temporary Deputy Speaker, Sir, the issue of collateral is very important. Most of the big banks have very stringent conditions. They demand that customers provide collateral in form of title deeds and so on. This particular Bill allows groups to guarantee each other. One of the loopholes in this particular Bill is the definition of "group". It is, therefore, important that we know the meaning of a "group". In the rural areas, we have groups that are registered by the Department of Social Services. These groups are not recognised in law as corporate bodies which can sue and be sued. It will be difficult to sue groups because of this. Individuals in these groups will be borrowing money from microfinance institutions and the groups will guarantee them. However, it will not be possible to sue them as a group, but as individuals. So, it is important that we find a way of formalising groups so that they can be cohesive and properly tackled as groups and not as individuals.

The size of a group is equally important. We know that in this country we have had very large groups. If you have a group of, say, 200 or 300 people, they normally work effectively. This is because such a large number of people creates a lot of inertia which in turn, brews a lot of conflict, and the group ends up breaking and creating enmity amongst its members. It is, therefore, important that we have some definition of the word "group".

With regard to numbers, we are going to make our own recommendations when the Departmental Committee on Finance, Planning and Trade presents its Report here later on.

Mr. Temporary Deputy Speaker, Sir, this Bill will go a long way in dealing with predatory lenders---

(Dr. Kituyi consulted loudly)

Mr. Sungu: On a point of order, Mr. Temporary Deputy Speaker, Sir. Are you satisfied that hon. Dr. Kituyi there is in order to consult with his back facing the Chair? Is that really professional or in order in this House?

The Temporary Deputy Speaker (Mr. Poghio): Order, Dr. Kituyi!

Dr. Oburu: Mr. Temporary Deputy Speaker, Sir, this Bill is going to deal a death blow on predatory lenders of money who, as I said, in my preamble, have actually been exploiting *wananchi*.

Mr. Temporary Deputy Speaker, Sir, I wish to state that this particular Bill is going to protect the small-scale entrepreneurs. Microfinance institutions will allow people to save as little as Kshs50 or Kshs100 on a daily basis. People will be allowed to withdraw and borrow as little as Kshs1,000 or Kshs2,000.

Mr. Temporary Deputy Speaker, Sir, when we went for a workshop recently, we met a woman who was a whore previously, in the streets of Nairobi. She was picked up by a microfinance institution and was asked to start saving even from the illicit business she was conducting. She managed to save Kshs50 every day. Today, that woman is almost a millionaire here in Nairobi. She now owns three kiosks, a hotel and some rental houses.

The Assistant Minister for Foreign Affairs (Mr. Wetangula): Did she stop her old business?

Dr. Oburu: Yes, she stopped the whole thing. Indeed, she has now educated all of her children. One of them is, in fact, in the university. This is something that is very commendable.

Mr. Temporary Deputy Speaker, Sir, we also met one who has actually been a robber. He came to present himself before us and to tell us what he was doing before and what he is doing presently. These examples go a long way to show what microfinance institutions can do to the ordinary Kenyans. They can pull them out of criminal activities---

The Assistant Minister for Foreign Affairs (Mr. Wetangula): On a point of order, Mr. Temporary Deputy Speaker, Sir. You heard the graphic description of the woman the hon. Member just talked about. One would be interested in knowing where he met her.

(Laughter)

Dr. Oburu: What did you just say? Perhaps, the hon. Member did not listen to me. I said that we met the woman in a workshop which was organised to discuss the Microfinance Bill. She came there as one of the resource people to tell us how she pulled herself out of the illicit business she was doing and finally became one of the most successful businesspeople in this country. This is not a laughing matter. On the contrary, it shows how this particular Bill is going to address the plight of such people.

The Temporary Deputy Speaker (Mr. Poghisio): I do not think that anyone is laughing at the Bill.

Dr. Oburu: No, that is not what I am saying.

Mr. Temporary Deputy Speaker, Sir, I have given an example of a woman who pulled herself out of poverty through a microfinance institution. This is a real issue. I have also given another example of a former robber who attended the workshop and offered us graphic details of what he used to do as a criminal, and what he is now able to do through a microfinance institution. Through assistance of a microfinance institution, that former robber is now able to employ people in his business.

Mr. Temporary Deputy Speaker, Sir, I do not want to elaborate more because this is something that is actually a saviour for this country. It is something, as I said in my preamble, that is going to pull this country out of poverty. I am sure it will be a contributory factor in taming the wild and profit-hungry major banks in this country which do not have the ordinary Kenyan at heart. It will, in that event, help this country to move forward. We might, in the very near future, become not the "Asian Tiger", but the "African Tiger" in terms of development. We cannot pull ourselves out of poverty and become the "African Tiger" if we do not address the issue of accessing credit. We know that lack of credit in agriculture and small business has been a loophole which has given us very negative effects in terms of development.

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

The Assistant Minister for Foreign Affairs (Mr. Wetangula): Thank you very much, Mr. Temporary Deputy Speaker, Sir, for allowing me to contribute to this very important Bill.

We have been crying here, over and over again, that we need a Microfinance Bill to help the management of microfinance and micro activities in the country. Only the other day, we saw that the winner of the Nobel Peace Prize was the founder of Grameen Bank in Bangladesh. He is a man who started a microfinance bank with US\$500, which has grown into a phenomenal success, helping millions of people in Bangladesh. This is a Bill that is so critical to the micro-economic activities in the country that we need to pass it as quickly as possible.

Mr. Temporary Deputy Speaker, Sir, I have only a few things that I would want to bring to the attention of the Minister so that when we come to the Committee Stage, perhaps he can address them. I have not seen a Microfinance Act anywhere else before, but I do not know whether we are providing for over-regulation of an otherwise informal activity. I hope the Minister, in the rules that will subsequently be made under the Act, can limit some of the clutches that the Central Bank of

Kenya may have on these very critical institutions, because these are institutions that are operating in Kacheliba, Sirisia and everywhere, and they should not be over-regulated like banks which handle billions of shillings.

Mr. Temporary Deputy Speaker, Sir, having given you an example of the Gramin Bank guru who started a microfinance activity with US\$500, I want to urge the Minister also to relax the requirement under the schedule on minimum capital requirements. This is because if we are talking of microfinance to help the poor manage the economy, then requiring them to have Kshs60 million or even Kshs20 million on the lower side, is a bit too heavy. We are thinking of a situation where a good cane farmer in Bungoma, who earns Kshs1 million in one year, can start an activity like that and grow. I think all the Minister needs to do is to make sure that the rules that govern the activities are watertight to beat fraud because we have all seen cases where people start collecting money from the public, take it and disappear. It is good that this is provided for. You remember the bad old cases of rural-urban banks which were set up purely for purposes of fraud and nothing else, and they fleeced people and disappeared. I think I would want to urge the Minister to look at that.

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

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

Mr. Temporary Deputy Speaker, Sir, also, when we are talking of microfinance activities, I want to urge the Minister to also relax the rules that requires the owners and directors to--- This is because if I have Khs1 million to start a microfinance activity and the rules are requiring that I cannot be the chair of the company and the managing director as well--- You know, most of these are family activities and it is good if you relax that so that if they outgrow the microfinance bracket, then they move to the bank level. You can then apply the rules against the directors also being involved in the day-to-day management, because the moment you make it top-heavy in terms of management where you have a chairman, managing director and general manager, then the costs are transferred to the small people that we are trying to protect, so that when they borrow, then they are charged more interest and this is not helpful. I hope my colleague, the Minister will look at that.

