

NATIONAL ASSEMBLY

OFFICIAL REPORT

Wednesday, 19th April, 2006

The House met at 9.00 a.m.

[Mr. Deputy Speaker in the Chair]

PRAYERS

QUESTIONS BY PRIVATE NOTICE

Mr. Deputy Speaker: Hon. Members, we will begin with Questions by Private Notice this morning. The first Question is by the hon. Member for Tigania East, Mr. Munya.

INSECURITY IN TIGANIA NORTH DIVISION

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

- (a) Is the Minister aware of a gang operating in Kandebene area of Tigania North Division robbing people and raping women that has made it impossible for farmers to plant and tend their farms during the current long rains?
- (b) What has he done to apprehend the members of this gang?
- (c) Could the Minister consider immediately stationing administration police in Kandebene Administration Police camp, which has already been built?

Mr. Deputy Speaker: Is Mr. Munya here? He is absent and, therefore, the Question is dropped.

(Question dropped)

IRREGULAR TAXATION ON AGRICULTURAL EQUIPMENT

Mr. Bett: Mr. Deputy Speaker, Sir, I beg to ask the Minister for Finance the following Question by Private Notice.

(a) Is the Minister aware that tractors and other farm implements are now being taxed at 16 per cent?

(b) If the answer to (a), above, is in the affirmative, when was the relevant law changed to impose taxation on agricultural equipment and implements?

Mr. Deputy Speaker: The Minister for Finance is not here!

Hon. Members: He is not here!

Mr. Deputy Speaker: May I ask the Leader of Government Business to tell us where the Minister for Finance is.

(Laughter)

The Vice-President and Minister for Home Affairs (Mr. Awori): Mr. Deputy Speaker, Sir, may I seek your indulgence. He has just come in.

(Mr. Kimunya took his seat)

Mr. Deputy Speaker: It seems like through the magic of the Leader of Government Business, the Minister for Finance appeared. Therefore, Mr. Minister, we are now on the Question by Private Notice by Mr. Bett.

The Minister for Finance (Mr. Kimunya): Mr. Deputy Speaker, Sir, I apologise for not even having given the written response to the hon. Member. There was a hitch as the Question came in last night to my office. My officers were, therefore, preparing it. However, we have the answer.

Mr. Deputy Speaker, Sir, I beg to reply.

(a) There is no Value Added Tax (VAT) on agricultural tractors and farm implements.

(b) Although there is no VAT on the agricultural tractors, there was a technical problem in the tariff classification following the alignment of the tariff numbers in the VAT schedules with those in the East African Community Common External Tariff in the tractors' list of zero-rated goods. However, the problem has since been resolved by zero-rating agricultural tractors under Part (c), Item 8 of the Fifth Schedule of the VAT under other agricultural and forestry machinery for soil preparation on cultivation.

Mr. Bett: Mr. Deputy Speaker, Sir, I appreciate the answer given by the Minister. However, we have just come out of a severe drought and farmers have suffered a great deal. That hitch which the Minister is referring to has, indeed, caused another cost to the farmers by way of storage charges at the Port of Mombasa when the hitch was being sorted out. Could the Minister tell this House whether those farmers who were affected by the hitch and incurred additional demurrage charges will have these charges waived or taken over by the Government?

Mr. Kimunya: Mr. Deputy Speaker, Sir, I will be happy to look at all those charges which arose due to some technical hitch.

Mr. Deputy Speaker: That sounds reasonable!

Mr. Kajwang: Mr. Deputy Speaker, Sir, when the Government zero-rated tractors, it was basically to assist agriculture and farmers. However, there is no zero-rating on spare parts. When you buy a tractor, you will

need to replace tyres within two months and overhaul them within six months or one year. What is the Government doing to zero-rate spare parts for agricultural machinery?

(Applause)

Mr. Kimunya: Mr. Deputy Speaker, Sir, the gesture on the tractors was to facilitate the equipment. However, I believe the farmers also have a part to play to contribute to the economy through their spare parts. If it becomes an issue, we will be happy to look at it in future. As of now, the exemption is on the tractors.

Mr. Kimeto: Mr. Deputy Speaker, Sir, the Minister has said he wants the farmers to also contribute to the economy through purchase of spare parts. Is the Minister aware that when we import maize that could have been grown here more money is spent than in zero-rating the spare parts?

Mr. Kimunya: Mr. Deputy Speaker, Sir, it is regrettable that we have to import food when

you can grow it here. I am not sure whether the solution lies in zero-rating the spare parts. It probably lies in increasing our productivity. I am glad that the Ministry of Agriculture is taking efforts in that direction.

Mr. Bett: Mr. Deputy Speaker, Sir, I am satisfied although I would want to know how far the arrangement by the Kenya Farmers Association (KFA) has gone to import tractors that would be sold to farmers at discounted rates. The matter was approved by this House from the Ministry of Co-operative Development and Marketing.

Mr. Deputy Speaker: Is that not a question or comment?

Mr. Bett: It is a comment, Mr. Deputy Speaker, Sir.

Mr. Deputy Speaker: So be it!

LOSS OF LIVESTOCK FROM DROUGHT
IN KAJIADO DISTRICT

Maj-Gen Nkaiserry: Mr. Deputy Speaker, Sir, I beg to ask the Minister for Livestock and Fisheries Development the following Question by Private Notice.

(a) Is the Minister aware that the residents of Kajiado District have lost most of their Cattle, goats and sheep due to the current drought and famine?

(b) What is the actual loss of the livestock?

(c) What is the Government doing to re-stock the affected people so that poverty is kept at a manageable level?

The Minister for Livestock and Fisheries Development (Mr. Munyao): Mr. Deputy Speaker, Sir, I beg to reply.

(a) I am aware that Kajiado is one of the 24 arid and semi-arid districts, adversely affected by the prolonged drought.

(b) In Kajiado District, the effect of the drought was not uniform. The estimated loss weighed from 5 per cent in the better areas to 40 per cent in the worst affected areas. The actual numbers can only be ascertained when a rapid assessment exercise being undertaken by my Ministry is finalised.

(c) The Government recognises the plight of pastoralists in Kajiado and other districts who have lost their livestock as a result of the prolonged drought, and appreciates that there is need for re-stocking to ensure that their source of livelihood is restored. After the rains, a needs-assessment exercise will be conducted to identify the worst affected households and establish how best they can be assisted. Re-stocking will be an option to be considered, depending on availability of resources.

Maj-Gen. Nkaiserry: Thank you, Mr. Deputy Speaker, Sir. I would like to thank the Minister for trying to answer the Question. Unfortunately, the answer given by the Minister is not satisfactory to the Kajiado people because the loss of livestock is estimated at 65 per cent. I was asking what plans the Government has to re-stock the lost livestock, which will mitigate the issue of insecurity, especially cattle rustling? The plan I was expecting the Minister to put across to this House is that, the Agricultural Finance Corporation (AFC) will advance loans to livestock farmers at an interest rate of 5 per cent and a grace period of perhaps one year, to re-stock and pay the money later. However, the Government has not come up with a real plan of dealing with the situation, not only in Kajiado, but in all areas affected by drought. What is the Government doing to ensure that the livestock is re-stocked?

Mr. Munyao: Mr. Deputy Speaker, Sir, I am sure that Major-Generals are good listeners. I said that the loss is not over 60 per cent. We have established that it was generally not over 25 per cent. That also depended on what area. We know the number of livestock we had before the

drought and what we have now in Kajiado District. The district did not lose more animals than Wajir and some other areas which were also affected. Even then, the Government moved in. In Kajiado, we spent over Kshs20 million to buy animals from farmers so that they did not suffer a big loss. Over and above that, for the first time in history, we gave human beings as well as animals food. In Kajiado District alone, we spent over Kshs5 million in feeding animals to make sure that they would survive. In any case, we are assessing the losses to establish how we can re-stock.

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

Mr. Deputy Speaker: I would like all of you to sit down. The Minister is about to finish. He is about to tackle the re-stocking issue which is the core part of the Question.

Mr. Munyao: Mr. Deputy Speaker, Sir, the Directors of Livestock and Business Services are working to establish what loss we incurred. After some areas have been assessed, we have to re-stock because some families in the affected areas value livestock and cannot do without it. That programme is on-going.

Mr. ole Metito: Thank you, Mr. Deputy Speaker, Sir. It is true that it is not only Kajiado District that lost livestock. All the pastoralists in the country were affected by the drought. However, during the same period, the Government made Kshs240 million from livestock and livestock products, which it exported to Mauritius alone. More often than not, we see other farmers who deal with tea and other farm produce having their debts written off. Could the Minister consider using the proceeds he got from the sale of livestock and livestock products in that period, to write-off the AFC loans that were advanced to pastoralists all over the country?

Mr. Munyao: Mr. Deputy Speaker, Sir, that time, the Government came out to assist farmers. We even had Kshs100 million besides the Kshs400 million which we gave to farmers who have big portions of land, to buy livestock for re-stocking. The loans were advanced at an interest rate of 5 per cent as opposed to the normal rate of 10 per cent. The Government has done all it can to assist farmers.

Mr. Deputy Speaker: The question Mr. ole Metito is asking is whether the Government can write-off AFC loans owed by farmers who lost their livestock. I had to assist the Minister on that bit.

Mr. Munyao: Mr. Deputy Speaker, Sir, how can we write-off loans which we did not give? The money which we gave out recently went to farmers who have big portions of land to keep many animals. We were giving them money to buy livestock for future use. That was a different issue. We cannot write-off debts that we did not give.

Prof. Oniang'o: Thank you, Mr. Deputy Speaker, Sir. With all due respect to the Minister, he sounds like he is doing pastoralists a favour. They are Kenyans and we eat the meat they produce every single day. Could the Minister tell us if he ever makes use of early warning information because we experience drought every single year? We also have this information given to us every single year. What long term measures does he have in place, using the early warning information?

Mr. Munyao: Mr. Deputy Speaker, Sir, I would like to assure Prof. Oniang'o that we are not joking and are seriously concerned about farmers' problems and more so, the loss of animals. This type of drought, and I am sure that the Chair agrees with me, has never occurred before. We had done all we could but could not help it. Whatever we tried to do, the *kiangazi* period was always persisting. There is nothing we could do. We have been advising farmers on what to do.

Mr. C. Kilonzo: Mr. Deputy Speaker, Sir, the Minister promised Kenyans that he would

open the Kenya Meat Commission (KMC). It is now four years since that promise was made. However, when the Government promised to re-open the New Kenya Co-operative Creameries, it did it almost immediately. Why is the Minister moving slowly in opening KMC? Those who are working on the site paint one iron sheet per day. At that rate, when will he ever open the place?

Mr. Munyao: Mr. Deputy Speaker, Sir, I welcome all hon. Members in this House, including you Mr. Deputy Speaker, to come and visit the Kenya Meat Commission (KMC) plant on 1st June, 2006 because it will be in operation then.

Mr. Salat: Mr. Deputy Speaker, Sir, recently when we went to Marsabit to pay our last respects to our late colleagues, those of us who were observant saw carcasses of livestock around the airstrip. This is as a result of the rains that have just come and which have caused livestock to overfeed. What is the Minister doing to educate pastoralists because they risk losing many more animals during this rainy season?

Mr. Munyao: Mr. Deputy Speaker, Sir, that is a very good question and also a good concern. However, all pastoralists, including the hon. Member, know the way animals behave. They die because of drought and immediately when the rains come, they die because of pneumonia. Both our division and district veterinary officers have been sent out to advise farmers on what to do and I think that has been effective.

Maj-Gen. Nkaiserry: Mr. Deputy Speaker, Sir, I am not satisfied with the answers that have been given by the Minister. First, we wanted to know the Government's plan with regard to the waiving of AFC loans granted to pastoralists. The AFC is a Government parastatal and the Minister has not stated whether the Government will look into this matter and ensure that those people who lost their animals will get a waiver on the loans that were granted to them. He did not come out clearly on that issue and yet it was a very specific question.

Secondly, his statement that only 25 per cent of livestock died in Kajiado District is untrue. The truth of the matter is that over 65 per cent of livestock in Kajiado District died during the drought. The level of poverty in Kajiado District is very high. Could the Minister be specific with regard to the Government extending a waiver on loans that were granted to pastoralists just like what it did with the loans granted to coffee farmers in 2004? What is the Minister planning to do with regard to the AFC loans that were granted to the livestock farmers?

Mr. Munyao: Mr. Deputy Speaker, Sir, you will appreciate that that was not part of the Question. However, I will answer the hon. Member's question because I know what he is asking.

There is no stock of animals out of the ones that died during the drought that was bought using an AFC loan. So, we cannot write off what we had not initiated. I think that is very clear.

Secondly, livestock from Kajiado District were the only lucky ones because they could graze in parts of Loitoktok, Bura Hills, Kangundo and even Thika. We allowed the livestock to graze all over this country. In fact, at one time, I negotiated for some pasture for the livestock in Ngong. About 800 livestock were allowed to graze there. So, the loss of livestock in Kajiado District was not so much. However, we are going to re-stock the affected people and they will benefit. The Government is going to give livestock to all families that lost a lot of their livestock during the drought.

MEASURES TO ALLEVIATE WATER SHORTAGE IN MARAFA DIVISION

Mr. Kombe: Mr. Deputy Speaker, Sir, I beg to ask the Minister for Water and Irrigation the following Question by Private Notice.

(a) What is the Minister doing to alleviate the current acute shortage of water in Marafa Division following the breakdown of Marafa borehole pump and the Kadzandani booster pump?

(b) When will he make good his promise of drilling a borehole at Kamale under the borehole programme since Kamale is being deserted now due to prolonged drought?

Mr. Deputy Speaker: Is the Minister present? Where is the Assistant Minister? I thought there was a code that needs to be followed by Ministers and the Assistant Ministers. One of the provisions in the code, I understand, is to take Parliamentary business seriously. What is the position, your Excellency?

The Vice-President and Minister for Home Affairs (Mr. Awori): Mr. Deputy Speaker, Sir, indeed, Ministers are now beginning to take their duties in Parliament seriously. I just want to seek your indulgence that this Question be deferred until tomorrow now that it is a Question by Private Notice.

Mr. Deputy Speaker: The Question will be deferred until tomorrow in the afternoon as has been requested by the Leader of Government Business.

(Question deferred)

ORAL ANSWERS TO QUESTIONS

Prof. Olweny: Mr. Deputy Speaker, Sir, before I ask my Question, I wish to state that I do not have a written answer yet.

Question No.039

ESTABLISHMENT OF POLICE POSTS IN NYANG'OMA LOCATION

Prof. Olweny asked the Minister of State, Office of the President:-

- (a) whether the Minister is aware that communities in Nyang'oma Location and Ombeyi North Ward have requested for the establishment of police posts at Ngere Kagoro and Kasese respectively to boost security; and,
- (b) what he is doing to set up the posts as requested.

The Assistant Minister, Office of the President (Mr. Kingi): Mr. Deputy Speaker, Sir, first and foremost, I wish to apologise to the hon. Member for not having given him a written response to this Question. However, I have the answer ready and I beg to reply.

