NATIONAL ASSEMBLY

OFFICIAL REPORT

Wednesday, 8th June, 2016

The House met at 2.30 p.m.

[The Speaker (Hon. Muturi) in the Chair]

PRAYERS

PETITIONS

BAN OF PRAYER DAYS IN PUBLIC SCHOOLS

Hon. Wakhungu: Hon. Speaker, I beg to give the following Petition on the ban of prayer days of candidates of public school by the Cabinet Secretary (CS) for Education, Science and Technology.

I, the undersigned, on behalf of the parents and guardians from Trans Nzoia County draw the attention of the House to the following:

THAT, prayer days in schools serve a vital role in promoting not only virtuous living among student but also good living citizenship;

THAT, the removal of prayer days from our schools by the CS for Education, Science and Technology is a violation of Article 32(2) of the Constitution of Kenya that guarantees the freedom of worship and religion;

THAT, forbidding candidates, teachers and parents to do what their predecessors have been doing would demoralise, discourage and de-motivate the candidate;

THAT, the CS in his decision has further violated Article 118 of the Constitution on public participation by failing to involve key stakeholders such as Kenya National Union of Teachers (KNUT), Kenya Union of Post Primary Education Teachers (KUPPET), parents, religious bodies among others; and,

THAT, the matter presented in this Petition is not pending before any tribunal or court of law.

Therefore, your humble Petitioner prays that the National Assembly, through the Departmental Committee on Education, Research and Technology:-

i. Cause the CS to present empirical evidence showing, if any, linkages between examination cheating and prayer days in schools; and,
ii. To rescind the decision by the Cabinet Secretary.

The Petition is presented by Hon. Chris Wamalwa, the Member for Parliament for Kiminini.

Thank you.

Hon. Speaker: Let us have the Member for Chuka/Igambang'ombe.

Hon. Njuki: Hon. Speaker, I want to support this Petition because Kenya is a very prayerful nation. Sometimes when problems are beyond what we can fathom, we normally end up having very unorthodox methods of trying to resolve the problem and in the process you may create more problems. There is this thing about the forbidden being very sweet. The idea that we are preventing contacts of students with their parents may cause students to be more innovative.

I see no correlation between prayers, presence of parents and examination cheating. I support and thank Hon. Chris Wamalwa for coming up with this Petition. We are looking forward to praying with our sons and daughters so that we can make them not only be submissive to the Lord as we do to the exams but it also gives them confidence in knowing that parents and of course the community and sponsors are with them during the hard times of exams.

I support the Petition.

Thank you, Hon. Speaker.

Hon. Speaker: Hon. Kamama, you have the Floor.

Hon. Abongotum: Thank you, Hon. Speaker. With all due respect to my good friend, Hon. Dr. Chris Wamalwa, I support the orders given by the CS, Ministry of Education, Research and Technology. These orders were given taking into account that cheating and corruption is very rampant in our examinations to the extent that the integrity of our exams and certificates is at stake.

The CS gave orders that prayers should be done in second term and not in third term. I propose that the prayers be done in the second and last terms so that the board of management and teachers can pray with students to avoid collusion and cheating by outsiders who normally find their way into schools. The statement was in good faith. So I rise to oppose the Petition.

Hon. Speaker: Let us have Hon. Thomas Mwadeghu.

Hon. Mwadeghu: Mheshimiwa Spika, ninasimama kuunga mkono Ombi hili kwani hata mimi sielewi ni kwa sababu gani Waziri alitoa uamuzi kuwa suala la maombi katika shule nchini lipigwe marufuku, hasa katika muhula wa tatu. Sioni uhusiano wowote kati ya sala na udanganyifu wakati wa mtihani. Ndugu yangu, Mhe. Kamama, ninaomba nikujulishe kuwa si vijana ama wanafunzi wanaokaa katika mabweni tu ambao wanaweza kupatikana na hatia kama hiyo. Je, itakuwa namna gani kwa wale ambao wanakuja shuleni asubuhi na kwenda nyumbani jioni ambao hawakai katika mabweni? Ikiwa ni suala la udanganyifu, wao pia wanaweza kupata hayo makaratasi njiani. Kwa hivyo, hiyo si sababu ya kumfanya Waziri kutoa uamuzi bila kuwahusisha wahusika wote.

Shida kuu ni kuwa tunatafuta njia ya kusitisha au kuondoa udanganyifu katika masuala ya mitihani kwa kutafuta sababu zingine ambazo hazihusiki na mitihani. Tunamwomba Waziri atafute sababu na njia mwafaka ya kuondoa udanganyifu katika mtihani wetu. Ninakubali kuwa Ombi hili ni la muhimu kwa sababu kuna udanganyifu katika masuala ya mitihani, lakini mbinu ambayo imetumiwa na Waziri ya kusitisha maombi haifai. Kama mnavyofahamu, sala na maombi wakati wa mtihani inatia wanafunzi mori na kuwafanya wamtegemee Mungu katika mitihani yao. Sina habari kama Waziri anajua maombi ni nini wala sijui kama anajihusisha na maombi.

Ninaunga mkono Ombi hili na ninamuunga mkono Mhe. Chris kwa kulileta Bungeni.

Hon. Speaker: Hon. Members, let me remind you that comments to a petition are not an occasion for debate so that I allow many Members to contribute. Let us have Hon. Esther Gathogo.

Hon. (Ms.) Gathogo: Asante, Mheshimiwa Spika kwa kunipa nafasi hii. Ninataka kupinga Ombi hili kwa sababu Mheshimiwa mwenzangu amesema kwamba Waziri hamjui Mungu. Ninajua kuwa yeye ni kiongozi katika Kanisa la Seventh Day Adventist (SDA). Kwa hivyo, tukiongea kuhusu mambo ya maombi ninajua kuwa anayafahamu. Ni vizuri sana kuelewa kwanza ni kwa nini tulipinga suala la maombi. Tulimwambia Waziri aangalie ni njia gani mtihani huu hautaibwa. Waziri akija na njia ambayo ameona inafaa, si vizuri kusema kwamba amekosea. Sisi kama Wabunge tunapaswa tuungane mkono pamoja na Waziri, na tumsaidie kutafuta njia ambayo mtihani utafanywa bila kuibiwa. Lakini ninajua kwamba Waziri anajua mambo ya maombi kwa hivyo, si maombi anayopinga ila anajaribu kutafuta njia ambayo mtihani hautaibiwa.

Hon. Speaker: Let us have Hon. Richard Onyonka.