Mr. Temporary Deputy Speaker, Sir, there is also something minor on the disqualifications of persons to become directors. I do not know whether the Minister put there this Clause 21 (b) disqualifying persons from holding persons on the basis of being involved in theft, fraud, forgery, causing financial loss or perjury. I think the offence of perjury there is misplaced because perjury is an offence where you tell a lie to court on oath, and you can tell a lie to court in a traffic offence. That cannot disqualify you from being a director of a microfinance institution. I think I want to urge the Minister again to remove that because it does not add value. The rest are okay. People who are fraudulent, thieves, forgers and so on have no business in microfinance activities because those are positions of trust and perjury can easily be abused because it is not something that should be here.

Mr. Temporary Deputy Speaker, Sir, after the passing of this Bill, I hope that we will then correspondingly improve our Constituencies Development Fund (CDF) Act so that in future, if a constituency wants to place some money from CDF in a microfinance outfit to help the poor of the poor in a particular constituency, it will be possible to do so; so that the market women who require only a capital of Kshs500 but cannot raise it do not have to go to the Member of Parliament or councillor. They can simply walk to an available microfinance outfit where there is already capital from CDF and borrow Kshs1,000 to improve either the vegetable business or a bicycle repair

business. They can borrow Kshs2,000 to sell cane for people to chew along the road, and this is how economies grow. I know people who have grown like that.

Mr. Temporary Deputy Speaker, Sir, I was making a joke about what hon. Dr. Oburu was saying about a prostitute who is now a landlord. These things happen. I know a young man who I once represented in a robbery case, who is now a rich man owning about six *matatus* in town, just because he went to a microfinance institution and he was given a little money and he went into newspaper vending. He has developed until he now he has *matatus*. This is---

Mr. Sungu: On a point of order, Mr. Temporary Deputy Speaker, Sir. Perhaps the hon. Member who is a lawyer is aware that proceeds from an illegal activity are also illegal. So, he was lucky but actually the court should report this person so that---

The Temporary Deputy Speaker (Mr. Khamasi): Mr. Sungu, what is your point of order then?

The Assistant Minister for Foreign Affairs (Mr. Wetangula): Mr. Temporary Deputy Speaker, Sir, it is obvious that the hon. Member for Kisumu Town East was neither attentive nor listening. I did not say the young man I represented started a business from proceeds of robbery. I said he borrowed a little money from a microfinance institution. He then started a newspaper vending business and now he owns *matatus*. He is now a rich man and these are some of the things we are talking about. This is how we want to empower people.

I went to a country in Asia where a microfinance institution just supports women by helping them to buy two hens and one cockerel. There is a co-operative in the neighbourhood and they are encouraged that if they breed them well, and these are domestic local poultry that just roam around to eat grasshoppers, grass and such things; they will be rewarded. They are advised that every month, if they are able to sell four to five cockerels produced from those three chickens they have, they are able to raise an equivalent of about Kshs1,000. That is enough to buy the family salt, sugar, soap and other requirements to lead a reasonable life. This is what microfinance can do and sometimes they may even raise enough money to pay school fees for their children. This is what we are trying to do. Some of the fishermen that my friend represents need only Kshs5,000 to buy a second-hand net and dip it in the lake the whole night, and come out with fish in the morning and improve their lives. This is what this Bill is about to do.

Mr. Ogur: On a point of order, Mr. Temporary Deputy Speaker, Sir. The hon. Member contributing is telling us the truth about what is happening in Nyatike Constituency among the fishermen. They have no money and the little money that they get---

(Laughter)

The Temporary Deputy Speaker (Mr. Khamasi): Order! On whose authority are you talking?

Mr. Ogur: Mr. Temporary Deputy Speaker, Sir, I thought you gave me permission.

The Temporary Deputy Speaker (Mr. Khamasi): Order! You are out of order!

The Assistant Minister for Foreign Affairs (Mr. Wetangula): Mr. Temporary Deputy Speaker, Sir, I want to thank Mr. Ochola Ogur. I am saying the truth. Indeed, I am under oath to say only the truth on the Floor of this House.

I am sure that many of my colleagues also want to contribute. I want to say that this is a critical Bill in jump-starting the growth of the micro sector of our economy.

One of the contributors to this debate talked about the GDP growth. It is good to understand what GDP growth is. Growth in the GDP does not necessarily, immediately, translocate development down to the ordinary person. You need a sustained development of GDP growth for three to four years, then the trickle-down effect can reach the ordinary man. This Bill is going to

help us have GDP growth at the top and a micro-growth at the bottom. When the two growths meet, Kenyans will be better off than they are today.

Mr. Temporary Deputy Speaker, Sir, when we drafted these Standing Orders with the late Dr. Bonaya Godana, Mr. Sunkuli, Mr. Obwocha and Bishop Kimani, the intention and philosophy was that the Committee of the House that mirrors Ministries adds value to Bills that come to this House; that, after the Minister moves a Bill, and it is seconded, the first shot must come from the Chairman of the appropriate Departmental Committee. The Committee must present a report that will inform the House from its own industry. It is sad that, today, we go into a critical Bill like this one---

Dr. Oburu: On a point of order, Mr. Temporary Deputy Speaker, Sir. I think the hon. Member is referring to what I said in this House. While what he is saying is true, Committees must be given notice in the same way Ministers are given, so that they can be aware of Bills coming before the House. That is what I was complaining about.

The Assistant Minister for Foreign Affairs (Mr. Wetangula): Mr. Temporary Deputy Speaker, Sir, I do not want to engage into an unnecessary exchange. Every time a Bill comes to this House for the First Reading, the Minister seeks your permission to refer it automatically to the appropriate Departmental Committee. All I am saying is that we want to benefit from the industry of the Committee, because the Committee specialises in looking at Bills falling under it. The Committee calls professionals to advise it, and then it brings to the House proper material. When that is not done, it is legitimate for us to complain.

With those few remarks, I beg to support.

Mr. Sungu: Thank you, Mr. Temporary Deputy Speaker, Sir, for giving me the opportunity to contribute to this debate. I also rise to support this very important Bill. The Ninth Parliament, whose sittings you have presided over many times, must be congratulated for being futuristic and working hard to ensure that Kenya becomes a "tiger" nation in Africa.

As I support the Bill, I would like to say that it is not right for the Government to ambush us. Many of us who prepare meticulously for debate on specific Bills came here prepared to discuss the Refugees Bill. We were surprised when debate on this Bill started this afternoon. That is why the Chairman of the Committee on Finance, Planning and Trade was not ready to respond. Nevertheless, I will take up a few issues that the Minister has talked about.

Mr. Temporary Deputy Speaker, Sir, the Minister said that the economy has recovered. I have a few questions for him. If the economy has recovered, why the rampant unemployment? Why are hawkers on the streets? This is quite cheeky. We really need to put our act together to ensure that the economy recovers. The economy has not recovered. The figures that we are being given are called statistics.

One of my lecturers at the University of Nairobi, in the 1970s, described statistics in three ways. He said that there were lies, damn lies and statistics. He once argued that if 50 per cent of your body is in the fridge, and the other 50 per cent in the oven, on average, you are fine. I do not intend to use unparliamentary language but, really, that sounds silly.

Mr. Temporary Deputy Speaker, Sir, even before the Minister and his colleagues on the Government side start referring to the policy Paper on Vision 2030 on the Floor of this House, he should table it here, so that we can also have a chance of looking at it, so that when he talks about it, we can agree or disagree with him.

This Bill addresses a very fundamental issue. It seeks to address the issue of affirmative action, which is about the needs of the poor people of this country. It is a fact, which the Minister has accepted, that the poor are the majority in this country. He said that 60 per cent of the Kenyan population, or 18 million people, fall in the poor category. That is the vast majority of Kenyans.