(a) We are aware that the residents asked for the establishment of police patrol bases and not police posts. A request by the residents of Nyang'oma Location and Ombeyi North Ward for police patrol bases to be established at Ngere Kagoro and Kasese was made to the Nyando Division Officer Commanding Police Division (OCPD) by a delegation of leaders from the area in April, 2000. The request followed a spate of reported incidents of robbery and cattle theft. The community of Ngere Kagoro donated a temporary structure to accommodate police officers posted to the patrol base. The officers are still at the base up to now.

The other community promised to identify a plot on which to put up a structure to accommodate the officers to be posted. They are yet to identify land for this purpose.

(b) Mr. Deputy Speaker, Sir, we are willing and committed to bringing services closer to the people. We will be ready to consider the establishment of the police patrol base as soon as the residents will provide land and housing for the police officers.

Prof. Olweny: Mr. Deputy Speaker, Sir, this issue arose when the community complained to me. I went to the former Police Commissioner myself and he told me to put the complaint in writing to him which I did. He wrote to the OCPD on the ground and members of this community

in question went to discuss with him. It was agreed that officers would be posted to the two centres. I am thankful that one centre already has two police officers. I do not know whether it is a police base or a police post, but I have been told that it is called a police base. All the same, it still serves the purpose.

Mr. Deputy Speaker, Sir, the community in the other place have told me that they were not told that they would get officers if they got accommodation for them. I would wish that the Assistant Minister confirms to this House that it is the duty of the community---

Mr. Deputy Speaker: Prof. Olweny, this is Question Time.

Prof. Olweny: I am asking a question, Mr. Deputy Speaker, Sir.

Mr. Deputy Speaker: Order, Prof. Olweny. You have to listen to the Chair. I demand that you ask the question now.

Prof. Olweny: Mr. Deputy Speaker, Sir, I want the Assistant Minister to confirm to us if it is the duty of the community to house the police officers or whether it is the Government's responsibility to ensure that the police officers get accommodation. After all, they are given house allowance and the taxpayers pay for those services.

Mr. Kingi: Mr. Deputy Speaker, Sir, there is a procedure to be followed before a police post or police station is set up. Such requests are usually channelled through the District Security Committee. Ordinarily, since we want to beef up security, we undertake to set up police bases. We will set these bases up once we are assured that there is a place where police officers can be posted and that there is adequate housing for them. The moment we are assured that this other town centre has houses for police officers, then we will definitely move in to set up the police base.

Mr. Owino: Mr. Deputy Speaker, Sir, insecurity is being experienced all over the country and the Assistant Minister is aware of this. What master-plan does the Ministry have to ensure that every region and constituency has adequate security, because insecurity is completely out of order?

Mr. Kingi: Mr. Deputy Speaker, Sir, arrangements are already in place and we have established several police posts and stations across the country. However, if the hon. Member feels that there is any particular place that a police base or police station should be opened, he should follow the laid down channels to set up the police base as required.

Maj. Madoka: Mr. Deputy Speaker, Sir, the Minister said that they can only post police officers to a police post when they are assured there is adequate housing. Is it the responsibility of the community or the Government to ensure that housing is put up for police officers and that there is security in the area?

Mr. Kingi: Mr. Deputy Speaker, Sir, the issue of establishing police posts or police stations is the responsibility of the Government. This is something that is ongoing. In the case where a police station or police post has not been established and there is dire need of security, then we go ahead and establish a police base in conjunction with the community.

Dr. Ojiambo: Mr. Deputy Speaker, Sir, is the Assistant Minister aware that the regular police have abrogated their responsibility to administration police and that the communities are being saved by administration police who are ready to go out at night and patrol when the regular police offices are sleeping in the police posts? Could the Assistant Minister assure this House that he will allocate a patrol vehicle in areas where there is no police post so that his officers can assist the administration police in patrolling?

Mr. Kingi: Mr. Deputy Speaker, Sir, if there are any known police officers who sleep on duty, that is negligence of duty and we will be more than willing to know who they are so that we can take appropriate action. Whenever we establish a police post anywhere we also undertake to send a vehicle there so that police officers can work well in the areas we have sent them to.

Prof. Olweny: Mr. Deputy Speaker, Sir, could the Assistant Minister assure my constituents that since they have not posted police officers to Kasese, the Ministry will ensure that

there is adequate security patrol within that area so as to provide security to the people?

Mr. Kingi: Mr. Deputy Speaker, Sir, we grant that assurance.

Mr. Mwandawiro: Jambo la nidhamu, Bw. Naibu Spika. Swala la usalama ni swali nyeti sana. Waziri Msaidizi anasema kwamba Wizara inajitahidi kuhakikisha kwamba kuna usalama nchini. Kunawezaje kuwa na usalama ikiwa Kamishna wa Polisi na Mkurugenzi wa CID hawafanyi kazi pamoja? Kabla hamjatatua jambo hilo usalama utadumishwa namna gani?

Mr. Deputy Speaker: Hiyo sio hoja ya nidhamu! Mr. Kingi proceed, and ignore that one! Had you finished?

Mr. Kingi: Yes, Mr. Deputy Speaker, Sir.

Question No.024

RETIREMENT OF TEACHERS IN MID-TERM

Mr. Mbau asked the Minister for Education:-

(a) whether he is aware that the Teachers Service Commission has been retiring teachers within school terms leaving students including candidates without proper tuition; and,

(b) what steps he will take to ensure that teachers due for retirement do so during the holidays and are replaced at the start of the next term.

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

(a) I am not aware that the TSC has been retiring teachers within the school term leaving students including candidates without proper tuition.

(b) The Ministry will ensure that the existing policy, that teachers due for retirement are retired during the school holidays in April, August and December is adhered to by the TSC.

The Ministry has instructed the TSC to keep a merit list of qualified candidates for employment following competitive interviews of candidates. This list will be used to identify candidates to replace those who exit from the service. Through this process, we will ensure that the delays do not occur in the replacement of retiring teachers. It is basically a recommendation because if we are not careful, it could also be subject to abuse, in that, those that are used to replace others may not have been the product of interviews. We want to ensure that we replace teachers as soon as they retire.

Mr. Mbau: Mr. Deputy Speaker, Sir, while thanking the Assistant Minister for the answer, you have heard him accept that the Ministry is not aware that teachers who are in service under the TSC retire every month because they were not deployed at the same time or month. It is curious to note that the Assistant Minister is unaware that teachers retire every month. The Assistant Minister has told us that the TSC has lapsed in implementing the existing policy of teacher replacement after retirement. Who is supposed to enforce that policy if not the Assistant Minister?

The TSC and the Kenya National Union of Teachers have been pointing out that there is a shortage of 60,000 teachers and yet the Assistant Minister is now telling us that there is a merit list which has not been implemented. What is the correct position?

Dr. Mwiria: Mr. Deputy Speaker, Sir, the hon. Member is right when he says that teachers do not retire only once a year. They retire depending on their birth dates. Thus, teachers who were born between January and April retire by the end of April or 1st May. Those born between May and July retire by end of July or 1st August. Those born between July and December retire by December or 1st January. There are three periods in which teachers can retire depending on their birth dates. Those whose birth dates are not indicated normally retire on 1st September to ensure

that we do not interrupt the teaching programme. There are specific periods for retirement and it is not just once a year.

Mr. Deputy Speaker, Sir, on the issue of employing teachers immediately, we are aware that there is a big shortage of teachers. The policy has been that we replace only those teachers that we have lost through natural attrition due to the resources that are available. In such cases, interviews are conducted at the district level. One way of ensuring that these replacements are done on a continuous basis is to use the merit list of those that were interviewed in a specific year so that we can use that list to keep on replacing as and when is necessary.

Mr. Bifwoli: Mr. Deputy Speaker, Sir, you have heard the Assistant Minister say that teachers are interviewed and put on the merit list. The Government budgets for teachers who are employed by the Teachers Service Commission (TSC) and those who are about to retire. When teachers retire or die, they should be replaced immediately by trained teachers who are unemployed. There is no need for interviews. What does the Government do with the money that is budgeted for those who retire, if they are not replaced immediately?

Dr. Mwiria: Mr. Deputy Speaker, Sir, if the hon. Member listened to my two responses--- We are recommending a policy whereby we shall be recruiting from a list of those who have been interviewed. We do not want to keep monies for the retirees and the dead. Instead of replacing them once every year, we want to do it on a continuous basis. So, we are in agreement.

Mr. Deputy Speaker: Sorry, hon. Members. Last question, Mr. Mbau!

Mr. Mbau: Mr. Deputy Speaker, Sir, I want the Assistant Minister to tell us what he will do because free primary education is being undermined and sabotaged by lack of teachers in our schools. The teacher/pupil ratio is very high! I have many classrooms which are hosting 100 pupils per one teacher. It is inconceivable for one teacher to handle 100 pupils! Is the Assistant Minister aware of those discrepancies? What is he going to do to ensure that free primary education is successful? We are using colossal amounts of money on free education, but it is being undermined by lack of teachers. There are very many young people who are willing to become teachers!

Mr. Deputy Speaker: Order! You have asked a question! Could you allow the Assistant Minister to answer it?

Dr. Mwiria: Mr. Deputy Speaker, Sir, we are, indeed, aware that there are schools in this country that are experiencing a severe shortage of teachers compared to others. If we had more resources, we would employ more teachers. In the meantime, we have been trying to do some balancing every year, especially for schools that are most disadvantaged. But we do encourage communities and schools to recruit some teachers through the Board of Governors (BoGs) and Parents Teachers Associations (PTAs) to help take care of the shortage as we come up with a long term solution to the problem.

Question No.017

PROGRAMME TO COMBAT POVERTY
AMONG THE YOUTH

Mr. Oparanya asked the Minister for Youth Affairs:-

(a) whether he is aware that the youth in Kenya are severely affected by poverty; and,

(b) what specific youth programme he is undertaking to address the issue.

The Minister of State for Youth Affairs (Dr. Kuti): Mr. Deputy Speaker, Sir, I beg to reply.

(a) I am aware that the youth in our country are faced with a host of challenges, which

include unemployment and poverty.

(b) It is in recognition of the many problems facing the youth that the Government has created a full-fledged Ministry to deal with youth issues. At no time in the history of the country have the youth had their own Ministry to look into their own affairs, despite being the majority of the nation's population.

The Ministry is undertaking several policy initiatives aimed at redressing those problems. Some of the specific programmes we are engaged in include:-

(i) The finalisation of a comprehensive national youth policy which provides for the establishment of a national youth council, which will be the mouth-piece of the youth to articulate their views and aspirations, and influence the implementation of programmes and projects affecting them.

(ii) We are also in the process of setting up a revolving fund---

Mr. Deputy Speaker: Order! I appreciate the nature of the Question. But you are answering as if you are issuing a Ministerial Statement! Judging by the nature of the Question and what you are reading, it may take awhile. Could you, perhaps, with the agreement of the hon. Member, issue a Ministerial Statement on the Floor of the House? It looks like the hon. Member wants to know what your new Ministry is doing? Mr. Oparanya, would that not be appropriate? That is because the Minister seems to have a lot of material for you!

Mr. Oparanya: Mr. Deputy Speaker, Sir, I have no problem, but it is not very long. I have the answer. So, maybe, if you give him five minutes, he would be through. This is a very important Question.

Mr. Deputy Speaker: Could I then ask the Minister to summarise?

Mr. Oparanya: Yes, Mr. Deputy Speaker, Sir.

The Minister of State for Youth Affairs (Dr. Kuti): Mr. Deputy Speaker, Sir, the answer is in point form.

(i) We are in the process of forming a revolving fund where skilled youths could be supported with capital to engage in businesses. We are also going to revive youth polytechnics to offer market-driven skills. If they qualify, the revolving fund will be used to support them.

(iii) The National Youth Service (NYS) has been recruiting and training the youth in various skills. That recruitment is still going on. The NYS recruited 8,403 people in 2003. Recently, we recruited 2,500 young people for training.

(iv) We will also bring an amendment to the Constituencies Development Fund (CDF) Act, so that a certain percentage of that money could be allocated to youth-related projects. I hope hon. Members will support that amendment strongly, when it comes before this House.

(v) Finally, in September, we are organising a Global Youth Employment Summit which will attract about 2,000 delegates from 120 countries. Through that summit, we hope to get experiences from other countries and also give our own.

So, there are several programmes and projects. I will tour all the constituencies. I invite hon. Members to accompany me to get the views from the youth and implement them.

Mr. Deputy Speaker: That is a rather lengthy answer and the Question is very important. But I still think that a Ministerial Statement on the Floor of this House would be appropriate. You can issue it at your own convenience. You can see the number of hon. Member wanting to ask questions! I do not have a lot of time.

Mr. Oparanya!

Mr. Oparanya: Mr. Deputy Speaker, Sir, I think the Government has taken the youth of this country for granted. If you have noted, the Minister has kept on saying: "We will be doing!" It means they have been doing nothing. He has said that the Ministry for Youth Affairs was formed the other day. Does it mean the Youth Department was nowhere in this Government? It must have

been somewhere! So, there must have been programmes that were going on. He has talked about a Global Youth Employment Summit which will be held in September to identify opportunities. Why do we need an international organisation to meet here for us to identify the opportunities for the youth, when we know they are there?

Mr. Deputy Speaker: Order, Mr. Oparanya! Listen! You have asked your question. Let the Minister answer it?

Mr. Oparanya: Mr. Deputy Speaker, Sir, let me ask it now. I am more interested in the issue of the revolving fund.

Mr. Deputy Speaker: Could you ask your question?

Mr. Oparanya: He has said that a revolving fund will be set up. I want to know when it will be set up and how much money will be set aside.

Dr. Kuti: Mr. Deputy Speaker, Sir, you know very well that our youth do not have the required collaterals. So, a special product specifically for youth, in terms of micro-enterprise initiative needs to be produced. Right now, there are various micro-enterprise institutions, in conjunction with even professors from Harvard University and our local consultants, who are producing a product specifically for youth, putting into account the fact that youth do not have the collaterals required to borrow from the regular banks. The amount involved is very significant. Actually, over Kshs2 billion will need to be put into this project for it to succeed. This amount will be reflected in the forthcoming Budget.

Mr. Balala: Mr. Deputy Speaker, Sir, I am very impressed with the justification of forming a Ministry for Youth Affairs. Nevertheless, could the Minister inform the House what percentage of the Civil Service is made up of youth who are below 35?

Dr. Kuti: Mr. Deputy Speaker, Sir, I

can provide that information later on when I consult the Head of Public Service and Secretary to the Cabinet.

Mr. Deputy Speaker: Hon. Members, I know this is an important Question, but we do not have the time. That is why I am asking the Minister, for the interest of the House, to bring a comprehensive statement and then you will get opportunity to seek clarifications.

But I will now give the last chance to Mr. Oparanya.

Mr. Oparanya: Mr. Deputy Speaker, Sir, as you have suggested, when would the Minister bring the comprehensive statement?

Dr. Kuti: Mr. Deputy Speaker, Sir, I think that would be a more appropriate way to handle this matter. I will bring a statement on Thursday next week.

Mr. Oparanya: Mr. Deputy Speaker, Sir, as the Minister prepares his statement, I would like him to consider introduction of entrepreneurship as a compulsory subject in secondary schools so that we develop our youth to face the business world.

Dr. Kuti: Mr. Deputy Speaker, Sir, I think those are the components that could come in village polytechnics. I said we would produce graduates who are market-driven.