Hon. Onyonka: Asante sana ndugu Spika kwa kunipa fursa nichangie jambo hili kwa dakika mbili tu.

Hon. Wamunyinyi: Anasema "Ndugu"?

Hon. Onyonka: Mheshimiwa Wamunyinyi haelewi kuwa "ndugu" ni jina la Kiswahili lenye heshima na hekima. Wakati mwingine nitajaribu kumfunza lugha ya taifa ili aelewe.

Hon. Speaker: Jaribu kumaliza mchango wako kwa sababu saa za jioni zimefika.

Hon. Onyonka: Jambo hili ni la muhimu katika elimu yetu hapa nchini Kenya. Lakini ningependa kumsihi yule ambaye ameleta Ombi hili hapa Bungeni, Dkt. Chris Wamalwa kuwa ingekuwa vizuri tuhakikishe kuwa hili jambo lililetwe kwa Kamati ya Bunge inayohusika na mambo ya elimu ili tumwite Waziri wa Elimu aje atuelezee ni sababu gani iliyomfanya aamue hivyo.

Jambo la mwisho ni kuhusu vile ambavyo Mhe. Dadangu alisema hapa kuwa Waziri Matiang'i ni mzee wa Kanisa la SDA. Ni mzee ambaye anaheshimika na ni Waziri wakati huu. Si vyema kusema kuwa yeye hajui kumwomba ama kuswali kwa Mwenyezi Mungu. Ingekuwa vizuri tumpe nafasi wakati Kamati itakavyoketi, atueleze ni nini kilichomfanya akaamua hivyo.

Hon. Speaker: Let us have Hon. Joseph M'eruaki.

Hon. M'uthari: Thank you, Hon. Speaker. I support this Petition. I do not see the reason why we should ban prayers in schools even if it is in third term. Maybe the timing can be determined and there could be thorough checks. We should not pass the buck just because of the crisis. We should find a lasting solution to this problem. One of the ways is through the Kenya National Examinations Council (KNEC), where the exams originate from. We should not pass the buck. I support this Petition. It will come to the Departmental Committee on Education, Research and Technology.

Hon. Speaker: Let us have Hon. Lati Lelelit.

TRANSFER OF MURRAMUR LAND

Hon. Lati: Thank you, Hon. Speaker. I, the undersigned, on behalf of the local community of Murramur draw the attention of the House to the following:-

THAT, two parcels of land measuring 2,345 acres and 1,956 acres respectively in Murramur area were set apart for army use in 1976 by the Commissioner of Lands.

THAT, the said parcels were allocated to the Ministry of Defence through Gazette Notice No.3210 of 11th November, 1977.

THAT, for over 30 years, more than 100,000 people permanently reside in Murramur community land, even having three secondary schools and several primary schools existing.

THAT, on 19th March, 2016 at a meeting between the President and Maa Parliamentary Group, the Cabinet Secretary for Interior and Co-ordination of National Government informed the meeting that he headed the Army Unit that occupied Murramur in the 1980s and that Murramur land was only temporarily for training.

THAT, the Cabinet Secretary further informed the meeting that sufficient land has since been acquired by the Army in Isiolo for long-term training and, therefore, grounds in Murramur were no longer viable for army training.

THAT, out of goodwill, the Samburu County Council allocated 400 hectares in Baragoi for use by the Army, in place of the Murramur land which was already occupied.

THAT, Murramur community was never consulted when their land was given to the Ministry of Defence as a training ground for the Army.

THAT, despite efforts to resolve the tussle between Murramur community and the Ministry of Defence, no solution has been found.

THAT, the issues in respect of which this Petition is made are not pending before any Court of Law or before any constitutional or statutory body.

Therefore, your humble Petitioners pray that the National Assembly through the Departmental Committee on Lands and the Departmental Committee on Defence and Foreign Relations respectively:-

(1) Investigate the issue and recommend that the Cabinet Secretary for Defence reverts ownership of Murramur land back to the local community; and,
(2) Makes any other order and/or direction that it deems fit in the circumstances of the matter for the welfare of the residents of Murramur.

And your Petitioners will ever pray.

Hon. Speaker: Let us have Hon. Lentoimaga.

Hon. Lentoimaga: Thank you, Hon. Speaker for giving me this opportunity. This Petition by my colleague from Samburu West is quite in order. Murramur community land has never belonged to the Army physically. The Army went there temporarily and they were training in Kirisia Forest. They have never put up a single structure there. Since they withdrew from there because there were only tents, the community has occupied the land which belongs to them through their ancestral history. More than 2,000 families live on that parcel of land.

They even have schools, cemeteries, many structures, a shopping centre and a dam. The whole place is populated. You cannot remove anybody from there. The Government of Kenya provided land in Samburu North in 2012, through the defunct County Council of Samburu. It is ideal to give land to the military in Samburu North because there is a problem of insecurity but there is no insecurity in Murramur. No training should be done there because the land is not even sufficient in the first place. The army have occupied some land in Samburu North and there is a military camp where a company resides. They have put a lot of money and they will be opening the camp any time.

I appeal to this House to revoke the allocation of the piece of land in Murramur so that the people or communities that live there can benefit. Land in Samburu North is sufficient for the army to use for training.

Thank you, Hon. Speaker.

Hon. Speaker: Hon. Moses ole Sakuda.

Hon. ole Sakuda: Thank you very much, Hon. Speaker.

I rise to support this Petition. As the Departmental Committee on Lands, we look forward to receiving it and doing the necessary work of investigating and going to the ground. On behalf of the Committee, we have done a lot of work and presented reports to this House. I urge the House Business Committee (HBC) to make sure that those reports see the light of the day, as they plan the work of this House. That is opposed to us doing the work and leaving the reports un-tabled or no decision over them carried forth in this House.

Secondly, the issue in Samburu is not unique to that area. A lot of Arid and Semi-Arid Land (ASAL) areas in this country and big chunks of land have been set aside in the historical ways but they have never been put to use. The residents are not allowed to own and use those parcels of land. Those parcels just lie idle out there and are in the name of Government institutions. It is time we came up with a policy of taking care of land. We need to do land audit in this country so that the Departmental Committee on Lands can ensure that the ownership of parcels of land which are under the name of Government institutions, and which are not in use, revert to the people who live around there. Communities within that area should use and own the land. That way, they will feel to be part of this Republic.

With that, we look forward to receiving the Petition, as a Committee, so that we can do the necessary work.

Thank you very much, Hon. Speaker.