Mr. Temporary Deputy Speaker, Sir, the financial system in this country is such that only rich people have access to finances. Only rich people with security are able to access financial credit in the banks. The conditions are onerous. Even I, as a Member of Parliament, about whom people say we earn huge salaries, have been going to a particular bank for years now, trying to secure a loan with which to start a business, since as a politician, you never know when I will retire, but it has not worked. Banks ask for one security after another before they give you a loan. You will also have to pay for valuation of your property, among other things. So, the poor of this country are, really, suffering.

The enactment of this Bill will discourage a very common practice in this country, which has caused untold suffering to many Kenyans. That is a practice called shylocking. The practice is very common in this country. In many companies, you find people who are ready to lend money at very exorbitant interest rates. Somebody will make you sign an agreement, indicating that he has lent you, say, Kshs10,000, when he has actually lent you Kshs9,000. You will then have to pay him back Kshs10,000 at the end of the month.

Mr. Temporary Deputy Speaker, Sir, if you do not pay back the amount, the interest gallops at compound interest rate to the extent that he can actually mortgage you and your salary. I know people who had to take loans to pay shylocks. Once you go into the hands of a shylock, there is no way of coming out. There is a vicious circle. You will always borrow to pay the shylock. You will then borrow from him again, so that you can survive and so on and so forth. That is a dangerous practice for Kenyans.

I know that many hon. Members want to speak on this Bill. Therefore, I will only look at a few areas that concern me, starting with the Schedule. On page 1126, the Schedule talks about minimum capital requirement. Specifically, under item (a), the Schedule talks about a core capital of not less than 10 per cent of total risk adjusted assets plus risk adjusted off balance sheet items as may be determined by the Central Bank of Kenya.

Under item (d), the Schedule talks of a core capital of, at least, Kshs60 million or, in the case of a deposit-taking business of a category prescribed for the purposes of this paragraph under Section 7, a core capital of, at least, Kshs20 million.

Mr. Temporary Deputy Speaker, Sir, this is sad. We ought not to lock out the rest of Kenyans. I can foresee a situation where Kenya will be subjugated by a few rich people who have had access to money, in some cases, illegally. Such are the persons who will raise the capital proposed in this Bill. People in Kisumu, with its dilapidated infrastructure and many other problems, and others in Kapenguria and the North Eastern Province, cannot raise that kind of money.

To that extent, all the micro finance institutions we are going to create under this law will belong to a certain category of people, probably from a certain area of this country. That will be wrong. We ought to make a law that will take advantage of the diversity in this country, and the fact that we ought to serve everybody equally countrywide. Therefore, I will ask the Departmental Committee to move an amendment during the Committee Stage, to review these figures to a minimum of Kshs10 million and maximum of Kshs30 million. That will be acceptable to me.

Mr. Temporary Deputy Speaker, Sir, having said that, I will proceed to the licensing provisions, which are, indeed, quite onerous. These provisions involve the Central Bank of Kenya. We know for certain that there are many regulations, including a presumptive fee, which is a precise fee that is not stated. I am referring to Clause 5(2)(e). This fee ought to be prescribed, so that we know what it is, rather than leave it to be fixed by the Minister.

Mr. Temporary Deputy Speaker, Sir, we know for certain that there are certain situations where the Central Bank of Kenya has been used to destroy some financial institutions. I want to refer to the era before, when a lot of indigenous banks were forced to close down because of

political activity, and the Central Bank of Kenya was misused, deliberately or otherwise, to ensure that these institutions did not survive. It is sad that the Kenyan banking sector is still dominated by foreigners. This is a country that ought to stand on its own, and indigenous investors must be protected so that they can own some of these institutions. So, the Central Bank of Kenya ought to exercise all that power given to it with caution so that they can give the people a chance to own these banks without discrimination, either on ethnic, political or whatever other reasons.

Mr. Temporary Deputy Speaker, Sir, there is the question of abuse of those powers. Just the other day, we had a scandal with respect to Charterhouse Bank. We do not know whether they were actually doing something wrong in terms of money laundering or not, because the Finance, Planning and Trade Committee had written a report saying one thing, while the Central Bank of Kenya said another thing.

I want to see a situation in this country where, when something is white, it is white, and when it is red, it is red. But it cannot be both red and white! It is not possible to have two sets of facts about the same situation. When we are making laws, we have to raise this issue because it is very important that these laws serve the people of this country properly.

Mr. Temporary Deputy Speaker, Sir, with respect to the provisions relating to governance in part III and particularly in Clause 12(1), which says:-

"An institution shall maintain such minimum holding of liquid assets as may be prescribed by the Central Bank of Kenya;"

Liquid assets are very important. We know of banks which have risked a run on them because they do not have enough money to pay their depositors when the money is required. Therefore, I think that is a good provision. But when you come to Clause 13(1), it says:-

"No person carrying out deposit-taking business shall:-

- (a) Open a place of business outside of Kenya; or,
- (b) Open or close a place of business in Kenya without the prior approval of the Central Bank of Kenya"

I want this country to open its eyes. The issue of trade is very important and a financial institution is of significance in the trade sector that we cannot do without them. I have in mind a situation where we know for certain that Kenya has been a centre of peace. This country has sacrificed a lot of resources to ensure that the Southern Sudan peace process succeeded, and now we have a semi-autonomous government in Southern Sudan. We hope that the same situation will also apply to Somalia. When the USA goes to war in Iraq, many of us do not seem to know that they are not just going to get rid of Saddam Hussein; they are going there because of the economic benefit and because of the oil!

The question of Southern Sudan, which is now an open market, if we do not have a banking system that can get there, we ought to be taking advantage of that market! We hosted those people here for a long period of time. This Government sacrificed a lot of money and space to make sure that the peace process succeeded in Southern Sudan. But in the end, we are now not able to take advantage, and instead, South Africa, Uganda, Tanzania and other countries are the ones taking advantage. Why can we not form a system whereby we give our people the opportunity to also do business there? After all, we sacrificed our taxpayers' money, our time and the Government's time to make sure that they have peace! We really ought to reap the dividends of the peace in Southern Sudan.

Mr. Temporary Deputy Speaker, Sir, the question of declaration of dividends in Clause 15(1) is okay, and I agree with it wholly. But the question of insider lending in Clause 18(1) is of significance. Insider lending in a bank is a dangerous thing, and I want to agree with this provision wholly. The question of insider trading is what brought down Uchumi Supermarkets. There is one particular director who has been in everything that collapsed, including KENATCO. He was in

Uchumi Supermarket, and it collapsed. He was in KENATCO, and it collapsed. Instead, they built the International Life House! These companies belongs to the people of this country! They were started with taxpayers' money! It is a shame that an individual wants to go around saying that he is not corrupt, yet he is behind all these collapses and he is able to take out his capital at the right time before an organization collapses! That is wrong. Therefore, the question of insider lending is important and we hope that those who are given the responsibility of making sure that these laws are observed properly will take their work seriously.

Mr. Temporary Deputy Speaker, Sir, we want to support this Bill with the amendments that I am going to ask the Finance, Planning and Trade Committee to take note of. I also want to give my colleagues an opportunity to contribute to this Bill because it affects the poor people of this country.

With those few remarks, I beg to support.