Question No.110

OWNERSHIP STATUS OF
MT. ELGON HOSPITAL

Mr. Deputy Speaker: Hon. Members, Capt. Nakitare, in consultation with the Minister, has requested that his Question be deferred until tomorrow afternoon. Therefore, the Question is

accordingly deferred.

(Question deferred)

Question No.074

MEASURES TO CURB FIRE
OUTBREAKS IN PUBLIC BUILDINGS

Mr. Owino asked the Minister for Local Government what the Government is doing to curb frequent fire outbreaks that have gutted public buildings and institutions both in towns and counties.

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

The Government is in the process of formulating a fire safety management policy in Kenya. Among the objectives of this policy is to establish legal and institutional frameworks to promote and regulate fire safety in the country. It will also deal with issues of prevention, detection and protection, among others, in both private and public premises.

Mr. Owino: Mr. Deputy Speaker, Sir, this answer is surprising because it is talking of formation of a safety management policy. Just like Mr. Oparanya said earlier, this Government says they will do this or that, and nothing happens. How prepared is the Government as at now, in case a fire breaks out in Homa Bay, Mbita or Migori, to save the people and their property?

Mr. Shaaban: Mr. Deputy Speaker, Sir, we shall have this fire safety management policy so that we can cater for far-fetched areas like the ones he is talking about. But in the meantime, the Ministry of Local Government has already procured ten units of rapid intervention vehicles, fully equipped with fire-fighting appliances, expected to arrive in June, 2006. This equipment will be given to areas according to priority.

Mr. Angwenyi: Mr. Deputy Speaker, Sir, I am surprised by the policies of this Government. Two years ago, I asked a similar Question and I was assured that 30 major towns in this country would be supplied with fire-fighting equipment in that financial year. Now, we are being told that policy is being developed. Could the Assistant Minister tell us whether they have abandoned the pledge they made two years ago and they are developing a new policy now?

Mr. Shaaban: Mr. Deputy Speaker, Sir, that is why I have said that the Ministry has already procured ten fire-fighting vehicles. The Ministry has already carried out an assessment of the immediate needs of fire and rescue service equipment in 30 of the major local authorities and municipal councils. We will continue to purchase this fire-fighting equipment so that we are able to reach most of the important areas in this country.

Rev. Nyagudi: Mr. Deputy Speaker, Sir, at the beginning of this year, I experienced this disaster in Kibuye Market in Kisumu, and a week later in a shop called Jagdit Joinery. We had discussed with the Kisumu City Council to purchase in the UK, second-hand fire-fighting equipment, which the Ministry refused. Could the Assistant Minister consider allowing us to import this second-hand equipment from the UK which can help us in fire fighting in Kisumu?

Mr. Shaaban: Mr. Deputy Speaker, Sir, there were some groups which were trying to bring some fire-fighting equipment into this country. But at the Ministry of Local Government, we found out that, that equipment was very old and did not have the necessary back-up and spare parts. So, it would not serve the purpose.

Mr. Raila: On a point of order, Mr. Deputy Speaker, Sir. The Assistant Minister is not answering the Question. Disaster management is a very important aspect of life not only in urban

areas, but also in rural areas. The Question asks: What is the Government doing to curb the frequent fire outbreaks that have gutted public buildings.

Mr. Deputy Speaker: Mr. Raila, you are asking a question. What is your point of order?

Mr. Raila: Mr. Deputy Speaker, Sir, is the Assistant Minister in order to avoid answering the Question, which is about prevention rather than cure? The Question is asking what steps the Government is taking to curb the frequent fire outbreaks.

Mr. Shaaban: Mr. Deputy Speaker, Sir, as I said, the Government has already procured ten fire-fighting machines. That is a form of "cure". In addition, the Government is formulating a fire services management policy in Kenya. Among the objectives of this policy is to establish a legal and institutional framework in order to promote and regulate fire fighting services in the country. It will also deal with issues of prevention, detection and protection when it is put in place. But we are already doing something. We have already procured ten fire-fighting machines. In addition, we have already done studies in ten of the major local authorities, in which we shall have this equipment in place as soon as possible.

Mr. Deputy Speaker: Last Question, Mr. Owino!

Mr. Owino: Mr. Deputy Speaker, Sir, from what we have heard from the Assistant Minister, it is clear that this Government is ill-prepared to contain any fire outbreak in the whole country. He has talked of the Government having procured ten fire-fighting machines. How have they been distributed countrywide, so that, at least, if fire breaks out in my constituency I do not have to wait for two hours for fire-fighting equipment to come from Kisumu?

Mr. Shaaban: Mr. Deputy Speaker, Sir, if the hon. Member heard me clearly, I said that the equipment is yet to arrive, but we have already procured it. The equipment will arrive in June and when it does, we will prioritise and distribute it to areas which need it the most.

Mr. Deputy Speaker: Hon. Members, we are running short of question time now. There is still one Question to be answered. I will give it five minutes.

Proceed, Mr. Weya!

Question No.198

VALUE OF FOREIGN INVESTMENT IN 2005

Mr. Weya asked the Minister for Trade and Industry:-

- (a) whether he could confirm that Kshs10.5 billion worth of foreign investment was made in the country in 2005;
- (b) in what sectors of the economy the new investments were; and,
- (c) what incentives were given to the new investors and how many jobs have been created.

The Minister for Trade and Industry (Dr. Kituyi): Mr. Deputy Speaker, Sir, I beg to reply.

(a) I confirm that new investments worth Kshs10.5 billion were processed and approved in the year 2005, out of which Kshs6.5 billion was by foreign investors.

(b) The new investments were realised in the service, manufacturing, tourism and agricultural sectors of the economy.

(c) The following incentives were given to the new investors: exemption from duty and Value Added Tax (VAT) for machinery and equipment for manufacturing projects, in addition to 100 per cent investment allowance, exemption from duty and VAT for construction material, fixtures and hotel equipment in the hotel industry, in addition to the 100 per cent investment allowance and 100 per cent investment allowance for manufacturing under bond projects, duty and

VAT exemption for machinery, equipment and raw materials. But I will hasten to add the following. These projects exclude the investments that came through the Export Processing Zones (EPZs) Authority, investments that were negotiated directly with development finance institutions, and hotel industry investments that were channelled through the Kenya Tourism Development Corporation, and basically those that were channelled through the Kenya Investments Authority.

Mr. Weya: Mr. Deputy Speaker, Sir, I would like to thank the Minister for his answer. This country really needs investments. Our neighbouring countries give better incentives to investors than Kenya. Examples of such incentives include tax holidays and easier licensing processes. I have an investor in my constituency and he is really up to a task. The company is called M/s Dominion Group. The company has been trying to get some of its goods cleared at the Kilindini Port, but it has taken long because of the long processes involved. Could the Minister consider looking at other incentives that it can give investors to encourage them to invest in this country?

Dr. Kituyi: Mr. Deputy Speaker, Sir, part of the reason why there has been a substantial increase in investments is because we have been addressing the question of investment climate improvement in this country as a continuous exercise. On the matter of the Dominion Group, the hon. Member is aware that I made a personal intervention in terms of working on the early processing of the clearance of the equipment in Mombasa, getting them the necessary licences and liaising with the relevant local authorities in the face of old and archaic laws that have been impeding rapid investment. We have a comprehensive programme of investment climate improvement, which includes, under the Statute Law Miscellaneous Amendments Bill that is before the House, abolition of 34 laws and a recommendation for abolition of another up to 110 laws in our statute books, which we have identified as an impediment to investment.

Secondly, since the coming into force of the Kenya Investment Authority Act last year, it takes a maximum of 21 days to start a business in this country. This is part of positive measures, not promises, that are being taken.

Mr. Deputy Speaker: I will go to the last question. I said that we had only five minutes for this Question.

Proceed, Mr. Weya!

Mr. Weya: Mr. Deputy Speaker, Sir, this investor applied for some of the licences two-and-a-half years ago, but he does not have them to date. Also, some of his equipment was cleared recently after lying at the port for almost one-and-a-half years. Is this the way in which this Government is going to encourage investors? The Minister has not even visited this project, neither have those of the Ministry of Water and Irrigation and Ministry of Agriculture, yet it is worth Kshs2.5 billion. What are these Ministers doing to encourage investors who are investing heavily in this country?

Dr. Kituyi: Mr. Deputy Speaker, Sir, I can see where the hon. Member is coming from. If he wanted the complaint to be based on the Dominion investment in Yala Swamp, I would be glad to respond to that. I could further say that more than 50 per cent of the impediment to fast movement of the investment in Yala Swamp has had something to do with local politics and non-governmental organisations. It had nothing to do with Government Ministries.

Secondly, the hon. Member is talking about pending licences. It is bad cases like this one which made us seek to change the law through this House, to allow investors to go to the Kenya Investment Authority and be given within 21 days investment certificates, and not apply for other licences. Within 12 months the Government gives them all the licences required. This is the future that we are supposed to go to, unlike the past where one would spend four years trying to bribe officers to get licences.

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

Mr. Deputy Speaker: Mr. Kombe, I know what you want to do! I have already said that, that would be the last question on this matter. If you want to raise a point of order on something else, I will allow it, but not on this Question.

What is it on?

Mr. Kombe: Mr. Deputy Speaker, Sir, will I be in order to seek the indulgence of the Chair to be told whether hon. Members from the minority or "miscellaneous" parties, as it was put the other day, have no say in this House? We stand up so many times to speak, but we are never given a chance. At one time the Chair's eye caught an hon. Member who was seated while some of us were standing.

Mr. Deputy Speaker: Well, that is a very serious point of order. The Chair does not know which hon. Members here are from minority parties. We are all the same. In any case, this morning I remember you caught my eye and I gave you an opportunity to ask a question. I am not inviting you to argue, but, certainly, I consider your point of order to be an assault on the Chair. I do not wish even to make further comments. But I think the statement that you have made can be judged by the hon. Members themselves. It is really misplaced.

COMMUNICATION FROM THE CHAIR

RE-ALLOCATION OF TIME FOR MOTIONS OF ADJOURNMENT

Mr. Deputy Speaker: Hon. Members, you will recall that the Chair allowed Messrs. Kamotho and Ojode, under Standing Order No.18, to move Motions of Adjournment to discuss matters of unsatisfactory reply to certain Questions. Since the House did not sit last week, for reasons well-known to you, it was not possible for the hon. Members to do so. I, therefore, wish to allocate Tuesday afternoon to the matter of Mr. Kamotho and the following day, Wednesday morning, to that of Mr. Ojode.

Mr. Kamotho, your Motion will, therefore, come up on Tuesday afternoon, at the end of House Business, and that of Mr. Ojode will come up on Wednesday morning, at the end of House Business.

Mr. Attorney-General, you indicated to me that you wanted to issue a personal statement.

PERSONAL STATEMENT

MISREPORTING OF PAC RECOMMENDATIONS BY MEDIA

The Attorney-General (Mr. Wako): Mr. Deputy Speaker, Sir, I rise under Standing Order No.69 to raise a complaint, though we were taught at Alliance High School never to complain. So, I wish to draw your attention to newspaper reports arising from yesterday's debate and adoption of the PAC Report on the Anglo Leasing and related issues. In particular, I would like to draw your attention to today's *Daily Nation* newspaper banner headline, which says: "Big Names Face Probe as MPs Pass Report on Graft". Underneath that headline, there is a sub-title: "Facing Investigations", and underneath are pictures of various officials who are purportedly facing investigations.

Mr. Deputy Speaker, Sir, I have read the PAC Report carefully. The PAC has stated clearly which Government officials it wants investigated further. In the Report, there is no recommendation that the Attorney-General be further investigated. Therefore, to that extent, the

Daily Nation newspaper's story is false. It is creating the wrong perception that the Attorney-General is facing investigations and that, that investigation has been recommended by the PAC. So, I would like to request that the newspaper be warned and correct that impression.

Mr. Deputy Speaker: Thank you, Mr. Attorney-General. The issue of newspapers not reporting the proceedings of this House correctly has been raised by hon. Members from time to time. I have not had the opportunity to read today's newspapers and, therefore, I have not seen the news article referred to by the Attorney-General. If, indeed, the newspaper says that the Attorney-General is facing investigation and, indeed, that recommendation is not contained in the PAC Report, then the story by the newspaper is a misreporting. I do not know how many times we have to call upon newspapers to report the proceedings of this House accurately. Media houses representatives have the privilege of sitting here and reporting our proceedings correctly. Therefore, the *Daily Nation* newspaper should take note of the comments by the Attorney-General and make the necessary correction.

Mr. Raila: On a point of Order, Mr. Deputy Speaker, Sir.

Mr. Deputy Speaker: On the same matter?

Mr. Raila: No, Mr. Deputy Speaker, Sir.

Mr. Deputy Speaker: You should understand that this matter has been raised under Standing Order No.69.

Mr. Raila: Mr. Deputy Speaker, Sir, I am happy with the stand you have taken, that you have not read the particular article and, therefore, you cannot make any kind of value judgement on it. The article referred to says that the Attorney-General is guilty of negligence, and not that he is supposed to be investigated. Therefore, to that extent, the Attorney-General is not quite correct on what he seems to raise.

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

Mr. Deputy Speaker: Order! Order! Under Standing Order No.69, the matter is not open for debate. This is a statement issued by the Attorney-General. He addressed himself to the Press through the Chair. Therefore, I will not entertain any further points of order on this matter. Doing so would be infringing our own rules. Read Standing Order No.69 very carefully and you will realise that the matter is not open to debate.

Mr. Angwenyi: On a point of order, Mr. Deputy Speaker, Sir. Would I not be in order to request that we debate this matter, since you have already opened it up to debate by allowing Mr. Raila to raise a point of order on the same? Let us now discuss it as a substantive Motion, so that we can give our input.

(Applause)

Mr. Deputy Speaker: Order! Order! Mr. Angwenyi, if you remember, I asked Mr. Raila whether he was raising the point of order on the same matter and he said "no". If it is on the same matter, the matter is not debatable.

Next Order!

The Assistant Minister for East African Community (Dr. Khalwale): On a point of Order, Mr. Deputy Speaker, Sir.

Mr. Deputy Speaker: Order! Order, Dr. Khalwale! You are trying to take us back. No more points of order on this matter!

Next Order!

MOTIONS

ABOLITION OF TAXES ON SUGAR

Mr. Oparanya: Mr. Deputy Speaker, Sir, I beg to move:-

THAT, noting that COMESA's four-year safeguard measures affecting the local sugar industry expire on 29th February, 2008 and that the sugar industry shall be liberalized thereafter; this House urges the Government to eliminate taxes affecting the sugar industry and put structures in place that will improve the fields of cane plant and efficiency in local sugar milling factories in order to enable locally produced sugar to compete favourably with imported sugar for the benefit of the sugar-cane farmers.

Mr. Deputy Speaker, Sir, as you might be aware, the sugar industry is very important in this country. The industry is important in that it supports 6 million people directly or indirectly, more so in the western part of this country. The sugar industry employs about 500,000 people directly or indirectly. The industry earns the country foreign exchange and, at the same time, saves the country foreign exchange. The sugar industry is also a major contributor to the Gross Domestic Income (GDP) of this country. In fact, it contributes Kshs14 billion annually. It also, significantly, contributes to Government revenue directly through taxes.