Hon. Speaker: Hon. Patrick ole Ntutu.

Hon. ole Ntutu: Thank you, Hon. Speaker.

I also rise to support the Petition that has been brought by Hon. Lelelit. It is time we looked at the various parcels of land that have been taken by the army in this country. In the case of the Samburu land, the communities were not consulted. This is the case and yet a lot of land in the North of Samburu has been given to the army for their use. As leaders of those communities, we feel we need that land because many public utility facilities have been built in that area. I urge the Departmental Committee on Lands to look into the situation because it is something which will help the communities.

This Petition must be expedited so that most of the schools and trading centres built there can be given back to the communities. The Ministry of Land, Housing and Urban Development should issue title deeds to those living on those parcels of land.

With those few remarks, I support the petition and urge the Departmental Committee on Lands to look at the issue very urgently.

Thank you, Hon. Speaker.

Hon. Speaker: Let us have the Member for Emurua Dikirr, Hon. Johana Ngeno.

Hon. Kipyegon: Ninashukuru Mhe. Spika.

Ningependa kusema kwamba hii shida si ya Samburu pekee kwa sababu inahusu wananchi wote wa Kenya. Kila sehemu ya Kenya huwa na shida kama hii. Serikali au watumishsi wake wakati mwingine huchukua ardhi ambayo ingetumiwa na wananchi. Wananchi wanaendelea kuumia ilhali Serikali haitumii hiyo ardhi. Tungependa kusema kwamba tunaunga mkono hilo Ombi la Mhe. Lelelit. Tunataka Serikali iamue mara moja ili wananchi wasiendelee kuumia wakati Serikali au jeshi haitumii hiyo ardhi saa hii.

Pia, ninasihi Tume ya Kitaifa ya Ardhi---

Hon. Members: Ni jopo!

Hon. Kipyegon: Mhe. Spika, wajua Kiswahili kilikuja na meli na barabara hadi kwetu.

Tungependa Tume hiyo ihakikishe kuwa ile shida ya ardhi katika kila sehemu ya nchi hii imeangaliwa. Ni vyema kama kuna sehemu ambayo hatimiliki zake hazijapeanwa, zipeanwe. Kama kuna mahali hakujagawanywa, kugawe.

Kupitia “petishoni” ya Mhe. Lelelit, ningependa kuseme kwamba ninaunga mkono.

Asante, Mhe. Spika.

(Laughter)

Hon. Speaker: Well. I think he has made some fair effort.

(Hon. Wamunyinyi stood up in his place)

What are you saying, Hon. Wamunyinyi? Is it on this Petition? Hon. Members, I urge you to merely make comments, observations or clarifications. It is not debate time.

Let us have Hon. Athanas Misiko Wafula Wamunyinyi.

Hon. Wamunyinyi: Asante kwa kunipa fursa niseme machache kuhusu Ombi la Mhe. Lelelit. Kabla sijasema langu, ningependa kumuambia na kumuhimiza Mhe. Mbunge wa Emurua Dikirr kwamba "petition" ni "ombi" kwa Kiswahili; sio "petishoni".

(Laughter)

Hata sisi tuko na shida ya mashamba kule Bungoma. Tumekuwa tukiomba kuwa hatua ichukuliwe kutatua shida ya mashamba inayotokana na unyakuzi ambao umefanyika katika nchi yetu. Hayo mambo yaangaliwe na shida itatuliwe mara moja.

Asante sana, Mhe. Spika.

Hon. Speaker: Let us have Hon. Kathuri Murungi.

Hon. Murungi: Asante sana kwa fursa hii ya kuchangia hili Ombi la Mbunge mwenzetu.

Mhe. Spika, yangu ni machache. Inapaswa hali ya mashamba katika taifa letu iangaliwe upya kabisa. Hii ni kwa sababu tumepata maombi mengi kuhusu mashamba. Kamati yetu ya Ardhi ya Bunge hili letu la Kitaifa inapaswa iangalie mambo ya mashamba kabisa. Zaidi iwe ni kuhusu mashamba yanayohusu wananchi.

Ninaunga mkono. Katika eneo la Meru, ninakotoka, kuna shamba kubwa linalotumiwa na Wanajeshi wa Uingereza. Tukiwa viongozi wa eneo hilo, tunaomba wasiruhusiwe tena kuingia kwa hili shamba kwa sababu tungependa tuelewane. Tunataka mmea wetu wa *miraa* uingie huko Uingereza na tutawapatia hiyo ardhi wafanyie mazoezi yao ya kijeshi. Pia, ninaomba Wabunge watuunge mkono wakati hilo swala litafika kwa hili Bunge ndio tuwe na haya mazungumzo na tuelewane.

Asante sana Mhe. Spika.

Hon. Speaker: Finally, let us have Hon. Raphael Letimalo.

Hon. Letimalo: Thank you, Hon. Speaker, for giving me an opportunity. I support the Petition. Being a resident of Samburu County I know where Murramur is located. It is actually in the midst of community habitation. There are very many public utilities that have been developed there. The community has been allocated land there and that makes it difficult for military personnel to carry out any military exercise. So, I think it is just proper for that land to be reversed and returned to the community.

By extension and I wish the relevant Committee hears me out, I come from Samburu East and this is one area that has really been affected by activities carried out by military personnel. The Government allocated over 83,000 acres of land and it was gazetted for use by military forces. I wish the relevant Committee will carry out investigations to establish whether I am misleading the House. One major problem that we have is that they have gone beyond the gazetted area and constructed military camps without the knowledge of the community. Given that land in Samburu County is demarcated and allocated to group ranches, no consultations are made when both British Army and Kenya Defence Forces (KDF) use that land. There is need to investigate this.

Two, when military personnel carry out their exercises they leave the fields without clearing them to the extent that a lot of unexploded ordinances are left behind. It is a huge tract of land used for grazing and when the herdsmen come into contact with them they get hurt. This is the case and yet those concerned do not take the responsibility of either taking those injured to hospital or compensating them. I think it is important that the relevant Committee investigates to actually establish what is happening there because the community is really affected.

Thank you, Hon. Speaker.

Hon. Speaker: Well spoken. Now that is debate. Hon. Members, the Petition is committed to the Departmental Committee on Lands.

PAPERS LAID

Hon. Speaker: Let us have the Majority Whip.