The Minister for Tourism and Wildlife (Mr. Dzoro): Bw. Naibu Spika wa Muda, nasimama hapa kuunga mkono Mswada ulioko mbele yetu. Nashukuru kwa sababu hivi tunavyoongea, Wakenya wengi katika sehemu za mashinani huko mashambani wamekuwa wakiteseka sana, hasa makundi ya akina mama. Tunafahamu kuwa kuna makundi ya akina mama katika nchi hii ambayo yameundwa kwa ajili ya kupunguza umaskini, na wanakutana kila wiki kutoa hela kidogo za kuwasaidia. Inaonekana kwamba hili ni jambo ambalo halitaendelea sana kwa sababu, mwisho, tuemeona kwamba hela hizo huangukia kwenye mikono mibaya na kutumiwa vibaya, na baadaye, akina mama wale hushindwa kuendelea na mipango yao. Kwa hivyo, naunga mkono Mswada huu kwa sababu utasaidia nchi yetu. Kwa wakati huu, matajiri wana nafasi kubwa kuliko maskini, haswa katika kupata mikopo. Wale ambao wanaishi katika miji ndio wamekuwa na bahati kwa sababu benki zote kubwa kubwa ambazo zinaweza kuwasaidia zimo humo. Vile vile, wale ambao wana stakabadhi za mashamba ndio wanapewa mikopo ya kuendeleza biashara zao.

Bw. Naibu Spika wa Muda, huu ni wakati mzuri Mswada huu upitishwe mara moja ili wale walioko mashambani; kwa mfano, akina mama na vijana, wapate nafasi ya kuendeleza maisha yao kama wale wengine. Ikiwa utajiri utasambazwa kule mijini na mashinani, nchi yetu itaendelea. Leo hii, ukienda kule vijijini, ukitaka upate sarafu ndogo ndogo za Kshs1,000, utazunguka katika maduka mengi, lakini huwezi kupata kwa sababu hela haziko vijijini, bali zipo katika miji mikubwa mikubwa. Naona kuwa Mswada huu utaweza kutusaidia ili pesa ziweze kusambaa kila mahali nchini kwetu. Kuna watu ambao ni magaidi, ambao wamechukua nafasi hiyo na kujifanya kuwa wao ndio watawakopesha watu pesa ili wapate faida. Mwishowe, watu hao huchukua vitu vya watu na kuvinadi kwa sababu wameshindwa kulipa ile riba iliyotakikana.

Kwa hivyo, Bw. Naibu Spika wa Muda, Mswada huu umekuja wakati mzuri. Nami naunga mkono na kuomba tuuptishe mara moja ili watu wetu waweze kunufaika.

Kwa sababu naona kuna waheshimiwa Wabunge wengi ambao wanataka kuchangia Mswada huu, nami nataka upitishwe haraka, kwa hayo machache, naunga mkono.

Asante, Bw. Naibu Spika wa Muda.

Mr. Poghiso: Mr. Temporary Deputy Speaker, Sir, thank you very much for giving me this opportunity to join my colleagues in congratulating the Minister for Finance for actually, finally, bringing this Bill to the House. I know that there are many stakeholders, including microfinance institutions, that have worked very hard to make sure that there is regulation in terms of licensing and the overall supervision of these institutions. I must tell the Minister that it will be a very tall order; coming from trying to organise a sector that has been riddled with quacks and outright thieves.

Mr. Temporary Deputy Speaker, Sir, many people have been taken captive by these irregular and illegal institutions which are already in the market. So, the Minister will have a very

difficult task of trying to sort out the legal from the illegal institutions. I have a question for the Minister: We may supervise those institutions that are visible, but there are many of them down in the villages which have held our people captive. I wonder how he will deal with such institutions.

Mr. Temporary Deputy Speaker, Sir, this is a Bill that seeks to provide for licensing, regulation and supervision of microfinance institutions. We, as a country, must begin by cultivating a culture of banking, which is lacking among our people. What is the percentage of Kenyans that actually does any business with banks? It is very small. We are now beginning a process of expanding the banking culture in this country. Given that we have to enact an Act, there must also be provision for civic education. There must be some institutions that will teach our people the culture of borrowing and banking. This is something that is lacking in many parts of the country. I would like the Minister to take note of the fact that we are introducing something into a market that will spread and scale up banking in the country. We must begin now, because other countries around us are ahead of us. Village banks, mobile banks and microfinance institutions are already functioning and regulated in some of countries. We must introduce them to our people.

The culture of borrowing will reduce incidents of merry-go-rounds and Harambees that are held every week. People will begin to work harder, or they may do it in a better way. This is because they will be able to access funds to do the kind of things for which they might be needing Harambees. I know that, at some point we tried to do away with Harambees, but it became very difficult. I know that the harambee spirit has really been abused. Everyone who wants to do something must organise a Harambee, even when he is in a position to meet the obligation. So, the enactment of this Bill will help reduce such incidents.

Also, with the increase of insecurity, the introduction of microfinance institutions means that there will more money in rural areas. Those who have money in the rural areas are in danger because of robbers and criminals who roam around. I am told that these days, they even attend Harambees and merry-go-rounds. So, they know exactly how much money is collected. Later on, they come asking for it. So, with the introduction of microfinance institutions, more money will be available in rural areas. As a result, insecurity will increase. The Government must begin to tackle this issue of insecurity seriously, as relating to microfinance institutions.

So, there are many things that are good about this Bill. The introduction of any other Bill or law will create other situations that we must address. As we tighten the rules on irregular and illegal microfinance institutions, this Bill must include, among other things, the penalties for people who will be introducing other illegal ways of lending money, such as shylocking. We had better begin to help our people correctly.

Mr. Temporary Deputy Speaker, Sir, my other concern is that most financial institutions would like an environment that is accessible, with good infrastructure and located very close to any existing bank. Will this environment be friendly and workable in rural areas? Will it really work in Kacheliba Constituency, El Molo and some areas in northern Turkana? Will it be able to work where there is no access whatsoever? Are we not simply creating another banking system for the already established and with resources? Those questions beg for answers. It is easier for microfinance institutions to just follow the highway and keep close to the supermarkets and high-potential areas, and forget to help those that are actually depending on livestock and other things. So, while we contribute and say we support this Bill, there are many things that need to be in-built to safeguard the interests of those stakeholders who are not necessarily along the highways and those who do not have access to electricity. For example, there is no bank in the whole of Kacheliba Constituency. The only "banks" we have move on four legs; that is, the livestock. That is all we know. There are many other things which are lacking in a place like Kacheliba Constituency. That is just one example.

So, I appeal to the Minister to try and create an instrument that will be useful to the whole

of our society. Let us not create an instrument that will discriminate some members of our society. Let no law discriminate. I hope that this will be provided for. I know that the role of the Central Bank of Kenya (CBK) is very well provided for in this Bill. That is very central in terms of supervision. I agree with that.

Mr. Temporary Deputy Speaker, Sir, in concluding, looking at this particular Bill, it is very clear that the instruments of banking, providing resources and deposit-taking are provided for and taken care of. The loopholes that are there need to be tightened. Also, the net must be spread wider to include areas that are not necessarily near anywhere that the Minister knows.

With those few remarks, I beg to support.

The Minister for Livestock and Fisheries Development (Mr. Munyao): Thank you, Mr. Temporary Deputy Speaker, Sir, for giving me this chance to laud the Minister and the Committee on Finance, Planning and Trade, chaired by Dr. Oburu, for working on this Bill. This Bill has come at the right time when Kenyans are now realising that they must work hard. They will need support to be able to achieve what they are doing.

Mr. Wetangula and Dr. Oburu cited examples of what they know. I will also give an example of a lady who lives in Parklands. She started by borrowing Ksh300 from microfinance institution to start a business. Today, because of the period which she has traded, the banks have trusted her to the extent that she can access up to Kshs3 million from them without any security.