This Motion is requesting the Government to remove taxes affecting the sugar industry, so that at the expiry of the COMESA safeguard measures, locally produced sugar can compete favourably with imported sugar.

Mr. Deputy Speaker, Sir, since the formation of COMESA, we were given two years to re-organise our sugar industry but, every time, we seek extension. After 29th February, 2008, COMESA countries will be free to bring sugar into this country without paying any taxes. As you are aware, within the COMESA region, there are countries which have more developed technologies than Kenya. I have in mind countries like Egypt. We know that the safeguard measures will expire on 29th February, 2008, but the Government has done very little to ensure that we improve on production of sugar.

Mr. Deputy Speaker, Sir, if I may give statistics, the Government owns 74.2 per cent of Muhoroni Sugar Company; 95.4 per cent of Chemelil Sugar Company; 20 per cent of Mumias Sugar Company; 98 per cent of SONY Sugar, and 93.3 per cent of Nzoia Sugar Company. You can see that the major controller in the sugar industry is the Government. The Government is the main shareholder and at the same time the regulator. So, the Government should make sure that the production of sugar in this country is improved.

The Minister for Agriculture set up a commission in 2003 to come up with recommendations on how to revitalise the sugar industry. There were quite a number of good suggestions, but unfortunately, since the Government is the major shareholder in the industry, very little is being done. I am worried because come 2008, the sugar industry in this country will collapse unless the Government comes up with strict measures to avert the situation. We have less than two years to go.

Mr. Deputy Speaker, Sir, the sugar companies which are owned by the Government are insolvent. They have high debts. In fact, as we speak, their debt is over Kshs20 billion. We should privatise the sugar industry in order to reduce the cost of production. These debts attract interest, which is part of the operational cost, and this increases the cost of production. In order to attract investors in the sugar industry, it is important for the Government to write off all the debts that the sugar companies owe. You will find that most of these debts are owed to Government-owned banks, for example, the Kenya Commercial Bank and the National Bank of Kenya. In fact, the

loans were given on the strength of guarantees by the Government. Debts in the coffee and tea industries were written off. Debts in the co-operative movement were also written off. Why not in the sugar industry?

The other problem in the sugar industry is the out-dated technology. The Government as the main shareholder in the sugar industry should make sure that technology in the sector is improved, so that there is efficient production of sugar and the supply constraints are minimised.

Mr. Deputy Speaker, Sir, there is mismanagement in the sugar industry. However, I would like to thank the Minister because for the last two years, the management of the sugar industry has improved. Professionals have been employed in the industry and we hope that the Minister will maintain that, so that come 2008, the management of the sugar industry will have improved significantly. The mismanagement within the sugar industry has made the cost of production to be very high. The accounts of the Government-owned sugar companies have not been audited for several years. If they have been audited, they lag behind several years. These companies have professionals who can make sure that the accounts are prepared and audited on time, so that any financial weakness is detected early enough and corrective measures are taken.

Mr. Deputy Speaker, Sir, come 2008, sugar will flow into this country from the COMESA countries. If you look at the East African Custom Union Management Act, you will find that sugar can flow freely from Tanzania, Uganda, Burundi and Rwanda. We are lucky because these four countries do not produce enough sugar to export to Kenya. If they were producing enough sugar, we would be in a real problem.

Within the sugar industry, we have the corporation tax, which is 32 per cent; the Value Added Tax (VAT), which is 16 per cent; the Sugar Development Levy, which is 7 per cent, and the cess, which is 1 per cent. How would an industry survive with all these taxes? If we have to compete efficiently, these taxes should be reviewed. If you want to improve a particular industry, you should focus on taxation. Fiscal policies are used to make sure that a particular sector thrives for the benefit of the common man.

Mr. Deputy Speaker, Sir, within the next two years, the corporation tax should be suspended. We have been hearing that the sugar companies are now making huge profits. They are making huge profits and in the process, they are paying income tax to the Government. When this income tax is paid, it is not taken back to those areas to improve the sugar industry. I am seeking that the corporation tax be suspended for, at least, two years in the sugar industry. For example, last year, Mumias Sugar Company paid a corporation tax of Kshs1.6 million. If Kshs1.6 million is ploughed back to the region, it would make a difference. Sugar is food. Under the Value Added Tax Act, if a commodity is a basic necessity, for example, tea, coffee and sugar, it should be zero-rated. All the inputs in the sugar industry should be zero-rated, so that the companies concerned should be able to claim back the VAT paid on all the inputs. In the process, the production cost will go down.

Mr. Deputy Speaker, Sir, the Sugar Development Levy is payable at 7 per cent. In this country, we collect about Kshs200 million per year through this levy. This is roughly Kshs1.4 billion per year. This is a lot of money that is supposed to be ploughed back to the region. Previously, the Sugar Development Levy has been misused. I am seeking to have the Sugar Development Levy reduced. It should only be charged on the imported sugar and not on the locally produced sugar.

Mr. Deputy Speaker, Sir, since we are now going to increase the allocation to the Constituencies Development Fund (CDF), which we can use to develop the infrastructure in our constituencies, the money paid as cess of 1 per cent to the Ministry of Local Government should be abolished so that the sugar industry can retain this money for development. In the past, the Sugar Development Levy has been misused and those people who have misused it are still walking

around and no action has been taken against them. Those people who looted the Sugar Development Levy should be made to account for the money. This is money which is due to the farmers and they should enjoy it.

Mr. Deputy Speaker, Sir, the other issue which should be undertaken to ensure that production costs are lowered is to make sure that there is proper research and extension services to the farmers. At the moment, there is no research. The money that is allocated within the Sugar Development Levy for research is not used properly. In the last three years, more than Kshs200 million was allocated for research in Muhoroni and nothing has happened to date.

Mr. Deputy Speaker, Sir, it is important to note that if we want to develop the sugar industry, we must have a proper credit system to the farmers. We have small-scale farmers who have no access to credit facilities. In the Budget for last financial year, the Government allocated Kshs2 billion to the Agricultural Finance Corporation (AFC) to lend to farmers, including sugar-cane farmers. The conditions which have been set in order for one to obtain this loan are quite difficult. They require that one must have more than 20 acres of land and a clean title deed. How can we develop the sugar industry with those conditions? Farmers with even half-an-acre or two acres of land should have access to the funds.

Mr. Deputy Speaker, Sir, farmers have no say regarding the price of inputs which are given to them. They are given seeds and fertilizers. The companies plough and harrow the farms for them and they have no control over the pricing. There is no business you can do unless you either control the cost of production or the pricing. You must be in charge of one of them for you to make a profit, but here is a business where the farmers have no control over anything. They have no control over the cost of production or the pricing. So, this is an industry where the farmer has no control on anything. How are we going to reduce the production cost if the farmers do not control over one of the two? Either they have control over the final pricing of the sugar-cane or the production costs. The farmer takes everything as given! How are we going to help the farmers? How are we going to lower the cost of production?

Mr. Deputy Speaker, Sir, it is important that the Sugar Development Levy is used efficiently. The Act stipulates properly what percentage should go to administration, what percentage should go to sugar development, what percentage should go to the factory, and what percentage should go to the outgrowers. This has not been happening. In the process, we have companies called outgrowers companies, like Mumias Outgrowers Company (MOCO), which are supposed to be mediators between the millers and the sugar-cane farmers. The outgrowers companies themselves are mismanaged and insolvent.

(The Clerk consults the Chair)

Mr. Deputy Speaker: Order, Mr. Oparanya! I have just been informed that the warning light is defective, so you will continue until the red light is turned on to terminate your contribution.

(Laughter)

Mr. Oparanya: So, how many minutes do I have left to finish moving my Motion?

The Deputy Speaker: You have about three minutes.

Mr. Oparanya: Mr. Deputy Speaker, Sir, just to sum up, I am seeking the support of hon. Members. If the various taxes affecting the sugar industry are removed, we would be able to compete effectively. The Ministry of Agriculture, which is responsible for the sugar companies, has done very little, apart from streamlining the management of the sugar companies, to ensure that by

2008, when the COMESA safeguard measures come to an end, we are able to produce enough sugar to satisfy the local market. The Ministry has done very little to ensure that the supply constraints that we have in the sugar industry are solved. If by 2008, these supply constraints will not have been addressed, we will have sugar flooding in from COMESA countries, and our sugar industry will collapse. For the last seven years, our country has been importing 200,000 metric tonnes and we are still continuing to import it. We are encouraging the importation of sugar so that some of us who are involved in that trade are able to make money out of it, because the imported sugar is cheaper.

In 2003, the Government appointed a commission which came up with very good recommendations, but they have not yet been implemented fully. The Government should have made a firm decision. It is important that since quite a number of people depend on this industry, we must make sure that the supply constraints are addressed now.

With those few remarks, I beg to move, and I request hon. Muturi to second the Motion.

Mr. Muturi: Thank you very much, Mr. Deputy Speaker, Sir. I beg to second this Motion.

From the onset, I would like to capture the key elements of this Motion. This Motion is urging the Government to eliminate taxes affecting the sugar industry and put structures in place that will improve the fields of cane plant and efficiency in local sugar milling factories in order to enable locally produced sugar to compete favourably with the imported sugar for the benefit of the sugar-cane farmers.

[Mr. Deputy Speaker left the Chair]

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

Mr. Temporary Deputy Speaker, Sir, this is a very noble idea, and like you have just heard from the Mover, Kenya has, for the last five years, had a shortfall of roughly 200,000 metric tonnes of sugar. The COMESA four-year safeguard measures affecting local sugar industry ends in February, 2008. Since the time we were told that we have a shortfall of 200,000 metric tonnes of sugar, we have not seen any improvement, whatsoever, from the Government and yet, it is the majority shareholder in most of the sugar factories in this country. My very good friend, the Minister for Agriculture, has clearly admitted that they have not taken any measures at all to improve the production of sugar in this country. In the last four to five years, our sugar production has not increased to cover the shortfall of 200,000 metric tonnes.

Mr. Temporary Deputy Speaker, Sir, the Minister, himself, has confirmed that, year in, year out, we will be licensing the importation of 200,000 metric tonnes of COMESA duty-free sugar. It is clear to everybody that there is connivance or lack of interest to protect and safeguard the livelihoods of over 6 million Kenyans who live on sugar-cane farming.

Mr. Temporary Speaker, Sir, when we passed the Sugar Act (2001), part of its thrust was to improve sugar-cane growing in this country. But, notwithstanding the enactment of that law, we have not seen any improvement! Therefore, it is no wonder that, as a first step, Mr. Oparanya calls for the elimination of all the taxes on sugar. They include Cess, Corporation Tax and Value Added Tax (VAT). That can also be used as a safeguard measure to ensure that, come February, 2008, when the COMESA safeguards end, sugar produced in Kenya will be able to compete either on equal terms, or better than the one that is produced within the COMESA region. We must be nationalists!

Mr. Temporary Deputy Speaker, Sir, this Government is good at talking. They talk about Poverty Reduction Strategy Paper (PRSP), Economic Recovery Survey (ERS), poverty eradication,

wealth and employment creation. How can you do all those things when over six million Kenyans are faced with--- If nothing is done by February, 2008, you are actually going to eliminate those people from the economic map of this country. It is unlikely that COMESA countries will always give Kenyans extension of time to prepare themselves. Indeed, within the COMESA safeguard rules, it is recommended that, benefiting countries must also take measures that will improve their local industries, if they hope to benefit from those measures. The point we are raising is this: What has the Government done to ensure that prior to 2008, our local sugar will not be obliterated from the Kenyan market? If we cannot sell locally to our own people and yet we know that we have a shortfall of 200,000 metric tonnes of sugar, to whom else are we going to sell?

Mr. Temporary Deputy Speaker, Sir, currently, all we are seeing is a lot of money being collected by the Kenya Sugar Board (KSB), through the Sugar Levy Development Fund. Indeed, Mr. Oparanya has correctly pointed out that it is levied at 7 per cent. We know for a fact that, in the past, a lot of that money was looted. Indeed, the Public Investments Committee (PIC) Reports, past and present, are replete with examples of persons who have looted those funds. Those funds are mainly meant to help in research. The rest is expected to go to the local sugar factories. If, indeed, any research has been undertaken using those funds, where are the results? Why are we not moving from the shortfall of 200,000 metric tonnes of per sugar? I know the Minister means well when he says: "We are working very hard." We have been told that some local traders, who have absolutely no experience in sugar-cane growing, are hoodwinking Kenyans that they are developing a mega sugar-cane project along Tana River, to address that shortage. Those are all stories! Hot air! Those are just merchants. Come February, 2008, the fellows will be gone. We are going to leave our sugar-cane farmer at the mercy of--- In fact, the same merchants will be the same fellows who will be importing sugar from other COMESA countries.

Mr. Temporary Deputy Speaker, Sir, this Motion is pleading with the Government, through the Minister, to look squarely into the possibility of what is going to happen to our local sugar-cane growers after the COMESA safeguard measures are removed. Indeed, this Motion is in very good spirit.

A while ago, the Minister for Trade and Industry, Dr. Kituyi, while answering a Question asked by Mr. Weya, gave examples of the measures they are taking to encourage local and foreign investors. What this Motion is urging is not different from what Dr. Kituyi was saying. Our local farmers should invest in sugar-cane growing. They should be encouraged. How do we encourage them? You must reduce the taxes levied on various inputs in the sugar industry.

Indeed, if we have been talking about writing off debts which were mysteriously acquired by the Kenya Meat Commission (KMC)--- I am sure nobody ever applied for any loans. If we have been talking about writing them off--- We have written off debts in the coffee industry. Where does the Government find difficulties in writing off debts owed by sugar factories, if we are shown debts that were incurred innocently? At some stage, the laws were so badly manipulated to make it impossible for local sugar factories to operate at a profit. As a result, the effect of that was transferred to the farmers.

I would really like the Minister to take this point. This Motion is urging, in the same fashion that the Government comes up with Papers--- They always come up with Policy Papers to do that or the other! Please, very quickly, come up with a clear Policy Paper that will address the plight of sugar-cane farmers who, after one and a half years from today, are threatened with extinction. If you think that it is not possible, then prepare sugar-cane farmers to plant alternative crops. They are staring at starvation. They are used to growing sugar-cane. If you do not prepare them for alternative crops and you are unable to remove those taxes--- We are urging the Government to prepare sugar-cane farmers to grow alternative cash crops. We cannot let those Kenyans die because of our own failure to act.

With those remarks, I beg to second.

(Question proposed)

Prof. Anyang'-Nyong'o: Thank you, Mr. Temporary Deputy Speaker, Sir. I stand to support this Motion very strongly. I have had several discussions with the Minister and I know that he has a very forthcase spirit towards the sugar industry but he alone is not enough to move the sugar industry. We need the whole of the Government to commit itself to making the sugar industry contribute positively to the economy of this country.

Mr. Temporary Deputy Speaker, Sir, the sugar industry has a tremendous potential to contribute towards the economic recovery of this country. The sugar industry supports about four million people in this Republic. Four million Kenyans depend directly on the sugar industry both as sugar producers, workers and traders. If you look at a little island like Cuba you will find that some time ago it had 27 sugar mills. They have now been reduced to 11 precisely because the efficiency of production both at the mill level and in the farms is so high that the island now depends on only 11 sugar factories. The diversification of the products produced is so tremendous that it is not the table sugar that they look forward to in terms of the produce of the sugar industry but other products like power alcohol, spirits, medicine and so on. So, we are sitting on a gold mine but because of the past poor politics and governance in this country, the sugar industry has never been taken seriously.