Hon. Katoo: Hon. Speaker, I beg to lay the following Papers on the Table:-

The Report of the Auditor-General on the Financial Statements in respect of the following institutions for the year ended 30th June, 2015 and the certificates therein:-

(a) National Intelligence Service;
(b) Intelligence Service Development Fund;
(c) Constituencies Development Fund, Roysambu Constituency;
(d) Public Trustee;
(e) The National Police Service Commission;
(f) Kenya Leather Development Council;
(g) The Kenya National Library Service; and,
(h) Office of the Attorney-General and Department of Justice.

The Annual Report and Financial Statements for the Commission on Revenue Allocation for the 2014/2015 Financial Year.

Thank you, Hon. Speaker.

Hon. Speaker: That is okay. I want to correct what I had said earlier on. The Petition will be heard by the joint Departmental Committees on Lands and Defence and Foreign Relations.

Let us have the Chairperson or the Vice-Chair, Hon. Mbiuki, Departmental Committee on Agriculture, Livestock and Cooperatives.

Hon. Mbiuki: Hon. Speaker, I beg to lay the following Paper on the Table:-

Report on the Petition by the Dairy Farmers on the establishment of the strategic reserve of the long life and powered milk by the Strategic Reserve Trust Fund to cushion milk farmers.

MOTION

APPROVAL OF NOMINEES TO THE CONSTITUENCY COMMITTEES

THAT, pursuant to the provisions of Section 43(4) of the National Government Constituencies Development Fund Act, 2015, this House approves the nominees listed hereunder to the respective Constituency Committees of the National Government Constituency Development Fund:–

1. LAFEY CONSTITUENCY

1. Mohamed Daar Bulle	-	Male Youth Representative
2 Mohamed Madey Hassan	-	Male Adult Representative
3. Amal Osman Haji	-	Female Youth Representative
4. Katra Noor Omar	-	Female Adult Representative
5. Hussein Bulle Hassan	-	Representative of Persons with Disability
6. Mursal Sheikh Abey	-	Nominee of the Constituency Office (Male)
7. Nasra Samow Bare	-	Nominee of the Constituency Office (Female)

2. NYAKACH CONSTITUENCY

1. Justus Ochieng Odhoch	-	Male Youth Representative
2. Joel Onono Mc Odongo	-	Male Adult Representative
3. Leah Akoth Aringo	-	Female Youth Representative
4. Hellen E. Were	-	Female Adult Representative
5. Nashon Ogada Osenya	-	Representative of Persons with Disability
6. Henry Okoth Odingo	-	Nominee of the Constituency Office (Male)
7. Susan Atieno Otieno	-	Nominee of the Constituency Office (Female)

3. ISIOLO NORTH CONSTITUENCY *(Additional Nominees)*

1. Moses Lerosion Edwin	-	Male Adult Representative
2. Mary Naitore Kimathi	-	Female Youth Representative

(Hon. Letimalo on 7.6.2016)

(Resumption of Debate interrupted on 7.6.2016)

Hon. Speaker: Order Members! Those who are standing can take their seats. Hon. Members, debate on this Motion had been concluded. So, what remains is for the Question to be put which I hereby do.

(Question put and agreed to)

PROCEDURAL MOTION

REDUCTION OF PUBLICATION PERIOD OF IEBC (AMENDMENT) BILL

Hon. Speaker: The Chair of the Departmental Committee on Justice and Legal Affairs, Hon. Chepkong'a, we have very many microphones.

Hon. Chepkong'a: Hon. Speaker, at least, I have a kind neighbour here when the systems are not working.

Hon. Speaker, I beg to move:-

THAT**,** pursuant to the provisions of Standing Order 120, this House resolves to reduce the Publication Period of the Independent Electoral and

Boundaries Commission (Amendment) Bill (National Assembly Bill No.18 of 2016), and the Constitution of Kenya (Amendment) (No.2) Bill (National Assembly Bill No.19 of 2016) from 14 to 6 days.

We are seeking for the reduction of the publication period to enable us to conduct public participation especially with regard to the Constitution of Kenya (Amendment) Bill (No.2) of 2016. The reason being we are seeking to increase the number of days within which a Presidential Petition will be heard by the Supreme Court from 14 days to 30 days. This Bill if passed by the National Assembly must also be passed by the Senate. So, it requires some time to enable the two Houses to discuss and pass it in good time. Basically, it is a straightforward Motion. I would like to request Hon. Florence Kajuju to second.

I thank you.

Hon. Speaker: Yes, Hon. Kajuju.

Hon. (Ms.) Kajuju: Thank you, Hon. Speaker. I rise to second this Motion. I note that this is a matter of national importance. In view of the fact that the issues we are seeking to move amendments concern the electoral process, and especially the matters of the tribunal, because during elections we have had conflicting jurisdiction between the IEBC and the Political Parties Tribunal, these amendments are going to bring a lot of clarity so that at the time of electoral disputes, parties are able to sort them out without necessarily going into a lot of confusion.

Also, any other issue for which we are seeking amendment will be subjected to public participation so that members of the public are able to present before the Committee issues that they would like us to take up and be able to resolve.

I, therefore, second.

(Loud consultations)

Hon. Speaker: Order Members! Order Members!

(Hon. Sumra walked into the Chamber while the Speaker was on his feet)

Hon. Sumra, just freeze where you are.

(Question proposed)

Hon. Members: Put the Question!

Hon. Speaker: Is it the mood of the House that I put the Question?

Hon. Members: Yes!

(Question put and agreed to)

Hon. Speaker: Let us move on to the next Order.

BILLS

First Readings

THE INDEPENDENT ELECTORAL AND BOUNDARIES

COMMISSION (AMENDMENT) BILL

THE CONSTITUTION OF KENYA (AMENDMENT) (NO.2) BILL

(Orders for First Readings read – Read the First Time and Ordered to be referred to the relevant Departmental Committees)

SPECIAL MOTION

APPROVAL OF FINANCING FOR DEVELOPMENT OF SECOND CONTAINER TERMINAL PHASE II

THAT, this House notes the Sessional Paper No.1 of 2016 on Government Guarantee on Borrowing for the Construction of the Second Container Terminal Phase II, laid on the Table of the House on Thursday, March 10, 2016 and pursuant to the provisions of Article 213 of the Constitution, and sections 50 and 58 of the Public Finance Management Act (CAP 412C) approves the Government of Kenya Guarantee against a loan of Japanese Yen (Y) 32.116 billion, equivalent to Kshs27.30 billion at the current exchange rate, to be borrowed by the Kenya Ports Authority (KPA) from the Japan International Cooperation Agency (JICA) negotiated at the rate of 0.11% per annum and repayable in 34 years, with a six-year moratorium, to finance Phase II of the development of the Second Container Terminal at the Port of Mombasa as part of the Mombasa Port Development.