Mr. Temporary Deputy Speaker, Sir, in banking what you need is trust. These microfinancing institutions, which have been operating unregulated, are now going to work properly. In fact, I was a little bit concerned earlier on because of SACCOs. SACCOs hold more money than some banks. However, there has not been a particular regulatory body or Act for them. Therefore, after this Act comes into operation, we are all going to be safe.

Mr. Temporary Deputy Speaker, Sir, at one time I served in a bank and I knew that one of the things you needed was to be perceived as being trustworthy. This is particularly so when you are a cashier. Imagine somebody carrying Kshs1 million and depositing it with a bearded person who smells of alcohol. One would think that such a person is going to do other things. Therefore, trust and image are very important. I am saying this to bring out the point about trust. This is needed more in microfinancing institutions whose requirements for security would not be as stringent as those of ordinary banks.

Mr. Temporary Deputy Speaker, Sir, today your age and my age allow us to have title deeds to pieces of land. Your children and grandchildren will not have any title deeds, because land is not increasing yet the population is. What shall they be securing loans with? Loans will have to be secured with ideas. A project paper that you prepare is what will be presented to banks, which will have to accept it and trust that you can turn what you are saying into something. They will not need securities such as land title deeds.

Having said that and seen the amount of work being done--- I know that the Departmental Committee on Finance, Trade and Planning has spent time looking at the Bill, which is good. It is great and there has been a lot of interest. I know it has given a lot of thought to all the amendments it will bring before this House.

I am only concerned with one point which was raised by an earlier speaker. I am sure the Minister, who is qualified in banking, will appreciate amendments. Surely Kshs60 million to start a bank is a lot of money. Is he not putting us into more problems? How many people will be required to collect Kshs60 million in order to start a bank? Please, Mr. Minister, I know you are considerate and will listen to appeals made to you. Listen to this serious appeal. Kshs60 million is too much. Could you reduce the amount required to start a bank?

(Applause)

We want more banks. I have been to several countries. Recently, we toured China and in one street we found over 20 banks with different names. We would like this country to have more than 400 different banks. This requirement of Kshs60 million is tough. Where do you get this money from? Even if you sell the whole of Western Province, you cannot raise Kshs60 million.

Mr. Temporary Deputy Speaker, Sir, it is important to come down on this requirement. Perhaps, the Minister will raise other conditions where doing this will be befitting. But the basic requirement must come down.

I must congratulate some of the financial institutions. I know of Equity Bank which has done so well. Wherever you go, you see branches of Equity Bank. There is the Family Finance which is opening branches all over the country. This is because its conditions are not the same as those of other major banks. We know of banks like Barclays Bank of Kenya, the Standard Chartered Bank and others. Every year these banks declare dividends of Kshs2 billion or Kshs3 billion. That money goes elsewhere. It is very good that the Minister has brought this matter here now. The choice will be to go to the Barclays Bank of Kenya or elsewhere. You had better bank where you have some value.

Just like we used to have it as a requirement that when a bank went to an area, it had to promote the locals, I would request the owners of banks to take only top management wherever they go. For other members of staff, let them get them from the locality. I am imagining a bank like Equity or Family Finance coming to Makueni, or Wote, and when it starts operations, it posts there top management from wherever, because it needs experienced people, but the junior officers should be recruited from Makueni.

Mr. Temporary Deputy Speaker, Sir, the requirement for title deeds for loans must be relaxed. Nothing is going to facilitate credit giving in this country more than this Bill. The faster we pass this Bill, the better so that lending operations can start. Kenyans have been waiting for this chance and are ready to support this Bill. Kenyans are ready to work hard, borrow and pay back.

Mr. Temporary Deputy Speaker, Sir, some conditions that are already in place for borrowing will have to be relaxed. They can only be relaxed when there is competition. Competition will increase when the requirement for minimum deposit is relaxed, so that many more banks can be started.

With those few remarks, I would like to stop there and congratulate the Minister and the Departmental Committee on Finance, Trade and Planning. I would also like to ask the Committee to provide hon. Members with its recommendations, so that they can be taken into account.

I beg to support.

Mr. Kimeto: Thank you very much Mr. Temporary Deputy Speaker, Sir, for giving me this opportunity to contribute to this Bill.

The Temporary Deputy Speaker (Mr. Khamasi): Order, Mr. Kimeto!

Hon. Members, I would like to draw your attention to Standing Order No.87 about repetition. Please, if an aspect has been discussed on the Floor of the House, you do not have to repeat it! Let us hear new arguments for and against the Bill.

Mr. Kimeto, please proceed!

Mr. Kimeto: Mr. Temporary Deputy Speaker, Sir, I would like to thank the Minister who brought this Bill to this House. However, the required amount of Kshs60 million to start a bank is too much for rural people.

Mr. Temporary Deputy Speaker, Sir, if microfinance institutions will only help businessmen with large sums of money, then people who sell eggs will not survive in this country. "Micro" means very small and these institutions should lend money to very small business units. We should license microfinance institutions to operate with even Kshs200,000, so that they can

lend money to small businessmen. Small businesses support a lot of people. Majority of Kenyans survive through selling goats and cattle. If we set the minimum capital at Kshs60 million, we will kill the spirit of microfinance institutions. Anybody who wants to lend money to people should be licensed to do so. We should let the lenders to put their limitations depending on how much money they can afford to lend. If we license many microfinance institutions, the big banks will reduce their interest rates. They will also start to lend money to the microfinance institutions.

I would like to ask the Minister to reduce the minimum capital from Kshs60 million to even about Kshs2 million. This will enable many Kenyans to start microfinance institutions even in North Eastern Province where there are only camels. People should be allowed to even lend animals to others. For example, camel keepers should be allowed to lend their camels to others. Cattle, goats and sheep keepers can lend their animals to other people. Anybody who has something should lend it to other people, so that we can assist each other. We should not always be thinking about money.

Mr. Temporary Deputy Speaker, Sir, very few people among us can afford Kshs60 million. Maybe the Minister for Finance could be having such kind of money because he knows the ways and means of arriving at such a figure. We are indebted to the neck through mortgages. Where can we get Kshs60 million to lend to people? We are expected to be the chief lenders in our constituencies. We are even lending money to our constituents without asking for any interest. I would like to request the Minister to amend this section in order to encourage many people to start microfinance institutions.

This is a good Bill. However, we need to protect the depositors. The people who looted our banks are enjoying themselves while those who have stolen eggs are rotting in jail. These people should be charged in a court of law. The Government should ensure that the depositors' money is protected. We should have a lot of security personnel in every part of the country. If we can improve security in our country, more investors will come to invest here. Our people will also go to invest in other regions in East Africa. We should improve security in our country to enable the blossoming microfinance institutions to thrive.

The Government should borrow money from external donors and then lend it to microfinance institutions. It should lend long-term loans to these microfinance institutions, so that they can grow. Without such loans, it will be very difficult for the institutions to grow. We might start them and then they collapse due to lack of funds. If this is done, microfinance institutions will be blossoming very soon in this country. We should make our people self-reliant through advancing them long-term loans at very low interest rates. Most of the people who borrowed money from commercial banks are now very poor people because of high interest rates. If microfinance institutions will give loans at high interest rates, this Bill will not achieve the intended purpose of enriching the people.

I would like to thank you for giving me the opportunity to contribute to this Bill.

With those few remarks, I beg to support.

The Assistant Minister for Health (Dr. Kibunguchy): Thank you, Mr. Temporary Deputy Speaker, Sir, for giving me this chance to add my voice to this debate.

At the outset, I would like to say that I support the Bill for various reasons. First, this Bill is going to enable this country to tackle the two main problems that confront us. One of these problems is poverty. As the Minister rightly put it, now close to 60 per cent of our people live in absolute poverty. This Bill is also going to open up avenues for employment and put money in people's pockets.