Mr. Temporary Deputy Speaker, Sir, some time ago, I think during the last days of the Kenyatta era, we started producing power alcohol in this country and we started having it at the pump level for our vehicles so that we could move away from dependence on oil. All countries in the world today realise that oil sooner rather than later is going to be an endangered mineral because there is depletion of oil production all over the world. Indeed, the last place for oil production is Africa and all major consumers of oil will move away from depending on oil and descend on Africa to deplete what we have and in the final analysis, two or three centuries from today, we will have nothing called oil to depend on. So, we must prepare for the future.

Mr. Temporary Deputy Speaker, Sir, so, I really find it very painful to see the sugar industry being run down deliberately by past governments and in spite of the commitments by the Minister to turn around this industry, even now this industry is being run down. If you look at yesterday's report in *The Standard*, page 15, there is a story entitled "Sugar Levy Collection Surpasses Target". It goes on to say and I quote:

"The Kenya Sugar Board (KSB) had a target of Kshs1.2 billion to collect from the sugar levy in the year 2004 but they collected Kshs1.5 billion".

The question is: Where did this Kshs1.5 billion go? Was it really used to modernise the sugar factories? If you look at the sugar factories and especially Nzoia Sugar Factory, you will find that it is riddled with debts; debts which were incurred through corruption by Kenyan bureaucrats and an American company called Arkel International which we investigated when I was Chairman of the Public Investments Committee (PIC).

Mr. Temporary Deputy Speaker, Sir, if you look at Miwani Sugar Factory, you will find that it is mired in a legal quagmire which is "fertilised" by corruption. We have seen the courts being used in this country - injunction after injunction. This injunction myopia and mania is killing the economy of this country. So you find that a factory cannot perform because some corrupt fellow has gone to court and obtained an injunction for something not to be done and that thing is not done for ten years when the land is lying idle, people are unemployed, the factory is idle and some godamn receivers are there earning money everyday; receiving nothing but corrupt money. We must stop this culture of receivers, injunctions and so on and get this country moving towards

development.

Mr. Temporary Deputy Speaker, Sir, if you look at Chemelil Sugar Factory, it is trapped in capital deficiency. There is fertile land, there are people working hard to deliver cane, there is a factory which was well built but it cannot properly be maintained because there is no capital to run it and yet the KSB collects Kshs1.5 billion every year and more. When we did the survey in the year 2002, we found that the KSB, since it was established, had collected Kshs12 billion which should have been pumped into the sugar industry but there is nothing to show for it.

Mr. Temporary Deputy Speaker, Sir, if you look at Muhoroni Sugar Factory, it is struggling to get out of debt but it needs capital. If the Sugar Development Fund was established to run and invest in the factories, there is very little to show for it. So, when the hon. Oparanya moves that these taxes be removed so that the money goes directly as capital to the farmers he is correct. The money should go directly as capital to the farmers and the factories so that we can compete with Brazil in sugar production.

If you look at Brazil today, it is now almost 50 per cent dependent on power alcohol for its motor vehicles and this is from sugar. So many products are being produced from sugar. The only two sugar factories in this country which are now trying to use molasses for the production of industrial alcohol and so on are only the Molasses Factory in Kisumu and the Food Agro-Chemical Factory in Muhoroni. Even Food Agro-Chemical Factory is weighed down by taxes. It cannot move!

(Applause)

It has so much potential but these taxes are grounding it.

Mr. Temporary Deputy Speaker, Sir, why are we being penny wise and pound foolish? We are killing our industries by paying taxes. We are discouraging entrepreneurs by paying taxes. The two performing factories in the sugar sector are Mumias which is privatised and, by the way, its shares are giving a lot of dividends in the stock market and the other one is South Nyanza Sugar Factory (SONY) which is properly managed by a very capable managing director but because he has managed to turn it around in the last three years, the Board is after his neck because it wants to "eat" and the managing director has told it "you cannot eat". It is the good person who is being punished and the bad Board which is being kept in place.

(Applause)

Mr. Temporary Deputy Speaker, Sir, we from the sugar growing areas are not going to lie still and just look while the sugar industry is being destroyed by "sharks" and corrupt individuals. So, we are going to go out of our way even to go and squat in the Minister's and Permanent Secretary's offices to make sure that the sugar industry is turned around because it is the future of Kenya. So, this Motion that hon. Oparanya has brought here today is very important and this House must support it to make sure that this country's sugar industry turns around.

Mr. Temporary Deputy Speaker, Sir, the sugar industry cannot afford to depend on rain for agricultural production. Sudan here is beating us in sugar production because it is irrigating. In Brazil where there is a lot of rain, they still irrigate. In Cuba there is irrigation. In every country where sugar farming has been successful, it is by irrigation and not by depending on rains from heaven. Yes, the rains will come but at times, when God is on strike, it does not come. So, why do we not wait for God to go on strike and then we turn around because God is also fed up with us? He says: "I give you a lot of rain but when it comes there are floods and you do not control them. When it is not there you cry and yet you have the knowledge and equipment to have irrigation". If

you do not have irrigation then God keeps his rain and then you starve. The Minister for Agriculture knows this very well!

Irrigation is very easy to manage. If we apply the right knowledge and technology, it will work. If you visit Chemelil Sugar Factory (CSF), for example, in the areas where they are doing irrigation, sugar-cane is maturing after 11 months. Productivity is also very high. Why can we not learn from the example of Mumias Sugar Company (MSC) and CSF, and apply this across the board? If you visit Miwani Sugar Mills (MSM), you will realise that this area has the most fertile land for sugar-cane production, and it also experiences very high rainfall. When the Nucleus Estate was irrigated by the Indocha Family, that Estate used to produce enough sugar for consumption in Kenya during the colonial times. We have been Independent for over 40 years and what the Indochas used to do 40 years ago, we cannot do today. What is wrong with us? The only thing that is wrong with us is that we want cheap things quickly; cheap things only come through corruption.

Mr. Temporary Deputy Speaker, Sir, I know that if the Government today puts its foot down, we will have enough money to sustain operations in this country. We do not need the World Bank or the International Monetary Fund (IMF) to support us. We have Kenyans producing sugar, selling it and taxes being collected by the Kenya Sugar Board (KSB). Unfortunately, at the end of the day, what is collected never gets ploughed back to the farmers. This is the cry of Kenyans. We have our resources, but rather than use them for our development, we leave them to be used by a few sharks who connect themselves with the Anglo Leasers and take the money out of the country. When we come here to speak about them, they say it is us who are telling lies, and they are telling the truth. I would like to urge the Minister to put his foot down. I know he is a short man, but he can put his foot down and stand tall to ensure that the sugar industry is turned around.

(Applause)

Mr. Temporary Deputy Speaker, Sir, I fully support Mr. Oparanya's Motion and hope that it will be carried by the House.

Thank you, Mr. Temporary Deputy Speaker, Sir.

(Mr. Kirwa stood up in his place)

The Temporary Deputy Speaker (Mr. Khamasi): Mr. Minister, would you not like to hear a little more from hon. Members?

Hon. Members: Why not?

Mr. M'Mukindia: Mr. Temporary Deputy Speaker, Sir, I rise to strongly support this Motion. I have great respect for the Minister for Agriculture, who is also my good friend. I also have great respect for the Minister for Trade and Industry. I also recognise the efforts the Government has put in place in trying to turn around the agricultural sector in this country.

Nevertheless, there is no belabouring the fact that what has happened in the sugar industry in this country is extremely shameful. These issues did not start yesterday, they started many years ago. I remember, just to put this issue in the right perspective, way back in 1993, I was appointed the Minister for Commerce and Industry. The sugar sector then was under the Ministry of Trade. We tried, from the Ministry, to put certain regulations in place, but within six months, that department was transferred from the then Ministry of Trade to that of Agriculture. I do not want to speculate why that was done, but the initiatives we had started putting in place disappeared overnight.

Mr. Temporary Deputy Speaker, Sir, the sugar industry has been mistreated in such a way that anybody in charge of the Ministries of Agriculture or Trade and Industry ought to be ashamed to see farmers in western Kenya suffering at the expense of importers of sugar.

Hon. Members: Tell them!

(Applause)

Mr. M'Mukindia: This is a shame to Kenya, not just to the Ministers or the Government concerned. It shames me, as a Kenyan, to see farmers in western Kenya and Nyanza Province suffering when I know that there is a certain clique of people reaping billions of shillings in profits by importing sugar into this country at the farmers' expense. At the end of the day, we ought to ask ourselves: "What are we, as leaders in this country, here for? Why were we elected to represent our people?"

Mr. Temporary Deputy Speaker, Sir, the sugar industry, all over the world today, has very bright prospects despite the fact that in two years time, COMESA rules will come into force and our industry will be exposed to the competition in the world. I know, for sure, that the sugar industry, as Prof. Anyang'-Nyong'o has just said, has a bright future. However, are we putting any mechanisms in place, as the hon. Member has put it in his Motion, to ensure that farmers in Kenya reap the benefits of that bright future?

Prof. Anyang'-Nyong'o has just mentioned that, in most countries including Brazil, sugar is being turned into power alcohol. This means that in the next two to three years, there will be a huge sugar shortage worldwide. The US and several other countries are doing the same. If we do not put the right mechanisms in place today, our farmers will not reap the benefits in two to three years time, which also coincides with the lifting of the COMESA rules, to take advantage of increased prices. The Minister has to do something now and not tomorrow to ensure that in two years time, this country is ready to reap the expected benefits.

Mr. Temporary Deputy Speaker, Sir, there is absolutely no reason why high-cost countries like Brazil, Mauritius, Cuba and USA are able to make profits out of sugar and we, in Kenya, supposedly a low-cost producing country are not making profits. There must be something wrong. The Minister has to ask himself: "What is wrong?" He should put the corrective measures in place immediately.

Mr. Temporary Deputy Speaker, Sir, looking at the issue of taxing farmers, in terms of principle, what is the rationale of taxing farmers? The Minister comes from a highly-productive area. He is, in fact, a farmer. Can he really convince the people of Cherengany Constituency, that it is okay to tax maize farmers? What then is the difference between maize and sugar? What is the difference between maize, sugar and coffee? There is no rationale. Could we know the rationale for taxing Kenyan sugar-cane farmers? What is the principle underlying this? It is not the cost of administering the sugar industry because we have set a precedent in this House in so far as the CDF administration is concerned. We have said it cannot go beyond 3 per cent of the cost of the funds. Why then would the Minister require 7 per cent levy to administer the sugar industry if the standard is 3 per cent for the CDF? Therefore, at the very maximum, the Minister must reduce the Sugar Development Levy (SDL) to 3 per cent. He should also tell this House, and this country, how that money is used. This money belongs to the farmers. The farmers have a right to know how it is being used. They have a right to know why Muhoroni Sugar Company (MSC) and MSM are not operating as they should. Kenyan farmers need to also know why CSC is not doing as well as it should. They also need to know why Busia Sugar Factory (BSF) has not been assisted to take off. We ought to know this. He is not doing this because of the farmers, but because of Kenya. We are losing out and it is not right.

Mr. Temporary Deputy Speaker, Sir, I also would like to encourage the Minister to look ahead and support irrigation as Prof. Anyang'-Nyong'o said earlier on. Without irrigation, our productivity levels will be low, the costs of production will be high and, therefore, we will not be as competitive as we ought to be. This constant differential between our local demands and supply of 200,000 to 300,000 metric tonnes per year, what is so impossible about increasing our production to cover this constant shortfall? Why is it that we are not encouraging MSM to come on board? Why is it that we cannot put in Kshs1 billion or Kshs2 billion into, for example, Muhoroni Sugar Company (MSC) today? Looking at what we have done in the last three years, in fact, in certain parastatals, broadly the Government has put in close to Kshs2 billion into Kenya Power and Lighting Company (KPLC). We have put in Kshs2 billion into the National Bank of Kenya (NBK). We have put in another Kshs1 billion into Kenya Meat Commission (KMC). Other beneficiaries are KenGen and Telkom Kenya. We have subsidized parastatals in the last three years to the tune of Kshs10 billion to Kshs15 billion. What have we done to support Kenyan farmers? Instead, sugar-cane farmers pay the Sugar Development Levy at 7 per cent including other taxes. Instead of allocating enough money to the agricultural sector, we take away money from this sector.

Mr. Temporary Deputy Speaker, Sir, I am aware of what the Minister said yesterday. He said that the Agricultural Recovery Programme will receive Kshs5.5 billion over the next five years. This translates to Kshs1.1 billion per year for the agricultural sector. While I appreciate that effort, this is absolute peanuts being allocated to the agricultural sector, and yet it is the largest sector in this country. I would like to say that 80 per cent of our people are in the agricultural sector, and all the Government can afford is to allocate it Kshs1.1 billion per year for the next five years! That is a shame! This is the case and yet we are ready to allocate the Kenya Power and Lighting Company (KPLC), Telkom (K) Ltd. and the Kenya Meat Commission (KMC) Kshs2 billion, Kshs2 billion and Kshs1 billion, respectively. Why is this happening? Is it because the farmer in this country is weak; that he or she has no voice? Maybe, we, the hon. Members who come from the agricultural areas, are to blame to some extent. We do not put enough pressure on the Government to ensure that it allocates enough money to the agricultural sector.

Mr. Temporary Deputy Speaker, Sir, I urge the Minister to consider increasing the number of products that are produced by sugar industries as a way of making them more profitable and viable. Mumias Sugar Company (MSC), as Prof. Anyang'-Nyong'o said, now produces around six megawatts of electricity everyday. That company sells between three and four megawatts to the KPLC. That is another source of income for the MSC. What are we doing to ensure that Chemelil Sugar and SONY sugar companies do the same thing? When will the Government allocate money to Muhoroni Sugar Company and get rid of the sharks, the so-called receivers? This is because all they do is to receive money, not on behalf of wananchi, but on behalf of themselves. They want this to continue forever. When will the Government set aside some money to be allocated to Miwani Sugar Company? Why should the Sugar Development Levy not be disbursed to those companies to ensure that we turn them around and establish new factories?

Mr. Temporary Deputy Speaker, Sir, could the Minister for Agriculture also liaise with the Minister for Energy to ensure that we revert to power alcohol? He needs to do that to ensure that the farmers have an alternative product to sell in this market.

Finally, we expect the Minister for Agriculture to ensure that sugar and maize farmers are encouraged to produce more, taking into account the fact that alcohol production has increased all over the world.

Thank you, Mr. Temporary Deputy Speaker, Sir.

I support this Motion.

Prof. Oniang'o: Thank you, Mr. Temporary Deputy Speaker, Sir, for giving me this

chance. First of all, let me start my contribution by thanking my M.P., Mr. Oparanya, for bringing this Motion before the House. This Motion would not be necessary if the Minister for Agriculture had done his job. I brought the Sugar Act (Amendment) Bill, 2001 before this House to amend the Sugar Act so that it benefits the farmers. Through negotiation, I handed over the Bill to the Minister because its implications were such that I, as a Private Member, could not implement it. I keep on talking to the Minister for Agriculture every time he comes to the House and he keeps on assuring me that he will address the matter.