(Hon. A. B. Duale on 5.5.2016)

(Resumption of Debate interrupted on 7.6.2016)

Hon. Speaker: The Mover is supposed to reply. Yes, Hon. Katoo.

Hon. Katoo: Thank you, Hon. Speaker. I beg to reply. Many colleagues have spoken to this Motion and some very important issues were raised. The merit of having the second container terminal at the Mombasa Port is the issue of decongesting the Port. By decongesting the Port, our regional trade and even far beyond this region of East Africa is going to be fast-tracked. The movement of goods at the Port is going to be faster. It has also been raised by colleagues that the other importance of doing this is that it will increase the handling capacity of goods at the Port of Mombasa. This will put this country in a prime position as much as regional trade is concerned. If we increase the capacity of goods handling at the Port, we are also going to enhance productivity at the Port.

Let me say very briefly about some of the issues of concern that were raised by my colleagues. First of all, the duration of this loan is 34 years. Before those 34 years, there are six years which we are given as a grace period. I think the rate is good. The Kenya Ports Authority (KPA) will pay about Kshs1 billion per year. With good management at the KPA and building of capacity and enhancing productivity, KPA will be in a position to raise that money. This will enhance economic growth of this country. Because colleagues have said a lot before, I just want to appeal to my colleagues that since this is Phase II meaning that Phase I has been done, we approve this Special Motion for this work to start.

I beg to reply, Hon. Speaker.

Hon. Speaker: The Members standing, including the Member for Kiharu, can take their seats.

(Question put and agreed to)

Hon. Members: Division! Division!

Hon. Speaker: Order Members! Those of you who are upstanding, I suppose, are claiming for a Division. You do not have to get agitated. You have the numbers. So, I order that the Division Bell be rung for five minutes.

(The Division Bell was rung)

Order, Hon. Members! Take your seats. Hon. Midiwo, please take your seat. Hon. Members making your way in, take seats. Stop the Bell now. Close the doors and draw the Bars.

Hon. Members, I know that some of you have this habit of coming without your cards and yet you know that this is a place where most business is won or lost on the strength of those cards. I do not know whether there are any of you who may have forgotten them today as usual. Does everybody have their cards?

Hon. Members: No.

(Hon. Wamunyinyi stood up in his place)

Hon. Speaker: Order, Hon. Members. Hon. Wamunyinyi, just stay put. Hon. Osele, you know that with your height you are almost the same size as Hon. Bosire when you are upstanding. So, you confuse me as to whether you are seated or standing.

(Laughter)

Order, Hon. Members! Hon. Members, I will put the Question again to remind everybody.

Members without cards or malfunctioning cards, proceed to either side of the Speaker. Hon. Sumra, come here if you do not have a card. Hon. Osele, you will shake hands later. Are those who are standing the ones without cards?

Hon. Members, those of you who have cards, please log out. I can see quite a number of you. The Chair of the Departmental Committee on Transport, Public Works and Housing does not have a card. Hon. Members, you may now log in.

Vote now.

DIVISION

(Question put and the House divided)

(Question carried by 140 votes to 55)

AYES: Messrs. J.K. Chege, Nakuleu, Nanok, Akujah, Ekomwa, Ngikor, Rotino, Lomunokol Losiakou, Lati, Lentoimaga, Letimalo, Shidiye, Dr. Pukose, Messrs. Wekesa, Shill, Busienei, Chepkong'a, Kimaru, Bowen, Kiptanui, Melly, Serem, Lagat, Kirwa, Abongotum, Cheptumo, Mwaita, Ms. Kipchoim, Messrs. Saney, Karani, Kombe, Macharia, Kihagi, Cheruiyot, Gaichuhie, Gikaria, Konchella, Kipyegon, Lemein, ole Ntutu, Mohamed Abdi, Ms. Tobiko, Messrs. ole Sakuda, Katoo, Limo, Eric Keter, Dr. Laboso, Messrs. Bii, B.K. Bett, Huka, Isaack, Injendi, Lomwa, Naicca, Washiali, Shinali, Masadia, Kubai Iringo, Dr. Ottichilo, Messrs. M'uthari, Otsiula, Karithi, Sambu, Kinoti, Murungi, Ms. Otucho, Messrs. Mbiuki, Njuki, Ms. Mbarire, Messrs. Mati, Dukicha, Ms. R.K. Nyamai, Messrs. Mbai, Kilonzo, Shehe, Mirenga, Dr. Munyaka, Mr. Kisoi, Ms. Muia, Messrs. Makenga Anyango, K.K. Kinyanjui, Gichigi, Kiaraho,Waiganjo, Opore, Nderitu, Omagwa, Manoti, Moindi, Angwenyi, Gethenji, Kanini Kega, Ms. Munene, Mr. Kabando wa Kabando, Ms. Mathenge, Messrs. Ndirangu, Gakuya, Gitau, Ms. Shakila Mohamed, Mr. Kamau, Ms. Fathia, Mr. Mwangi, Ms. T.G. Ali, Ms. Kajuju, Ms. Emanikor, Ms. Ngeny, Ms. Chebet, Ms. Kering, Ms. Tuya, Ms. Chepkwony, Ms. Ngetich, Dr. H.K. Njuguna, Messrs. Njenga, Francis Waititu, Ms. Gathogo, Ms. Shebesh, Ms. Teiya, Messrs. Abdinoor, Baiya, Koinange, Ichung'wah, Wangamati, A. B. Duale, Eng. Mahamud, Ms. Changorok, Farah, J.M. Nyaga, Kisang, Musyimi, Waititu Ferdinard, Nooru, Kamanda, Linturi, Kang'ata, C.M. Nyamai, Abass, Mwahima and Sumra.

NOES: Messrs. Ramadhani, Mwanyoha, Mwamkale, Mtengo, S.A. Ali, Mwadeghu, Mlolwa, Keynan, Mulu, Maweu, F.K. Wanyonyi, Wakhungu, Prof. Sambili, Messrs. Lempurkel, Manje, Tonui, Dr. Kibunguchy, Messrs. Otaalo, Omulele, Koyi, Wamunyinyi, Kasuti, Bunyasi, Odanga, Onyura, Ababu, Ochieng, Eng. Gumbo, Messrs. S.S. Ahmed, Aluoch, Oyoo, Owuor, Magwanga, Ng'ongo, Opiyo, Nuh, Ndiege, Kobado, Nyamweya, Bosire, Ondicho, Geni, Momanyi, Olum, J.O. Omondi, Ms. Amolo, Ms. Kedogo, Ms. Ombaka, Ms. Nyamunga, Ms. Sunjeev, Dr. Oginga, Bishop R. Mutua, Messrs. Mohamed Diriye, Onyango and Midiwo.