I would like to join my colleagues by saying that for microfinancing to benefit the people it is supposed to benefit, it must have affordable interest rates and we must lower the minimum capital. The Minister should take this very seriously. We must, as much as possible, not insist on

asking for security when somebody is borrowing money from the bank. The microfinance institutions should be convenient and easily accessible to the majority of our people.

When you look at a place like Lugari Constituency, you see that the majority of our youths are involved in the *boda boda* industry, which is now a full-fledged industry.

Quite a number of people are involved in making bricks, and of course we have the usual hawkers. You will find that in all these groups, whether they are made up of hawkers or *boda boda* operators, they will always have a mechanism of collecting money amongst their members and helping one of them often. For instance, you will find that at the end of every month, each member of a group puts aside Kshs50 and the money is given to one of them. The following month, the group does the same for another member. Merry-go-rounds are operating, virtually everywhere in this country. If we had microfinance institutions that are easily accessible, for instance, if each of our constituencies had at least one microfinance institution, it would be easy for the groups that are already established, to deposit money in the institutions rather than travelling miles to deposit small amounts of money.

On the issue of minimum capital, as my colleagues have said, I am sure that the Minister will look into it so that the amount is reduced. This will make it possible for many microfinance institutions to open their doors to as many people as possible, in different parts of this country. We have to look into the issue of established financial groups which already exist in many areas. We should borrow a leaf from the person who established the Grameen Bank. Initially, people called him "the mad professor." However, we know that he has been recognised for what he has done.

This year, he was awarded a noble peace prize. Rather than insist on getting collaterals from people who wanted loans from banks, he insisted on lending money to groups, advocating for one group to be a co-guarantor of the other. As I have always said, we can borrow success stories from elsewhere.

I would like the Minister and the Chairman of the Finance, Planning and Trade Committee, when it is time to polish up the Bill, to look into the issue of groups co-guaranteeing each other so that the issue of securities is no longer a requirement when people want to borrow money from the institutions.

Mr. Temporary Deputy Speaker, Sir, I see a situation where if we had microfinance institutions in each constituency, it would be very easy for us to know where to channel the Youth Fund money. At the moment, for the Youth Fund to be meaningful and equitable, I will insist that it follows the pattern of the CDF, so that each constituency is given an equitable amount of money. If we had microfinance institutions in every constituency, it would be a wonderful and proper channel for the Youth Fund, so that it becomes easy for the youth in each constituency to access it. It is not too late to do that, because the Youth Fund will be factored in the Budget every financial year. Just as we are demanding to have a fund to cater for our women and our communities, the Youth Fund is a good idea. However, it is extremely important that each constituency gets a share of the money; an equitable share of it.

Finally, as we move towards empowering and teaching our people the importance of saving money, I see a situation where small cottage industries will spring up. That is one way of creating employment in the rural areas. I will use an example of my constituency, Lugari, where I would like to see a situation where, once we have the microfinance institutions established, co-operative societies and youth polytechnics will also be revived so that we can empower our people in the rural areas and avoid situations where our people migrate to work in urban centres thinking that, that is where opportunities are found.

As I conclude, I would like to say that the only aspect I am not comfortable with is the one of minimum capital. I would be happy if we retained the CBK supervision of these institutions to avoid any abuses, and people who may want to take advantage of ignorant Kenyans in the rural

areas.

With those few remarks, I beg to support.

Prof. Olweny: Thank you, Mr. Temporary Deputy Speaker, Sir. I would like to make a few comments in support of this Bill. It is a good idea to have this Bill debated because once the law is enacted, it will help streamline the microfinance institutions which are already operating in this country. Some of them are operating well, doing good business with Kenyans. However, some of them are run by crooks and instead of helping Kenyans who run small enterprises, they exploit them. Therefore, I congratulate the Minister for having brought the Bill so that we pass it and help to boost development in this country.

Microfinance institutions help in filling up the gaps where the mainstream banks have failed to perform. The banks have failed to help small timers in business; poor Kenyans who want to make it in life, because they go for the rich who can provide title deeds for securities and do business in a big way. That is not where the poor women and youth groups fall. So, microfinance institutions will help us in filling the gap where we have such problems.

In terms of locality, mainstream banks are not found in villages. They are mainly found in major cities. People who run small businesses in the rural areas do not get rich because of the kind of businesses they do. In urban areas, small business operators are not capable of doing business with big banks. So, in that regard, microfinance institutions have the potential to develop rural areas when it comes to doing business, including farming, fishing and livestock trading.

Recently, I took a few people from my constituency to a microfinance institution so that they can be given some money. They buy and sell livestock. They need money to do their business. The good thing about microfinance institutions as they operate today is that they do not need a lot of collaterals in terms of title deeds or whatever form. That is one thing that has scared many people. In my place, farmers are scared of going to the bank. This is because whenever they borrow money and they are not able to repay, then the land or the house is gone; whatever they put as collateral is taken away. That is where the microfinance institutions beat the banks today.

The microfinance institutions also give the people opportunity to save. Many people who do small businesses, like kiosk operators or small shopkeepers, do not have the opportunity to save in the mainstream banks. To open an account in some banks, you need Kshs10,000. That is money which our people may not raise at the end of the month.

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

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

Mr. Temporary Deputy Speaker, Sir, one problem with the microfinance institutions is that their interest rates are too high. That is also scaring to the people who want to do business with them. That is an issue that needs to be addressed. They should bring down the interest rates, particularly if they are to help the small business operators.

Mr. Temporary Deputy Speaker, Sir, by regularising the microfinance institutions, I hope it will help us solve the problem of illegal lenders in the name of shylocks who are looting people's money left and right. They give you a little money and in two days that money is doubled. When it gets to the end of the month, that money is increased ten times. That has been a major problem. People who have financial problems go to some of these illegal lenders who at the end of the day take their household goods.

Mr. Temporary Deputy Speaker, Sir, we have a few organisations which also call

themselves microfinance institutions. But they do not operate that smoothly. I have seen a few trying to penetrate my constituency. But when you look at the way they operate, they are actually out to exploit the small business people and the farmers. So, this Bill will help bring sanity into this sub-sector which is developing very fast.

The microfinance institutions have one advantage in that before they give out their money to their clients, they come out and train them on how to manage the money and how to run their businesses. That is what we do not have in mainstream banks which simply give you money and you are out there on your own; sometimes you have not even managed Kshs500,000, and yet you are supposed to manage it and pay it back with interest. That is why people end up losing everything out there and then the banks come for your neck. So, the microfinance institutions go out to the people and train and dialogue with them on how to handle that money. That makes these institutions have a great potential for developing our country, and that is one of the reasons I support the Bill.

With those remarks, I beg to support.

Capt. Nakitare: On a point of order, Mr. Temporary Deputy Speaker, Sir. I rise on a point of order under Standing Order No.80 because I feel that there is a lot of repetition in this debate. Would I be in order to request that the Mover be now called upon to reply?

(Applause)

The Temporary Deputy Speaker (Mr. Osundwa): I think we still have some Members interested in contributing. The hon. Lekuton is a new Member; let us hear him.

Mr. Lekuton: Thank you, Mr. Temporary Deputy Speaker, Sir, for this opportunity. I think this Bill is timely and long over-due. Every single penny contributed by the citizens of this country goes towards economic growth especially in remote areas. With over 200 microfinance institutions in Kenya, and with shaky guidelines, I think this Bill is appropriate and will make positive provisions to streamline the day-to-day running of such institutions. It gives ownership and accountability where there was none, and protects the rights of the poor.