The Minister for Agriculture, like other hon. Members have said, is my good friend. He is lucky to still have friends in this House, unlike some of his friends and colleagues. I hope that he will still be the Minister for Agriculture in 2007. By that time, he would have done something about the sugar industry. I took over that matter when I first came to this House because the sugar industry was riddled with so many problems that affected the farmers. I am a sugar-cane farmer but I do not depend on the crop. However, I live among so many sugar-cane farmers who depend on it. I have seen them become poorer over the years. Right now, sugar-cane farmers are some of the poorest people in this country. Why is this so? It is because this Government makes money out of the farmers. It fleeces the farmers who have given up most of their productive land to sugar-cane growing. If you visit those farmers, you will realise that they do not even want to discuss the issue because they do not understand what COMESA is. However, for those of us who are here and represent them, including the Minister for Agriculture and the Minister for Trade and Industry, we know what COMESA is. I do not understand why sugar-cane farmers all over the country are treated like a dejected child in the agricultural sector.

Mr. Temporary Deputy Speaker, Sir, if you look at the Mwea Rice Scheme, you will realise that the rice farmers refused to be abused any more. Those farmers have taken over the marketing of their crop. However, we are dealing with a docile community of sugar-cane farmers who cannot even rebel against the over-taxation by the Government. The Government owns most of the shares and it has the sugar industries on the Nairobi Stock Exchange and yet our farmers do not know anything about it. Imports are being made into the country; we want to sustain the sugar industry at the expense of the farmers. This is not acceptable and is scandalous. I hope that all the issues that we have raised, and continue to raise, will finally be addressed by the relevant Ministries and Ministers. This is because there is nothing that we have raised here that is new. It is all in the HANSARD. We have more than six million Kenyans whose livelihoods will be threatened because of the removal of the COMESA safeguards in 2008.

Only one year will be left in February, 2007, before those safeguards are removed. If we go on schedule, 2007 will be an election year and nobody will talk about the sugar-cane farmers. I have not seen the Bill on schedule, and yet the good Minister is here. I continue calling the Minister for Agriculture "my good friend" and he knows that. However, he will not continue being my good friend if he will not address the plight of sugar-cane farmers.

(Applause)

Sugar is food and it is not good for a few corrupt individuals, who do not even grow the crop, to fleece the farmers of what they are entitled to. Most poor people, and right now, about 70 per cent of Kenyans live below the poverty line, derive their energy from sugar. This is the cheapest source of energy for such people. Wait until we say that there is no sugar and you will see how people will run around because, for them, it is real food. Those of us who can afford can get energy from other foods. However, for the majority of the poor who are all over Kenya, sugar is the cheapest source of energy.

Mr. Temporary Deputy Speaker, Sir, we travel to Brazil and Cuba, come and write reports,

but Kenya is one country which does not like modern technology. We have all those brains on the Government side. Of course, some of those brains have moved to the Opposition side. The few brains that are left on the Government side should look into the sugar industry right now. They should know that this is gold from which we can create wealth for this country. It does not make sense that it is only Western and Nyanza Provinces that grow sugar-cane and yet they are the only provinces that are denied tax exemption. We are fond of discriminating against certain parts of this country and the farmers. The Minister should tell us whether before we end this Session, he will bring before this House a Bill to streamline the sugar industry.

With those few remarks, I beg to support.

Mr. Bifwoli: Mr. Temporary Deputy Speaker, Sir, I beg to start by declaring that I support this Motion, because it is a very important one and is overdue. The Minister for Agriculture is here, and I think his ears are open. The sugar industry in this country is going to collapse the way the cotton industry collapsed. You can remember that, when the Ministry of Trade and Industry allowed *mitumba* clothes to be imported into this country, the cotton industry collapsed. Those importing *mitumba* clothes were sons and daughters of well-connected people. They ran down the cotton industry. The only industry that Kenyans depend on now is the sugar industry.

The sugar industry is the nerve centre of this country. Most Kenyans depend on sugar-cane farming, but do so at a loss. My question is: Why should the Government prioritise helping the coffee industry and not the sugar industry? You can also see that milk production is not taxed the way sugar production is! Is this because milk is found in the "right" parts of this country and sugar-cane is grown in the "wrong" parts of this country? Is this why we are subjected to suffering year in, year out? Mr. Minister, you are our neighbour. If you do not want your neighbour to steal from you, you should give him the facilities that he requires. I would like to propose that the sugar-cane farmers should be helped the way maize farmers are being helped. How are they going to be helped? Sugar factories should be allowed to plough farms at subsidised costs, or without taxes. The Government should allow farmers to purchase fertilisers at subsidised prices, or without taxes. These are the measures the Government should adopt to help sugar-cane farmers in this country.

How can we fight poverty when we are over-taxing our farmers, who are the majority in this country? In Nyanza Province, residents rely purely on sugar-cane and fish farming. Now that fish production has been taken over by people from other parts of this country, we are left with only sugar-cane farming. In Western Province, there is no way this Government can help farmers without improving sugar-cane farming.

I would also like to propose that the Government should assist sugar factories to purchase tractors. Sugar-cane should be transported from farms to factories at the expense of the factories. Some of the people working in sugar factories do not know how sugar-cane tastes. For some of us, sugar-cane scratches our bodies and those of our wives, and our bodies resemble the body of a mule. Workers in sugar factories have very smooth bodies, because they buy oil at our expense. We should be helped so that we also look like our fellow human beings.

(Laughter)

Mr. Temporary Deputy Speaker, Sir, this is not a laughing matter! It has reached a stage where the sugar-cane farmers are moaning. We are appealing to the Government to remove taxes on sugar-cane farming. The Government has even allowed people to start parasitic organisations. There is the so-called Mumias Out-growers Company (MOCO). There is another one called Nzoia Out-growers Company (NOCO). There is also Steam SACCO. All these organisations are parasites "eating" the farmers' income. Why should we allow everybody to "eat" from us? Some of them are only briefcase organisations milking poor farmers. How will such a farmer's sugar compete with

duty-free sugar from other countries in the name of COMESA rules?

Sugar imported by rich men is going to flood this country. The Indian businessmen from Mombasa are going to import tonnes and tonnes of sugar. The Minister for Trade and Industry should tell this House how Indians are allowed to import sugar. Why should he not curb it, since he is one of us? He should be the one fighting for us. I would like to appeal to the Minister to stop importation of duty-free sugar into this country, so that our farmers can earn something.

Another issue which the Minister for Agriculture should note is the delayed harvest and payments and poor payments that have killed the morale of our farmers. These have demoralised them so much that they simply plant sugar-cane and do not bother to weed it, or apply to it fertilisers, because they know there will be nothing for them from it. Instead, a farmer will sell the fertiliser because he is demoralised. I would like to appeal to the Government to help our farmers. The factories should employ instructors to make sure that fertilisers are applied to the sugar-cane crop. The Sugar-cane should be properly weeded for, so that at the end of the day, when it is being delivered to factories, it is healthy and produces enough juice, which can be used to produce sugar.

The by-products from sugar factories should be used to generate electricity. Why should the Government not purchase machines that can crush sugar-cane and also generate electricity? That way, instead of hydro-electricity, we can get electricity from Nzoia Sugar Factory supplied to the whole

of Bungoma District. Mumias Sugar Factory can also supply electricity to the whole of Western Province. Why should these two factories not generate enough electricity for the whole of the Rift Valley, Western and Nyanza Provinces, and enable farmers to have something to put into their pockets? Shareholders of the factories could also get dividends. This is a gold mine that the Government has refused to utilise.

It is time the Government woke up and looked for ways and means of improving sugar-cane farming. That is when we shall have a reason to smile! Otherwise, we are farming but suffering. We are the poorest people in this country! Why are we condemned to poverty? Does it mean that when you plant sugar-cane you are inviting an economic curse into your pockets? Sugar-cane farmers cannot take their children to local universities and high schools.

Mr. Temporary Deputy Speaker, Sir, surely, Mr. Minister, why should you not help us? There is no one else to help us apart from the Minister for Trade and Industry and the Minister for Agriculture. You are one of us! What is happening? Are you forgetting where you come from? When will you help your own people, if not now? My question is: When are you going to help, since our term is coming to an end? The writing is on the wall! It is not tomorrow! They are the ones who will save this Government! Nobody else will do it! They need to either save us or we perish. I am not willing to drown with them! I may jump over when the time comes!

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

The Temporary Deputy Speaker (Mr. Khamasi): I will give this opportunity to Mr. Kajwang.

(Mr. Sungu stood up in his place)

Mr. Kajwang: *Wewe kaa chini!* You are a young hon. Member!

The Temporary Deputy Speaker (Mr. Khamasi): Order, Mr. Kajwang! Let us hear him!

Mr. Sungu: On a point of order, Mr. Temporary Deputy Speaker, Sir. I want to request through you whether under Standing Order No.1, you could, because of the interest in the House, ask hon. Members if they would agree to limit themselves to five minutes so that we can have a chance to say something. We are all supporting this Motion and we want to be heard from all angles.

The Temporary Deputy Speaker (Mr. Khamasi): Order, Mr. Sungu! We do not do things like that here. That should have started from the beginning of the Motion.

Proceed, Mr. Kajwang!

Mr. Kajwang: Mr. Temporary Deputy Speaker, Sir, first of all, I want to declare my interest. I am a sugar-cane farmer who fled from sugar-cane farming because I lost. I lost because of the following reasons:-

First and foremost, if you farm and hope that you will harvest in 18 to 24 months, you will harvest between 36 to 38 months.

An hon. Member: Even 48 months or 60!

Mr. Kajwang: My friend tells me it could even be after 40 months.

The Temporary Deputy Speaker (Mr. Khamasi): Please, address the Chair, Mr. Kajwang!

Mr. Kajwang: Mr. Temporary Deputy Speaker, Sir, by the time you harvest, there is no sugar in the cane and there is no weight. In fact, if you are lucky to get any money from the factory when you get your cheque, you might get a bill to pay to the factory because you have lost! That is the kind of business that nobody who is sane ever goes into except somebody who has nothing else to do like our farmers who are suffering.

That is the situation in which the Minister is in: That he has farmers who are getting nothing from farming and he calls it an employment of 500,000 people! He is putting 500,000 Kenyans into servitude and poverty! That is why I fled. However, this Motion is giving a warning of an economic catastrophe. This Motion is saying that in two years time we are going to actually wind up the sugar industry. We will wind it up knowing that, that is where we are going. Unless we do something about it, that is where we are headed.

This is so because some people can produce their sugar cheaply in our neighbourhood and they have a right to sell it to us that cheaply. We cannot produce ours as cheaply as they do and consequently, we must just wind up. I have never seen a monopoly like the one we have had in the sugar industry; where you are the producer, seller and the market is yours! The market itself is unlimited and yet you collapse. I have never seen such a kind of business where I can go into a business, the market is mine and it is unlimited. Moreover, the person doing the business is the Government yet it collapses.

An hon. Member: Shame!

Mr. Kajwang: Mr. Temporary Deputy Speaker, Sir, you cannot just imagine such a situation but that is what is happening in Kenya. The Government is now faced with insolvent sugar companies which cannot develop sugar-cane because they have no resources to do it. They cannot crush enough sugar-cane and that is why we have to wait for 48 months to crush our cane. They also have dilapidated equipment and old technology. All these lead to the collapse of the industry; an industry where the Government has an unlimited market and we are protecting our market. We are saying: "Do not bring just yet. Just bring the deficit!" Even in that limited market, where we have a monopoly, we cannot satisfy our requirements or please Kenyans because we sell to them sugar at exorbitant prices.

So, what are we going to do? I do not think that when the Minister stands here to reply he will give us a solution which will reduce the price of sugar so that we can survive in the open COMESA market. I hope he does. If he has some magic that in two years we will sell our sugar at the price which the Malawians sell the sugar to us so that we do not have to buy from Malawi, we will be very happy.

Mr. Temporary Deputy Speaker, Sir, I will tell you where we must go. We are sitting on an oil well in Kenya which we are not mining.

(Mr. Kirwa took a glass of water)

The Minister is not concentrating! He should drink the water and concentrate!

(Laughter)

The countries that have gone the alcohol power way, like Prof. Anyang'-Nyong'o was speaking about, are the people who are making it in the sugar industry. Brazil has gone that way deliberately. If you are buying your barrel of oil at US\$86, unless you do something about it, you are going to collapse anyway. All the other industries will collapse, because they rely on the price of fuel. I was reading an article the other day which said that Americans are going to crush their own maize to produce power alcohol so that they can blend their fuel to reduce the price of fuel. They will grind their maize and we will not have maize being given to us as relief food any more. They have realised that they cannot cope with the price of 86 Dollars per barrel, which is still increasing. China and India are buying most of it because they are expanding economies. If Brazil and Cuba decide to go the power-alcohol way, sugar will become a by-product and we will make enough money from power-alcohol, such that we could even throw the sugar away. That is what we must do.

Recently, I was reading an article by Mumias Sugar Company when it was publishing its profits. In the article, somebody had asked the Managing Director why he was not producing power-alcohol. He answered that the law does not allow him. I was looking through books in the library recently, to see which law stops Mumias and all other factories from producing power-alcohol. I found out that the companies were all incorporated to produce white sugar. Beyond that, they are not supposed to produce anything else that can bring them profits.

In this country, at one time, we used to mix power-alcohol with fuel, and we used to call it gasohol. First of all, it was clean, and secondly, it was cheap to produce. Of course, the multinationals refused its use, but they have now come back saying that the price of fuel is so high that they need to supplement it with power-alcohol and blend their fuel. This is the time that Kenya can become like Saudi Arabia. We can produce enough sugar-cane and, therefore, produce power-alcohol to blend our fuel. We can also export it because the market is so enormous that we cannot satisfy it. We have the best climate. We can irrigate the crop and make money. That is our strength. Mr. Minister, think about that. Inform the Cabinet that we can now go the alcohol-power route. That is how Kenya will survive. We cannot purport to be waiting to compete with the COMESA, yet our factories are insolvent. Let us put money into them; of course, it is not a lot of money.

You saw how much money you wasted on the Anglo Leasing scandal. It could liberate the whole of western Kenya in regard to the sugar sector. We will have a virtuous circle of growth if power-alcohol is highly priced, and make enough income. That way, our farmers will be happier and the people who support farmers in terms of equipment will also be happier. The standard of living will also have gone up. Everybody in this country will also be happy. If we go the sugar route to protect our industries from COMESA, of course we will collapse. We do not have an advantage in producing white sugar, rather we have an advantage in producing power alcohol and white sugar as a by-product. Let me give you another example. We now have only two factories producing power alcohol in this country, but they do not even have enough raw materials. They do not have enough molasses, but they can actually use sugar-cane juice to produce power alcohol directly. If you go to Awendo Sugar Belt where hon. Ochilo-Ayacko comes from, he is already crying that sugar-cane is not being harvested. Everybody who comes from the sugar belt areas is saying: "Our sugar-cane is not being harvested because it cannot be crushed." Why do you not increase the crushing capacity and sell the excess juice to factories which produce alcohol? The

farmer, and Kenya in general, will be happy. These are very simple things to do and they will make everybody happy.