ABSTENTIONS: Mr. G.W. Omondi, Ms. F.I. Ali, Ms. Ibren, Dr. Simiyu and Mr. Wario.

Hon. Speaker: You may open the doors. Member for Taveta, please, take a seat nearest to where you are. Hon. Mwadime is making his way quite comfortably and casually.

Hon. Members, I wish to recognize various persons as listed, various Cabinet Secretaries seated in the Speaker's Row, various High Commissioners, ambassadors, heads of missions and other diplomatic representatives in the Diplomatic Boxes.

In the Speaker's Gallery, we have various Principal Secretaries, heads of commissions and representatives of independent offices, representatives of State Corporations and Government departments and agencies. Also in the Public Gallery, there are several other esteemed guests invited by various Members.

You are all welcome to observe the proceedings of the National Assembly on this occasion.

THE BUDGET STATEMENT

BUDGET HIGHLIGHTS AND REVENUE RAISING MEASURES FOR 2016/2017

Hon. Speaker: Hon. Members, pursuant to the provisions of Section 40 of the Public Finance Management (PFM) Act, 2012, and Standing Orders Nos.241and 25(b) of the National Assembly Standing Orders, I will now interrupt the business of the House to allow the Cabinet

Secretary for the National Treasury to make a public pronouncement on the Budget Highlights and Revenue Raising Measures for the National Government for the Financial Year 2016/2017 and the Medium Term. In accordance with our Standing Orders, I have also designated a suitable place in the Chamber for that purpose.

Cabinet Secretary for the National Treasury, Mr. Henry Rotich, you may now proceed.

(Applause)

The Cabinet Secretary for the National Treasury (Mr. Henry Rotich): Hon. Speaker, once again, it is my singular honour to present the Fourth Budget Statement under the Administration of His Excellency the President Uhuru Kenyatta.

This Statement is being presented at a time when our economy is growing at a decent pace compared with other countries in the region and globally. In short, our economy is performing quite well and the policy measures I intend to highlight this afternoon are intended to consolidate that momentum and lead to increased prosperity for all Kenyans. Accordingly, the theme of this Budget is: "Consolidating Gains for a Prosperous Kenya."

Hon. Speaker, that optimism is not misplaced. It is, indeed, based on our well demonstrated capacity for resilience and strong and prudent management of our economic affairs, even in the face of a difficult global environment. I will, in a short while, demonstrate the recent economic successes that we have made as a nation under very difficult circumstances. But before I do that, allow me, at the outset, to thank you for allowing us to read the Budget Statement on a Wednesday – a break from the past where we read it on Thursdays. This is because our sisters and brothers in Uganda will be celebrating their National Heroes Day tomorrow. Therefore, in keeping with our tradition of presenting Budget Statements simultaneously in the East African Countries (EAC), this day was agreed upon by all EAC partners.

Our economy is growing at a stronger pace than others because under the strong leadership of our President, we are confronting head-on the challenges we face with determination and confidence. Kenyans want their children to go to quality schools and to get jobs; they want to live healthy lives; they want decent transport; they want affordable food and a decent shelter and, above all, they want to see progress in all aspects of our economy. Achieving all this requires bold leadership and all Kenyans working hard and playing their part to deliver a common vision for our country. In sum, we need to remain steadfast in pursuing our long term development agenda and focus less on short term fixes of issues.

I believe wholeheartedly that Kenyans are up to the task but it requires concerted efforts from all of us to aim high and remain focused on what needs to be done. With our vibrant democracy and great leadership from the President, I can confirm that the future of our nation is, indeed, bright.

Hon. Speaker, our plan for economic transformation, which started in 2013, is working and delivering results. We just need to remain steadfast and continue to:-

(i) improve the business environment in order to lower the cost of doing business, improve competitiveness and attract more investment for growth, employment generation and poverty reduction;

(ii) safeguard macro-economic stability;

(iii) invest in security;

(iii) improve infrastructure like roads, railway, ports, energy and water to encourage growth of competitive industries;

(iv) undertake various measures to drive agricultural and industrial transformation so as to ensure food security and lower food prices, increase quality and diversification of exports, accelerate inclusive growth, create jobs and reduce poverty;

(v) prioritise investment in quality and accessible health care services as well as quality and relevant education;

(vi) ensure adequate support for the most vulnerable in our societies;

(vii) support devolution through funding and working closely with the county governments to build appropriate public financial management capacity to help them to better deliver services to w*ananchi*; and,

(viii) implement economic, financial and other reforms to boost our productivity and competitiveness.

In a nutshell, this budget aims to consolidate the significant gains already made in those priority areas that I have just mentioned. We will do this within a sustainable fiscal framework. Working together under this plan, we shall achieve higher and sustainable growth, provide jobs to our youth, reduce poverty and inequality as a nation and position ourselves as an upper middle income country. This is the Kenya we all want.

This House approved the 2016 Budget Policy Statement and the Division of Revenue Bill that was submitted to Parliament in February this year, thus paving the way for the preparation of the Budget Estimates for the Financial Year 2016/2017 that were submitted to the National Assembly on 28th April, 2016. The Estimates broadly reflect the priorities that I have just elaborated. In addition, I am now submitting the Finance Bill, 2016, which contains the taxation and financial proposals that will further help achieve our goals. We are now in the final stages of engagement with the Budget and Appropriations Committee on the review process and preparation of the ground for the Appropriation Bill. It is my expectation that the final Budget, which should be approved before the end of this month, will reinforce the basis of achieving our long term development goals and help us move steadily towards meeting the 2030 Development Agenda for Sustainable Development Goals (SDGs).

Hon. Speaker, while finalising this Statement, I asked Kenyans to give me their views on how we are faring with our taxation, social service delivery and how best to accelerate inclusive economic growth. Allow me to sample just a few of the responses from well-wishing Kenyans who want to make positive contributions to our development agenda.

I have received a very clear message that everybody must pay taxes, including the informal sector. For example, Mr. Kelvin Omweri has written to me and I quote:-

> "An economy like ours cannot be supported by two million taxpayers in the formal economy. There are persons in the informal economy in this country who make millions that do not get taxed because they are the informal economy and professional tax evaders. Yet, we all want National Hospital Insurance Fund (NHIF) to expand and cover the majority and better education, health care facilities and infrastructure. So, we all must participate in some way in paying taxes and those in the informal economy must also pay tax on income and not just VAT."