Mr. Temporary Deputy Speaker, Sir, how do we ensure that microfinance institutions benefit the whole country or every aspect of human life? With a nation which is notorious for high bank interest rates and extremely low deposit rates, it will take a long time for the poor to get an inch closer to the wealthy. We should have strict policies on security when someone borrows money. I come from an area where the only source of security my people have is livestock. How do we get rid of these stringent policies when it comes to borrowing from the banks?

Mr. Temporary Deputy Speaker, Sir, we have so much money in the nomadic areas and other parts of this country. A good example to illustrate this is the issue of the Kenya Electricity Generating Company (KenGen) where in no time Kenyans took every opportunity to invest in it. We ought to tap the money Kenyans have.

How do we encourage investors to go to the northern parts of this country which have been forgotten for a long time? We ought to give tax breaks or tax holidays in order to encourage business to spread across the country.

Mr. Temporary Deputy Speaker, Sir, with all these positive intentions on the Microfinance Bill, I find that there are overbearing powers it seeks to give to the Central Bank of Kenya (CBK). The CBK has some serious work to do. It has many responsibilities including supervising the banking system, managing Government debts and handling the Deposit Protection Fund (DPF).

In other parts of the world, banks such as the Bank of New Zealand, the Zurich Bank of Germany and the Reserve Bank of the United States of America (USA), are given specific duties, so that there is smooth running of banking facilities. They check inflation and ensure price stability

in the economy. This is done in such a way that there is no ambiguity towards any institution which is bogged down by an avalanche of roles. I think the CBK should out-source this responsibility, but still manage it in a different capacity.

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

Prof. Maathai: Thank you, Mr. Temporary Deputy Speaker, Sir, for giving me this opportunity to contribute to this Bill. I want to congratulate the Minister. This is a very welcome Bill that will help to reduce poverty and address the concerns of the poor people in this country.

I know that we do not have much time left, I want to very quickly mention the fact that the value and power of microfinance institutions has clearly been demonstrated by Prof. Muhammad Yunus of Bangladesh who established the Grameen Bank. He won the Nobel Peace Prize this year. I want to congratulate him from this House. In fact, he has globally set the trend and given the importance of microfinance institutions.

Mr. Temporary Deputy Speaker, Sir, in supporting this Bill, there are those of us who have been concerned about the issue of capital. I want to give the example of Prof. Yunus who started the Grameen Bank with a capital of US\$500. I want to appeal to the Minister to look into the possibility of greatly reducing the capital that is required.

What is really needed in this country, and what is likely to make these microfinance institutions succeed is the development of a culture of honesty. That was a very important point in the development of the Grameen Bank. Unless we develop a culture of honesty in this country, we will not succeed, not in the same way that the Asian Grameen Bank has succeeded. I want to appeal to our people, even as we go out to try this approach, that we must develop a culture of honesty. There is nothing to be proud of when people keep saying that the reason why our region does not develop is because the leaders are very corrupt and that they are not committed to the needs of our people. Prof. Yunus was an economist with a PhD. He decided to work with his people, the ordinary women who were being lent about US\$3 or US\$4 per day. One of the successes of the Grameen Bank is the fact that the repayment rate has been as high as 98 per cent. These are the values that we want to cultivate, so that we can make the microfinance business a successful tool for development in this country. This needs to be emphasised, not really to the Minister because he will not borrow, but to our people, to understand that these must be the values that we deliberately and consciously cultivate. We must fight corruption in our financial institutions.

Everybody wonders why in this country we have continued to allow banks to charge such high interest rates and to literally make billions out of poor people. How can banks make billions in a country where 60 per cent of the people make less than US\$1 a day? It does not make sense. It is unfortunate that banks are allowed to charge such high interest rates. The Minister could, probably, address the fact that people who are in power, those who can have conflict of interest should not be appointed as directors of banks, financial or housing institutions. One of the reasons why people are literally exploited in this country, so that very few people can own houses or borrow money is because those of us who should be protecting our people from exploitation are co-opted into these institutions. We then have a conflict of interest. We end up protecting the institutions rather than our people.

As we strongly support this initiative, we want to appeal to the Ministers and, indeed, to ourselves as leaders, that we must protect our people. I do not know of any country in the world which allows foreigners to come and in the name of investment and creation of jobs, literally allow their people to be exploited and reduced to poverty-stricken citizens.

With those few remarks, I beg to support.

The Temporary Deputy Speaker (Mr. Osundwa): Hon. Members, I want to give the remaining 15 minutes to the Mover to reply. If he feels like he could donate time to other hon.

Members, he is free to do so.

The Minister for Finance (Mr. Kimunya): Mr. Temporary Deputy Speaker, Sir, I note that there is still interest in this Bill. I would like to donate three minutes to Mr. Angwenyi and two minutes to Mr. Ethuro. I will use the rest.

Mr. Angwenyi: Thank you, Mr. Minister.

Mr. Temporary Deputy Speaker, Sir, mine is to add my voice in support of this Bill. I would like also to suggest that the Minister should reduce the initial capital to some level which is affordable to the people who want to invest. We should borrow from what has happened in Bangladesh where Prof. Yunus started a microfinance enterprise with only US\$500. Why can we not start with, for example, Kshs500,000 or even less for the rural areas? In the case of towns where there are financial institutions and already established microfinance institutions, we could increase the initial capital for those areas. I would like to suggest that for constituencies such as the North Horr, the initial capital should be made as low possible.

I would also like to suggest that the Government should consider establishing one microfinance institution through which it will channel the Youth Fund money. Let the Government involve itself in this the same way it involved itself in creating the Kenya Commercial Bank and the National Bank of Kenya to compete with multinational banks. The Government should impart entrepreneurial skills to our people to enable them join the banking sector. If we do that, I am sure this Bill will succeed.

With those few remarks, I beg to support

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

*[The Temporary Deputy Speaker
(Mr. Khamasi) resumed the Chair]*

The Assistant Minister for Planning and National Development (Mr. Ethuro): Mr. Temporary Deputy Speaker, Sir, I wish to thank the Minister for donating a few minutes to me. I just wanted to thank the Minister for bringing this Bill to the people. It looks like the Memorandum of Objects and Reason is to ensure that deposits are safe and secure and serve the public interest. I think this really defines what we have been lacking in this sector. This is an industry that has been growing on its own motion. It was a kind of free-for-all. At least now we will have a framework that will ensure that conmen do not enter this particular market and take away money from Kenyans, who are seriously looking for an opportunity to invest. Cases abound of microfinance institutions created for the sole purpose of looting from the public. I think to that extent, this Bill is a commendable move.

The second issue I want to raise is on the interest charged by these banks. If there is anything to learn from the Bangladesh story, it is the fact that poor people pay better than rich people, who have been getting money from the National Bank of Kenya and going scot-free. This House has also been allowing banks to write off debts of people, including politicians, who have the ability to pay. That practice should stop. What we want is that the minimum capital requirement should be small enough for most people to enter into this business. Non-governmental organisations, and community-based organisations should be able to participate in this sector. In fact, they are already participating in it. Our people are ahead of the law and the law is just trying to catch up with them.

It is also important that the lending terms are substantially relaxed since they should not be punitive to those borrowing money. I would imagine that we are trying to enable poor people to

borrow money so that they can invest it in very small projects that do not have high rates of return.

With those few remarks, I beg to support.

The Minister for Finance (Mr. Kimunya): Mr. Temporary Deputy Speaker, Sir, let me begin by thanking the hon. Members for their support. I think, as I sat here the whole afternoon, I have only heard of "We all support this initiative" and "We all believe it has been long overdue". Most importantly, we have demonstrated faith in our entrepreneurs and the microfinance sector. If we support it, it will serve this country in terms of growth of its economy.