With regard to taxation on the same alcohol, if you go to Muhoroni you will be told a lot. The tax on power alcohol from Muhoroni is 200 per cent. I have never heard of that kind of a tax.

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

The Temporary Deputy Speaker (Mr. Khamasi): Hon. Members, you have seen the interest that this Motion has created. I would have loved to do exactly what hon. Sungu had suggested. However, there is a resolution which the House passed and until you undo that resolution, we are forced to stick to the rules. You can use your own discretion so that you know how you can share out the time left. Officially, the resolution that you made here yourselves will remain. However, in view of the fact that the Ministry of Trade and Industry has been mentioned, time and

again, I think I will give the Minister a short while to say something.

The Minister for Trade and Industry (Dr. Kituyi): Thank you, Mr. Temporary Deputy Speaker, Sir. I intend to speak not more than five minutes.

Mr. Temporary Deputy Speaker, Sir, I stand to support this Motion because it is something that is good for Kenya. It is not something against Government. In supporting this Motion, I would like to say one or two things why all the good things that have been said need to be done. I believe that some of the things have not come out clearly.

First, the reality that the problem of poverty among sugar-cane farmers is not entirely because of excessive taxation by the Government. While you see efficiency going up, profits too are going up like the case of Mumias Sugar Company Limited. The profits are declared to be dividends to shareholders. They are given to investors and not equally shared with farmers. So, you can reduce taxes, but unless you address the question of equity with regard to what happens to the surplus that is generated, you will just see higher dividends declared for institutional investors who operate nothing to do with sugar but only speculate in Nairobi at the stock market. We must start by saying that we want to improve productivity and reduce State taxation. We must also address questions of equity so that profits are not always translated into dividends for investors.

Secondly, it is true that there is massive poverty in the sugar-cane-producing areas. It is also true that liberalisation is an enemy force where people are vulnerable like the majority of farmers in western Kenya who are predominantly dependent on sugar-cane production. However, there is also the reality that the crisis in western Kenya today is not caused by flooding of imported sugar. I share the sentiment that criminals who use their money to bring sugar cheaply hurt everybody in this country. Today, the crisis is the opposite of what is being said.

Last year, the European Union reduced subsidy to sugar by close to 39 per cent. The net effect was to make subsidy-dependent producers of sugar like Mauritius and the Caribbean not competitive any more. Many of those places have converted their sugar plantations into other things. If we couple that with the sustained high price of petroleum which has led to the transition from sugar production to alcohol production, the net effect is that there is a deficit of sugar in the world today. The truth is that up to 200,000 tonnes of sugar can be imported to Kenya. Nobody is importing 200,000 tonnes to Kenya today. We have a deficit in the country because the international prices are higher than the prices in Kenya.

Mr. Temporary Deputy Speaker, Sir, we can address the question, but we are trying to look for a solution of yesterday's problem. The problem today is how we can go downstream value-adding products in the sugar industry and how we can produce upstream like improvement in irrigation and competitive priced products. How can we streamline the farmers' organisations like what we see in many of these places that, if I own a tractor I live near Nzoia Sugar Factory. I plough for you two acres. One acre is under sugar-cane. You pay me Kshs2,000 for ploughing for

you because I will be paid through the farmers' company. The other acre is for maize. You pay me Kshs1,300 directly. How can we destroy those distortions which make suppliers' services expensive for sugar-cane farmers more than other farmers in the area?

It is true that there is a problem with the way we regulate power generation in this country. Mumias Sugar Company has idle capacity for generation of power from bagasse. The problem is that we licence private power providers who are paid double what we are ready to give to Mumias Sugar Company when they sell to KenGen. Rationalisation of payment for power by independent suppliers will bill a lot on the use of bagasse for generation of power, sufficient to cover this region.

Mr. Temporary Deputy Speaker, Sir, there is a reality we are not talking about, that if we come to the face of liberalisation, some of the sugar factories will fall victim to the Kenya sugar factory. We are just talking about competition from Sudan and Malawi. The reality is that the main threat for the survival of Muhoroni and Miwani if we properly liberalise the sugar industry in Kenya today, will come from SONY, Nzoia and Mumias Sugar companies which have a low factor cost of production of sugar than Muhoroni and which can, therefore, ferry at below production cost of Muhoroni. Apart from looking at neighbours, what can we do to raise the productivity of particularly those factories that have a nominally high cost of producing sugar today?

Thank you.

Mr. Wamunyinyi: Asante sana, Bw. Naibu Spika wa Muda, kwa kunipa hii nafasi ili niweze kuchangia Hoja hii. Kwanza ningependa kuchukua dakika mbili kumuuliza Waziri wakati anapojibu atueleze kinaganaga kilichozuia ujenzi wa kiwanda cha sukari cha Busia. Pia ningependa atueleze kilichotendeka kuhusiana na upanuzi wa kiwanda cha sukari cha Nzoia. Kuna vifaa vinavyohitajika kufanya upanuzi huko Nzoia katika kiwango cha asilimia 30. Miaka mitano imepita na upanuzi huu haujafanywa. Ikiwa Serikali haina haja na wakulima wa miwa upande wa Busia, Bungoma na Mkoa wa Magharibi kwa jumla, anafaa atueleze leo. Tunataka Waziri atueleze mipango madhubuti Wizara yake iliyonayo kuhusiana na secta ya ukuzaji wa miwa katika nchi yote.

Bw. Naibu Spika wa Muda, ninazungumza hivi kwa sababu eneo ninalowakilisha liko Nzoia. Mimi ni mkulima na ninawakilisha wakulima. Wakulima

wameumia. Waziri anafaa atueleze mambo haya leo. Tunataka tuambiwe kama kiwanda cha Busia hakitajengwa ili tusahau jambo hilo. Kila wakati tunaambiwa kwamba kiwanda cha Busia kitajengwa na kile cha Nzoia kitapanuliwa, lakini mambo haya hayajafanywa ingawa wakulima wanatozwa ushuru. Nikiyafikiria haya mambo ninaweza kukasirika, ingawaje sipendi kukasirika. Kwa hivyo, nataka Waziri azungumzie juu ya mambo haya.

Kwa hayo machache, ninaunga mkono.

The Temporary Deputy Speaker (Mr. Khamasi): Mr. Okemo, I will give you another one minute before I call upon the Minister to reply.

Mr. Okemo: Thank you, Mr. Deputy Speaker, Sir. I do not want to repeat what has already been said. But I think the Minister has a lot of questions to answer, particularly with regard to what Mr. Wamunyinyi has said. Everybody in this country knows that Busia Sugar Factory has been on the drawing board for more than 20 years. The main thing is that the Government will no longer be an investor. There is a private investor who was interested. Mumias Sugar Company got involved and said that they will do a better job. It is up to the Minister for Agriculture to tell this House whether Mumias Sugar Company is really being truthful when it promised to put up a new sugar factory in Busia in the next two years. We would also like to know what is called Busia Sugar Company. It is just a phantom which has been stealing farmers' money for the last three to four years.

The Temporary Deputy Speaker (Mr. Khamasi): No! No! We do not use that type of language here!

Mr. Okemo: The company called Busia Sugar Company has been stealing!

The Temporary Deputy Speaker (Mr. Khamasi): Order! The word "stealing" is not parliamentary.

Mr. Okemo: Mr. Temporary Deputy Speaker, Sir, they have been "helping themselves" to the proceeds that belong to the farmers. What happens is that Mumias Sugar Company pays money to Busia Sugar Company. But instead of them passing that money to the farmers, they misuse it. There are some notorious shareholders there! One of them is from your constituency. His name is Lijoodi. They run some funny company called Reliant Investments Limited. Those are just a bunch of thieves. They have stolen over Kshs50 million which belongs to the farmers. The farmers are really bitter. They have also pocketed the Kshs21 million which is 15 per cent of the farmers' contributions.

The Temporary Deputy Speaker (Mr. Khamasi): Your time is up!

Mr. Okemo: Mr. Temporary Deputy Speaker, Sir, let the Minister act! That is something that I am really passionate about.

The Temporary Deputy Speaker (Mr. Khamasi): Mr. Minister!

The Minister for Agriculture (Mr. Kirwa): Mr. Temporary Deputy Speaker, Sir, several colleagues are requesting me to donate some time to them. But I will donate only two minutes to Mr. Wetangula only.

The Assistant Minister for Foreign Affairs (Mr. Wetangula): Mr. Temporary Deputy Speaker, Sir, I represent cane farmers and if I do not say anything here, it will be very bad. The issue of the sugar industry in this country is so critical that the Minister and the Government has to do something. I will just touch on the issue of taxation. This is how the cane farmer is taxed:-

Value Added Tax	-	16 per cent
Presumptive Tax	-	2 per cent
Cess	-	1 per cent
Corporate Tax	-	30 per cent
Sugar Development Levy	-	7 per cent
Retention	-	16 per cent

The farmer ends up losing 81 per cent. That is the percentage that is taken away from the farmer. I have a case in my constituency where a widowed lady delivered cane to Nzoia Sugar Company. Out of a bill of Kshs196,000, the factory took away Kshs186,000 and paid her only Kshs10,000. That is what the farmer is going through. The Minister must bring back the Sugar Act in this House. We must comprehensively look at it. We must get rid of the likes of out-growers organisations that are fleecing the farmers.

Mr. Temporary Deputy Speaker, Sir, why does the Government tax the sugar farmer the way I have shown, and it does not tax the coffee, tea, milk, pyrethrum and macadamia farmers? We must, as a House, save the more than 6 million farmers that live on cane farming.

The last point that I want to make is this: Why is the Electricity Regulatory Board offering Ibera Africa Kshs13 per kilowatt of power while it is offering Mumias Sugar Company only Kshs2 per kilowatt? Why should that happen? How can our sugar factories produce energy, if that is what they are offered? The Minister once said that he has a lot to tell us. We want to support him to reform that industry, but he must take the lead here and now.

Thank you.

The Minister for Agriculture (Mr. Kirwa): Mr. Temporary Deputy Speaker, Sir, when you give an hon. Member one minute, he takes five minutes. I would like to say the following:-

First, I support the Motion. I do so for a number of reasons. I will state some here, and on

others, we shall work together with my colleagues. It is useful for us to understand that problems affecting sugar-cane farmers and other farmers in general do not squarely lie in the Government's hands alone. They lie with us all as the people of this country. I just wanted to state the facts.

When I took over the Ministry, farmers' arrears stood at Kshs2.3 billion. I have entirely retired farmers' arrears that I inherited in the Ministry. Productivity at that time was low. But we have improved by 15 per cent. We have also reduced the cost of production by the same measure. In return, we have improved efficiency across the board in various factories by 20 per cent. Sugar production has gone up. Unlike what many colleagues have stated this morning, the production of sugar went up by 15,000 metric tonnes to surpass the figure of 500,000 million tonnes per year from the previous figure of 436,000 million tonnes. We have also increased money for research. When I took over the Ministry, we were giving research Kshs80 million. We have doubled that figure for purposes of empowering research through Kenya Sugar Research Foundation (KESREF).

Mr. Temporary Deputy Speaker, Sir, the collection of Sugar Development Levy, when it was being collected through the Sugar Board, was Kshs90 million per month. But when we handed over that portfolio to Kenya Revenue Authority, we are now collecting Kshs120 million per month, giving a figure that was stated by my colleague of Kshs1.5 billion per year. What have we done with that money? I have given Kshs2.4 billion to the industry through farmers' arrears of Kshs800 million, factory rehabilitation using various amounts and development of infrastructure in that particular sector, apart from research.

Mr. Temporary Deputy Speaker, Sir, when I took over the Ministry, the money under SDL was Kshs800 million, and we now have Kshs2.5 billion. This is money that we still want to plough back to the industry.

Mr. Temporary Deputy Speaker, Sir, it is easy just to criticise the position the Minister has taken, but I have said we have ploughed back Kshs2.4 billion. The statistics are available in my Ministry for any Member to verify.

We have also done reduction in areas of time lag between cane delivered and the payment. I can challenge any colleague to give me the names of farmers who have not been paid within the period of one month as is stipulated by the law, apart from SONY Sugar which has in-built problems. When I took over the Ministry, we had arrears amounting to over Kshs2.3 billion stretching over a period of five years before I took over the Ministry. Today, I challenge any Member to bring me the names of farmers who have not been paid and they shall be paid within a week of the time I get the names.

Mr. Temporary Deputy Speaker, Sir, all these are good intentions by the Government and those of us in the Ministry. But there are more challenges than the intentions that we have. First of all, there is the Bill that will soon come before the House. At this juncture, I want to thank Prof. Oniang'o for ceding the moving of that Bill to me. We have prepared the necessary instruments and amendments that we envisaged as a Ministry. The same has been sent to the Attorney-General for processing. The challenge is with us as Members of this House, that when the Bill comes, we look at the necessary changes for purposes of reducing the baggage that the sugar-cane farmer has.

Mr. Temporary Deputy Speaker, Sir, the other issue is just to inform the House that I have already prepared a Sessional Paper on the Revitalisation of the Sugar Industry. The key element in that Sessional Paper is to clean up the balance sheets of all factories and allow the Government to take the debt, including that of Nzoia Sugar Factory, for purposes of ensuring that the factory is able to operate with the least encumbrances. We are also thinking of ways of ensuring that debenture holders of Miwani Sugar Factory are off-loaded for purposes of ensuring that we get an investor to take on board the issues of Miwani and Muhoroni sugar factories. There is also the issue of privatisation of the companies that are already doing well.

Just for comparison purposes, I would like to inform the House that when I took over the Ministry, the sugar factories in this country had made losses as follows: SONY Sugar Company, Kshs468 million; Nzoia Sugar Company, Ksh191 million, Chemilil Sugar Company, Kshs420 million and Mumias Sugar Company, Kshs245 million. A year later, the situation reversed with the sugar companies recording profit as follows: SONY Sugar Company, Kshs144 million; Nzoia Sugar Company, Kshs423 million; Chemilil Sugar Company, Kshs65 million and Mumias Sugar Company, Kshs1.138 billion. These are facts made available to hon. Members for purposes of establishing what can be done to improve the situation further.

Mr. Temporary Deputy Speaker, Sir, another issue I would like to make clear is that the COMESA market is a sugar deficit market. We want to think out of the box. Instead of us worrying about sugar being imported into this country, we should be asking ourselves: "How do we prepare the requisite capacity to produce enough sugar for local consumption?" The amount of sugar consumed locally has been increasing steadily over the years. This year we may consume over 600,000 metric tonnes. In the next four years, all factors being constant, we will require 1 million metric tonnes of sugar for local consumption. Therefore, we should be thinking of how to produce enough sugar for our people and for the COMESA market, instead of worrying about sugar getting into this market from the COMESA market. My colleague, the Minister for Trade and Industry, has just stated clearly that this year, divide all the odds and the thinking of the majority of people, there is less sugar coming into Kenya as was predicted earlier on.

So, what is the way forward? We require close to Kshs20 billion. That money may not be available in the Government kitty. The opportunity that is available for us, is to clean the balance sheets of these factories and allow investors to take over the running of the factories. However, we should do this strategically, so that our people do not suffer the same way the stakeholders of Mumias Sugar Company did. Where while declaring profits, it did not trickle down to the farmer.