I fully agree with Mr. Omweri. We must widen the tax net so that everyone eligible to pay tax, including the informal sector, pays tax. In this respect, I have asked the Kenya Revenue Authority to explore ways of taxing the informal sector and to re-double their efforts in netting tax evaders. Indeed, if everybody pays their fair share of taxes, we would be in a better position to lower tax rates. As part of the review of the Income Tax, we are considering to introduce a presumptive tax for the hard-to-tax segment of our people, including those in the informal sector.

On social service delivery, one Kenyan in the Diaspora by the name Wanjiku told us: "Invest more in education. Through this, you will instil national pride and in 20 years or less, people will pay their taxes, public servants will serve with integrity and the systems will take care of the less fortunate."

We share the same conviction with Wanjiku. It is for this reason that we are heavily investing in education through the free primary education, the free day secondary education, the Digital Literacy Program popularly known as laptops, as well as expanding our technical training institutes and our universities. Of course, we are well aware that in addition to investing in education, investing in health is equally important and working with counties, we have prioritized this sector in funding, including introducing medical equipment leasing initiatives.

On accelerating economic growth rate, a Mr. Gilbert Kiyeng from Elgeyo Marakwet wrote to me and said:-

> "The Government should focus on improving and creating new factories to process agricultural products." He wonders: "Why are mangoes left rotting in farms like in Kerio Valley and potatoes getting wasted during the periods of high yields? The Government should create a factory to process and export dried mangoes and chips. It is a multi-billion business in the Philippines. If we can improve processing of agricultural products, we can create more jobs and expand our economy by more than 10 per cent annually".

This proposal is in line with our plan to transform the agricultural sector, improve productivity, efficiency and coordination throughout the entire value chain. Of course**,** our main role is to facilitate the private sector to join hands with the Government in creating value addition for agricultural produce in the country for both domestic and export markets. That is why we are investing in small holder irrigation and ensuring affordable credit to farmers.

Kenyans are very loud and clear that we should eliminate corruption and wastage. I will say more later on in this Statement on what we are doing in this area. I was delighted by the overwhelming constructive responses by Kenyans who have so far sent me over 285 suggestions, and I would like to assure them that we will take those suggestions into account as we strive to implement our economic transformation agenda.

Let me now turn to the highlights of the 2016/2017 Budget. This Budget is guided by the Government's strategic interventions aimed at transforming our economy into a fully-fledged middle income country sooner rather than later. It is a Budget that will reinforce the foundation that we set three years ago for a strong shared growth and for a sustained reduction in unemployment and poverty.

In brief, we propose improving our revenue collection, including Appropriations-in-Aid (A-in-A) to Ksh1,500.6 billion or 20.3 per cent of GDP, up from the estimated Ksh1,295.4 billion or 19.7 per cent of GDP in 2015/2016. We plan to enhance our efforts to broaden the tax base and improve revenue administration by the Kenya Revenue Authority. Already, we have adopted a simple and modern VAT legislation, while appeals have been consolidated in one legislation. I thank this House for approving a modern and simplified Excise Duty Act and Tax Procedure Act, both of which are now being implemented. Already, those legislations are beginning to yield more revenues for the Government, judging from the performance in the recent four months.

Hon. Speaker, we will be proposing additional tax measures in the following areas:-

a) Promoting growth of industries and employment creation;

b) Facilitating infrastructure development;

c) Enhancing equity and fairness in the tax system and tax administration;

d) Cushioning households' budget to ease the cost of living;

e) Strengthening financial sector stability;

f) Promoting private sector growth.

The Government will continue to rationalise and prioritise expenditures for maximum impact with limited resources. We will also enhance efficiency and ensure value for money. In the Financial Year 2016/17, overall expenditure and net lending are projected at Ksh2,264.8 billion (30.6 per cent of GDP), up from the estimated Ksh1,842.7 billion (28.1 per cent of GDP) in 2015/16. The expenditures in the Financial Year 2016/17 include externally funded development projects amounting to Ksh413.6 billion (5.6 per cent of GDP).

Our expenditures are aimed at supporting growth while helping to crowd in the private sector to take up new opportunities. I will provide details of our expenditure plans shortly. Meanwhile, it is important to acknowledge the support from our development partners who have worked closely with us to align their funding with our national development agenda. I wish to salute all of them for that generous gesture which is a clear vote of confidence in our transformative economic agenda.

On recent economic developments, we have prepared the Budget for Financial Year 2016/17 against a backdrop of slower global growth and increased uncertainty. The pace of many countries. The impact of lower commodity prices on commodity importers is less positive than expected and commodity exporters have to adjust their economies in a more difficult environment. World growth, therefore, slowed from 3.4 per cent in 2014 to 3.1 per cent in 2015 and is estimated at 3.2 per cent in 2016.

Growth in Sub-Saharan Africa weakened from 5.1 per cent in 2014 to 3.4 per cent in 2015 and is projected to decline further to 3.0 per cent in 2016. The slowdown primarily reflects the decline in commodity prices as well as lower demand from China, the largest single trading partner of Sub-Saharan African countries. In addition, the region's frontier markets are adversely affected by tighter global financing conditions. Sub-Saharan African region growth is projected to pick up to 4.0 per cent in 2017, driven by sustained infrastructure investment; buoyant services sectors, strong agricultural production, rebound in commodity prices and timely policy implementation.

Hon. Speaker, on domestic scene, our economy remains resilient and registered relatively strong growth amidst the global economic slowdown, thanks to the ongoing infrastructural investment, increased investor and consumer confidence and improved agricultural production. Today**,** Kenya's growth is relatively much stronger compared to our peers in Sub-Saharan Africa. According to Bloomberg, Kenya's economy is among the top fastest growing in the world. We are ranked as one of the 7 best countries for investments and the second biggest market for retail investors in Africa. Those accolades are not coming from the Government, but from external objective observers of our economy and this should make us proud of our achievements.

Both the IMF and World Bank have lauded our growth of 5.6 per cent in 2015, which was well above the Sub-Saharan African average of 3.5 per cent. Our economy generated 841,600 new jobs, up from 799,000 in 2014, according to the latest Economic Survey released by the Kenya National Bureau of Statistics.