I would like to just assure hon. Members of this House that the concerns I have heard this afternoon are the same concerns we have been hearing in the course of formulation of this Bill through the multiple stakeholder analysis that has been going on. All these concerns have actually been addressed. What we have here is a negotiated document that has come from a general consensus that has been formed by all the players within the industry. I must thank the hon. Members because whatever has been coming out is in resonance with what came from the stakeholders themselves.

I also want to just mention here that this is only the beginning. We have set up the legal framework. We know that we have been operating in a vacuum. This is a first in many ways. In many places we do not have these laws. As we start the implementation of the law, I am sure that the lessons learned from the implementation will then be included in further refinement of the law. I am believe that this Bill will be an Act very soon.

We need to start facilitating our people so that they can start operating legitimately.

Mr. Temporary Deputy Speaker, Sir, just like I said before, this is just the beginning. A lot more is yet to be done. However, let us start promoting the growth of microfinance institutions. Let us not delay because as we analyze that too much, we could as well paralyse this sector. I hope that with the passage of this Bill, we shall see our microfinance institutions grow and blossom. We hope to see them start branches from Kacheliba to Kiunga; Namanga to Mandera; or Nairobi to Mombasa. We need them in all the places where there are microfinance operations taking place. People are interested in us putting in place a safe and legal mechanism through which they can access finance and save their money. They need assurance that there is somebody who is protecting them and that they will not be invaded by shylocks who take their hard-earned savings and disappear with them.

I would also like to mention something about the share capital. Setting the share capital at Kshs60 million is, again, something that we decided after going through a series of negotiations. It was agreed that we start with Kshs60 million, especially in urban areas, but allow for a lower threshold of Kshs20 million for people who want to start those operations or formalise them in the countryside. This does not, however, in any way stop operation of branches across the country. We agreed that we should have a few microfinance institutions to learn lessons from and to facilitate this provision mechanism. After that, we could then open more of these institutions. In any case, there is no reason why they should not spread their branches across the whole country.

Mr. Temporary Deputy Speaker, Sir, within the tightness of law, it might appear like we are over-regulating. However, everyone seems to agree that we need to have stricter laws at this point so that we can all start from a clear footing and as we move along, we could ease out on the ones that are felt to be top heavy. We realise that we need to use the Central Bank of Kenya's (CBK's) provision mechanism. We need to consider benchmarking our microfinance institutions against the international standards because we are starting a first one for Kenya and for this region as a whole.

Mr. Temporary Deputy Speaker, Sir, even as we look at the growth of the Grameen Bank and others, let us also look in retrospect at where K-Rep started. It started as a microfinance institution, but it is now a bank. The same applies to Equity Bank which is now the fastest growing bank in our region.

Again, I attribute this to the support that has been rendered by the legal framework to safeguard people and instil confidence in them that if they put money in these institutions it will not disappear.

Mr. Temporary Deputy Speaker, Sir, once we streamline the legal framework, we shall be able to experience growth. We might as well consider having mini microfinance institutions to cater for the small-scale entrepreneurs. We need to know how we can bring them within the law. Let us consider what we are doing now as the first step from the main banks to the microfinance institutions and hope that very soon we will need another set of laws for microfinance institutions.

Mr. Temporary Deputy Speaker, Sir, I hope that I have addressed some of the issues that were raised by hon. Members. I can only promise that we have taken all those issues seriously. They actually resonate with what the stakeholders brought forward in their analyses. We also hope that we shall finalise this process and give Kenyans all the legal frameworks for different players at different levels.

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

(Question put and agreed to)

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

The Temporary Deputy Speaker Next Order!

Second Reading

THE INSURANCE (AMENDMENT) BILL

The Minister for Finance (Mr. Kimunya): Mr. Temporary Deputy Speaker, Sir, I beg to move that The Insurance (Amendment) Bill be now read a Second Time.

Mr. Temporary Deputy Speaker, Sir, the Department of Insurance within the Ministry of Finance was formed in 1987 under the Insurance Act, Cap.487 of the Laws of Kenya. Its mandate is to administer the Insurance Act which includes the regulations, supervision, development of the insurance industry and to protect the interests of the policy holders as well strengthening the industry to improve its contribution to economic growth and development. Before its creation, there was no consolidated and co-ordinated insurance legislation for the regulation and supervision of the insurance industry and such regulation was done from a desk in the Treasury.

Mr. Temporary Deputy Speaker, Sir, it is important for the economy to have a properly restructured system of insurance provision oversight which ensures that the greatest degree possible were that the insurers will have the financial resources to pay all claims as they become due which basically means that there is supervision. Secondly, that insurers will treat consumers in an equitable manner in all financial dealings which basically brings the issue of marketplace supervision.

Mr. Temporary Deputy Speaker, Sir, the business of insurance has a number of special features which make financial supervision particularly important. In transacting insurance business, the insurer receives premiums from persons and corporations who are seeking cover. These premiums together with the investment earnings should be sufficient to not only pay the claims that would be incurred during the time of the policy but also to cover the administrative and other expenses associated with writing and distribution of the products, and lastly also to generate a

satisfactory rate of return to the shareholders in terms of profits of the insurance company.

Mr. Temporary Deputy Speaker, because premiums are paid now to purchase a benefit which may not mature until many years in the future, the purchaser of insurance is entirely reliant on the expectation that the insurer would still be in business at that unspecified future date that will have sufficient financial resources to discharge its obligation.

Mr. Temporary Deputy Speaker, Sir, in this changing and uncertain world, it is not a foregone conclusion that this will always be the case given the difficult and volatile economic circumstances found in developing countries, nor can one rule out the possibilities of negligence or unscrupulous behaviour rather than difficult economic circumstances would be the cause of the company's inability to pay. There are many examples in this country of this failure in the past.

A system of regulatory oversight is, therefore, required to help assure that a company having such an important responsibility to the public would be able to meet its financial obligations as and when called upon to do so.

Mr. Temporary Deputy Speaker, Sir, in terms of the marketplace characteristics, there are also particular features of insurance business which are different from other types of financial institutions which require a robust regulatory system. When a customer deals with a bank deposit taking institution such as the ones we have just passed here for banks, there is no great likelihood of a dispute. The customer has made a deposit and has evidence of having done so and the institution is clearly obligated to return the deposit upon demand or subject to particular conditions governing the transaction.

Mr. Temporary Deputy Speaker, Sir, by contrast, an insurer is providing indemnity with respect to circumstances that are often much more complex than a banking transaction and to protect the company, many exclusions and other terms of coverage usually apply. Unfortunately, this contractual complexity tends to put the insurer in a position of strength when the time to settle a claim comes. The insurer, has the legal and financial resources to dispute a claim even if under a technicality. Also the insurer has possession of the funds and the policy-holder is dependent on the insurer to gain access to them. By unfairly resisting claims an irresponsible insurer is, therefore, in a position to retain funds rightly due to policy-holders and it can be difficult for policy-holders to protect themselves against such abuses.

Thus we see that in accessing the risk of both insolvency and unfair consumer treatment, there are special reasons why insurance regulatory systems are important in building public confidence and providing the stability of financial infrastructure that every country finds desirable.

ADJOURNMENT

The Temporary Deputy Speaker (Mr. Khamasi): Mr. Minister, you still have got more time when the debate resumes.

It is now time to end our business for today. The House is, therefore, adjourned until tomorrow, Thursday, 9th November, 2006, at 2.30 p.m.

The House rose at 6.30 p.m.