Mr. Temporary Deputy Speaker, Sir, another thing we have done as a Ministry is that the SDLs that we are giving to farmers for purposes of production, will reduce the cost of that money from 10 per cent to 5 per cent. We have also been able to suspend interest and penalties of previous loans to the tune of Kshs4.8 billion, which will be captured by the Sessional Paper I have referred to. So, it is not true that it is only tea and coffee farmers who are taken into consideration when it comes to the issue of suspending loans. We are thinking across the board. These are issues we shall be able to bring to this House for purposes of harmonization.

Mr. Temporary Deputy Speaker, Sir, I also want to urge my colleagues to look at a number of issues. The question of improving productivity should be considered. "Productivity" is the word I used advisedly because, unlike many people who consider production as the main component in terms of efficiency in the sugar industry, I look at it differently. I just want to capture the imagination of my colleague, Prof. Anyang'-Nyong'o, that unless we move towards irrigation, we are not likely to improve productivity. We also need to engender good husbandry practices in the majority of cases.

Mr. Temporary Deputy Speaker, Sir, why would a farmer produce over 110,000 metric tonnes of sugar-cane while in the neighbouring area, farmers are only producing 30 tonnes of cane per acre? These are some of the questions that we should ask ourselves. We should ask ourselves whether the inputs that we give to the farmers through various organisations get into the sugar-cane growing areas or it is diverted to other uses. This is a vicious circle, but I do not want to deal with all issues.

The other issue is what my hon. colleague has been referring to as alcohol or whatever terminology. As we discuss the Sessional Paper, the issue is that we need to diversify the sugar industry, so that sugar is not the only product that we produce. We must produce electricity, neper alcohol and other products, so as to make it more competitive. Fundamentally, how do we own the

entire chain of sugar-cane production? Today, farmers in Mumias off-loaded the majority of the shares that they had and the benefits accrued now out of the shares and dividends are going to the people who have never seen sugar-cane, even the simple one that they chew. This is an issue that we in the leadership of this country must tackle and allow our people to own the entire chain. That is the only way they can enjoy the benefits accruing from any section of that particular chain.

Mr. Temporary Deputy Speaker, Sir, as the hon. Members have said, we need to get rid of extra expenses like the retaining of the farmers' money by various out-grower institutions. I have given instructions that we ought to get rid of these institutions and allow the money to be lent to farmers through financial institutions so as to protect the farmers from being fleeced by the said organisations.

Once I have said that, I will look at the Motion and discuss it with the Minister for Finance. As you can see, most of these issues relate to taxation. I will prepare the normal letter that we write to the Minister for Finance when we are preparing the Budget and I hope that at the right time when it comes to the House, it shall get the support of the hon. Members.

Thank you.

The Temporary Deputy Speaker (Mr. Khamasi): It is now time for the Mover to reply, so that the debate on this Motion can end.

Mr. Oparanya: Thank you very much, Mr. Temporary Deputy Speaker, Sir. This Motion generated some interest and I would like to donate some of my time to some of my colleagues. First, I will donate four minutes to hon. Ochilo-Ayacko, two minutes to hon. Sungu, two minutes to hon. Ojaamong and two minutes to hon. Angwenyi. So, I will have eight minutes to reply.

Mr. Ochilo-Ayacko: Mr. Temporary Deputy Speaker, Sir, I would like to take this opportunity to thank my colleague, Mr. Oparanya, for his generosity.

About 1.5 million people who reside in the larger South Nyanza, Kisii and Kuria Districts, depend on sugar-cane growing and are victims of what has been the subject matter of debate in this House today. In 1978 when I was a small boy, I was present at the inauguration of the South Nyanza Sugar Company. At that particular time, our people had great hope.

My colleagues who know where I live refer to me as "*Nyakwar Jamoko*" and I want to say why they refer to me like that. In 1979, the late Ignasio Ayacko, who is my grandfather was alive and part of his land had been taken for the cultivation of sugar-cane. There were other older people like the late Ishmael Owiro and the late Nelson Ogango Oyugi, who were very wealthy because there was food security. If today you were to ask the same question to the people who reside in South Nyanza Sugar Belt, you will never find anybody claiming to be *Jamoko* or a rich person today. The sugar-cane farming that was brought with a lot of fun-fare and was providing hope to these people has turned out to be a crop that is bringing poverty to the very people that it was supposed to rescue. You will acknowledge the fact that I was given a very short time, and so, I want to go straight to the point.

Mr. Temporary Deputy Speaker, Sir, there is an organization called the Kenya Revenue Authority (KRA) which, as I speak today, is trying to get Kshs700 million from SONY Sugar Company. That money is back-taxes that SONY Sugar Company ought to have paid the Government. SONY Sugar Company is 98 per cent owned by the Government. So, one arm of the Government is trying to get Kshs700 million that is supposed to pay sugar-cane farmers. All the money being generated from SONY Sugar Company is going to the KRA and other organizations and farmers are not being paid a cent. As I speak now, I believe that SONY, Miwani and Chemelil sugar companies are the only factories that owe farmers more than five months in arrears.

Mr. Temporary Deputy Speaker, Sir, the responsibility of improving the sugar sector, particularly those companies that are owned by the Government, is the Government's itself. In fact, at times, those who understand Company Law know very well that when you talk about SONY

Sugar Company, you are really talking about the Government. When you talk about Chemelil, you are talking about the Government. It is the Government that owes the farmers! SONY is just an organization through which the Government is collecting money. Why is it so difficult for the Government to get this money and pay farmers so that they can get their wealth?

Mr. Temporary Deputy Speaker, Sir, the little money we get through the Constituencies Development Fund (CDF), which we give out as bursaries, is being sought after by everybody because of the poverty situation. If all this money was released to farmers, I am sure this country would do very well and farmers would be very happy people. If the Minister for Finance extended his kindness - because I know that problem is with the Ministry of Finance, the Minister for Agriculture is a very good person in so far as farmers are concerned because he has tried to help them here and there - Farmers would be happy because the Exchequer has a tendency of collecting all the money in the name of taxes and returning nothing to the farmers.

Mr. Temporary Deputy Speaker, Sir, I know that my colleagues want to contribute to this topic and I will, therefore, sit down.

Thank you, Mr. Temporary Deputy Speaker, Sir.

Mr. Oparanya: Mr. Temporary Deputy Speaker, Sir, I am sorry I have to withdraw the time I had donated to Mr. Sungu and Mr. Ojaamong so that I can reply. Would I be in order so that I have the Floor?

(Loud consultations)

The Temporary Deputy Speaker (Mr. Khamasi): Order! You know you are setting a precedent that has never happened here. This is the first time I am hearing about it; that you cede part of your time and then you take it back! That is all right. I will allow you.

(Laughter)

Mr. Oparanya: Thank you, Mr. Temporary Deputy Speaker, Sir. I discovered that I was going to remain with only two minutes, which was not enough. That is why I withdrew the time I ceded to my colleagues.

The Assistant Minister for Foreign Affairs (Mr. Wetangula): On a point of order, Mr. Temporary Deputy Speaker, Sir. Is it in order for hon. Oparanya to wet the appetite of his colleagues by offering them time and then take it back?

Mr. Oparanya: There is no law which binds me to give them time, so I have taken it back myself.

(Laughter)

Mr. Temporary Deputy Speaker, Sir, I take this opportunity to thank all the hon. Members who have contributed to this Motion. This is a very important Motion because what is happening in the sugar industry is affecting our poor farmers, particularly in western Kenya, where sugarcane is grown.

I acknowledge the efforts being put by the Ministry of Agriculture to improve the lives of sugar-cane farmers. I know very well that payments to farmers have actually improved, appointment of professionals has been done and the Minister has said that he is going to clean the balance sheet to write off the debt. I want to inform the Minister that the debts owed by coffee and tea farmers and within the co-operative movement were written off without necessarily bringing a Sessional Paper here.

Mr. Angwenyi: On a point of order, Mr. Temporary Deputy Speaker, Sir. Is the hon. Member in order to attack coffee and tea farmers instead of seeking for rewards for his farmers?

Mr. Oparanya: Mr. Temporary Deputy Speaker, Sir, I am not attacking coffee and tea farmers. I am comparing them to sugar-cane farmers. The debts in those sub-sectors were written off. I am also saying that debts in the sugar industry should be written off without the Minister wasting time to bring Papers which will take years!

(Applause)

Mr. Temporary Deputy Speaker, Sir, the Minister has said that shareholders in western Kenya have off-loaded their shares. They are not doing it willingly. They are doing it as a result of poverty. A lot of money was paid as bonuses, but it did not reach the farmers. If you compare that with coffee and tea, bonus is paid on quantity delivered. We are saying that the same practice should apply to the sugar industry. Farmers should be paid bonuses depending on the quantity of sugar-cane delivered to factories, and not shareholding. That is what is happening everywhere.

Mr. Temporary Deputy Speaker, Sir, the Government is the main shareholder in the sugar industry. The Minister has said that improving the sugar industry needs the efforts of all of us. But how does he say that when he knows that the Government is the major shareholder in all those companies? The Government is the controller. The Government is everything. We are saying that it is the responsibility of this Government to make sure that the sugar industry is improved for the benefit of farmers.

Mr. Temporary Deputy Speaker, Sir, I am happy to note that the Sugar Development Levy has been increased. The Minister said that they are now collecting Kshs1.5 billion every year. That money is supposed to go back to the farmers via the millers. I would be glad to know how much of that money has gone to each of the millers in the region. We have Mumias Sugar Company, Nzoia Sugar Company and Chemelil Sugar Company. I would be very glad to know how much money has gone to each of them.

Mr. Temporary Deputy Speaker, Sir, it is my prayer that, come the next Budget, the Minister for Finance should zero-rate Value Added Tax (VAT) in the sugar industry. That will make it possible for farm inputs like fertilizers, seeds and tractor spare parts to be cheaper. Tractors are zero-rated, but VAT is charged on the spare parts! I am happy to hear Mr. Wetangula say that Mumias Sugar Company can produce electricity. But it cannot do that because of the bad laws that we have. The law says that, when power is produced, it must be sold to the national grid. When Mumias Sugar Company tried to produce electricity, it was owned 100 per cent by the Government. The Government was offering to pay Kshs2 per one kilowatt of power, instead of 13 per cent. But on the contrary, it was offering 13 per cent to independent power producers, which have nothing to do with the Government.

Mr. Temporary Deputy Speaker, Sir, the sugar industry has suffered because of financing arrangements.

Mr. Temporary Deputy Speaker, Sir, the sugar companies that are not operating well owe the Sugar Development Levy (SDF) over Kshs4 billion. At the same time these companies are owned by the Government. So, instead of the Government helping the farmers it is financing itself through the SDF. I request the Minister for Agriculture to make sure that the money owed to the SDF by the various millers is paid back.

Mr. Temporary Deputy Speaker, Sir, we have the outgrowers who are mismanaging this industry and it is unfortunate that the Minister for Agriculture has not addressed the issue of outgrowers. They are insolvent and have incompetent managers and they keep on making losses which are passed on to the farmers.

Mr. Temporary Deputy Speaker, Sir, we need credit to be able to help our farmers. It is important that we have an arrangement where farmers have access to credit. I have never known a business where you cannot control your costs nor prices. So, the farmer is at the mercy of the Government.

Mr. Temporary Deputy Speaker, Sir, I support the Motion fully and I hope that the Minister will implement it. I beg to move.

(Question put and agreed)

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

ESTABLISHMENT OF
COMPREHENSIVE TRANSPORT POLICY

Mr. Kimeto: Mr. Temporary Deputy Speaker, Sir, I beg to move the following Motion:-

THAT, in view of Kenya's commitment to equitable development of all regions in the country; taking cognizance of communication as an engine of economic growth; noting that different forms of transport require proper planning and co-ordination; this House urges the Government to develop and implement a comprehensive transport policy to provide a framework for infrastructural development throughout the country.

Mr. Temporary Deputy Speaker, Sir, our road network is poor. Many roads in our country like the Mombasa-Kisumu Highway have a lot of potholes. If you travel to Nakuru you will encounter a lot of potholes. It appears as if the Government is not rectifying the problem. A lot of accidents are occurring due to the poor state of our roads. Engineers must work and ensure that all roads are made passable.

Mr. Temporary Deputy Speaker, Sir, if you travel to Nakuru you will find construction workers using a small machine to tarmac the road. They should use a bigger machine given the weight of the big lorries that move along this road. These big lorries spoil the road thus making it completely impassable. We need good road engineers to build better roads which can handle the weight of big lorries amounting to over 50,000 metric tonnes.

Mr. Temporary Deputy Speaker, Sir, the Minister for Roads and Public Works should be an individual who has technical expertise on issues of construction of roads. He or she should be able to know, for example, that a road constructed in a certain manner can only handle vehicles of certain weight.

Mr. Temporary Deputy Speaker, Sir, the railway network in this country was constructed in the 1900s. To date, no expansion has been done on our railway line system. We attained Independence 43 years ago and it is quite unfortunate that we have never thought of expanding the railway line system. If you visit Europe, for example, you will find that their railway line system is the state-of-the-art. Their railway line system is widely spread to industrial areas for ease of distribution of already manufactured goods. However, there are no plans to expand the railway line system to cater for manufactures in this country. If we expand our railway line network to the farming areas of this country such as the tea-growing zones of Kericho, this would highly assist our farmers. Kericho, which is one of the leading tea-growing areas, lacks a proper railway line system to cater for the growing transport needs. Mr. Temporary Deputy Speaker, Sir, if you look at the case of the pastoralists, livestock for slaughter are transported from the northern parts of this country by road. This is tedious and time consuming. Sometimes animals die in the process of

transportation. If we had a proper railway line network in that area, this would reduce the many problems pastoralists experience when transporting their animals. We need to have proper infrastructure in this country. I would like to urge the Minister for Roads and Public Works to really think about the people of North Eastern Province especially with regard to the poor state of roads.

Mr. Temporary Deputy Speaker, Sir, Some hon. Members have spoken about the loss of animals from the pastoralists communities as a result of the drought that this country experienced recently. If we had proper infrastructure, some of those animals would have been transported to Nairobi for slaughter

or sale. The Minister for Roads and Public Works should also ensure that roads in all constituencies are in order. We need to be able to traverse from one constituency to another without experiencing any problems.

Mr. Temporary Deputy Speaker, Sir, we also need airstrips in most parts of this country. The existing airstrips should also be well maintained since they help small planes to fly people and goods from one area to another. The airstrips in the North Eastern Province, for example, are in such a dilapidated state that it is difficult for planes to take off or land. The Government should have plans of repairing and maintaining existing airstrips. The Government should also increase the number of airstrips especially in areas where they are highly needed. The small planes that land in some of these airstrips are used for emergency cases, for example, by the flying doctors, to assist the sick who need urgent medical help.

The Temporary Deputy Speaker (Mr. Khamasi): Order, Mr. Kimeto! You have spoken for seven minutes. You still have 13 minutes when debate on this Motion resumes.

ADJOURNMENT

The Temporary Deputy Speaker (Mr. Khamasi): Hon. Members, it is now time to interrupt our business. The House is now adjourned until this afternoon at 2.30 p.m.

The House rose at 12.30 p.m.