Of course, notwithstanding those achievements, a lot remains to be done in order to decisively deal with the challenges of unemployment, poverty and inequality. Our target to generate 1 million new jobs remains. In 2016, we target to grow by 6.0 per cent and by 7.0 per cent in the medium term. This level of growth will continue generating new jobs and creating economic opportunities for our young men and women graduating from various institutions. The faster we grow above this level on a sustainable basis, the more chances we have of putting a dent on poverty because many more of our youth who are entering the labour market will be more easily absorbed.

Kenya has established a strong track record of macro-economic stability and this Budget underscores our commitment to sustain this effort going forward. In this regard, we shall continue to implement prudent financial and monetary policies in the context of weakened global economy, lower commodity prices and pressure in our exchange rate as the United States (US) continues to tighten monetary policy by raising interest rates. As a result of prudent fiscal and monetary policies, inflationary pressures were contained to 5 per cent in May, 2015. There has been a steady decline in short term interest with the 91-day Treasury bill rate at 7.5 per cent in early June. We will continue to maintain low and stable interest rates going forward.

The current account deficit has narrowed due to lower oil import bill, improved earnings from tea and horticulture exports and strong Diaspora remittances. The deficit was estimated at 6.8 per cent of Gross Domestic Product (GDP) in 2015, a reduction of 3 per cent points from 2014. It is expected to narrow further in 2016.

The exchange rate to the US$ dollar has remained stable exchanging at about Kshs100. Our foreign exchange reserve is at US$7,688.3 equivalent to 5 per cent of months of import cover. This should serve as a buffer to any potential external shocks but, because we live in a vulnerable world, we need further cushion to protect our economy against shocks as we implement our economic programmes. For this reason, the International Monetary Fund (IMF) approved in March this year, a two-year precautionary programme for Kenya totalling US$1.5 billion. This support from the international community is a clear indication that we are doing the right things and that they have confidence in the way we are managing our economy. Those resources with the strong foreign exchange reserves are readily available in the event that Kenya faces severe internal or external shocks. We are well positioned to continue implementing our transformative economic agenda without any major risk of external shocks because we are adequately insured.

I want to turn to the sectorial policies and expenditures. The rest of my Statement will cover the progress made in various strategic areas in our development plan and expenditure allocation, the fiscal projections for 2015/2016 Financial Year, and conclude with the tax and other policy measures contained in the Finance Bill that I have submitted today.

I will start with modernising security. We are part of the global community and are susceptible to various security challenges, including terrorism and radicalisation of a few of our young men and women. We have done a lot in the area of security and more will be done. People in Nairobi and Coast may have by now noticed the surveillance cameras installed in strategic points and roads. This security surveillance system provides real time footage to the National Police Operations Centre enabling security agents to monitor and detect crime. We have also heavily invested in street lights in major cities and towns. We are now reaping significant dividends from our investment in this sector. A testimony of this development is a comment by Mr. Gichana from Nairobi, who said that officers will no longer be blindly sent to the scenes of incidents as specific locations will be identified using Global Positioning System (GPS), thus making work easier. In addition to surveillance cameras, we have also established the command and control centre, expanded police training facilities, acquired police vehicles and motorbikes to enhance mobility across the country. We have enhanced connection of Integrated Population Registration System (IPRS) to agencies and launched the e-passport. We have improved police welfare, continued construction of housing units and recruitment of more police officers hence, improving on police population ratio, among others. We are also prioritising the provision of decent housing for our disciplined forces. To this end, I am pleased to report that we have already signed a Bilateral Framework Agreement between the Government and Shelter Afrique. We are negotiating a financing agreement with the African Development Bank (ADB) and other partners that in the first phase, will see the development of 20,000 units of police housing within 24 months. The construction will commence in October this year. Once Phase I is underway, we expect to concurrently launch additional phases with a view to conclusively addressing housing gaps for police and other disciplined forces which is estimated at over 100,000 units currently.

We have achieved much towards reducing incidences of security in the country and we will not be complacent. Our security modernisation programme will continue to fully assure both domestic and foreign investors and Kenyans in general of safety and security of their lives and investments. In addition, we will enhance security operations especially in areas prone to crime, build capacity for effective and faster investigation and build coordination among security agencies with strong partnerships with communities. Accordingly, I have allocated Kshs124 billion to Defence and the National Intelligence Service (NIS), and Kshs140 billion to the State Department of Interior and Coordination of National Government.

(Applause)

This significant increase in allocation will go towards military and police modernisation, lease financing of police motor vehicles, enhances security operations, police and prison officers' medical insurance scheme, construction and equipping of the National Forensic Laboratory, construction of police stations and housing, secure our borders, among others.

The Government is fully cognisant of the adverse effects that corruption poses to our economy, including inefficiency, low productivity and high cost of doing business. We shall continue strengthening various institutions mandated to fight corruption in the country, particularly the Ethics and Anti-Corruption Commission (EACC), the Department of Public Prosecutions (DPP) and the police. This will enhance their capacity to vigorously combat corruption and recovery of corruptly acquired assets. We have seen the dividends of the coordinated investigation among those agencies under the Multi-Agency Team (MAT) that brings together the Kenya Police Service (Directorate of Criminal Investigation), the EACC, the Financial Reporting Centre (FRC), the Directorate of Public Prosecutions, the Kenya Revenue Authority (KRA) and the Asset Recovery Agency (ARA). More than 360 corruption cases are before the court. The ball is now in the Judiciary's court to expeditiously adjudicate those cases. On asset recovery, MAT has traced, and is in the process of seizing property and assets acquired using proceeds of corruption. We are working with the United Kingdom Government to repatriate about Kshs52 million as proceeds of corruption from the Smith and Ouzman Case. That money will be used to procure 11 ambulances for various hospitals. We are also expecting another Kshs525 million from the Jersey Island Government being proceeds from the entity that was used to transfer illicit money from one of our parastatals; Kenya Power and Lighting Company (KPLC) and are in the process of identifying projects that would be financed by those proceeds. To strengthen the work of the anti-graft MAT, we have allocated Kshs2.8 billion to the EACC, Kshs2.1 billion to the DPP and Kshs300 million to FRC. We are improving our public finance management to pre-empt rent seeking opportunities and eliminate wastage.

Hon. Speaker, we have continued to build up capacity among institutions implementing public financial management reforms. I have rolled out the e-procurement modules under the Integrated Financial Management Information System (IFMIS). Further, I gazetted regulations for the Public Financial Management (PFM) Act 2012 in 2015 for both the national Government and the county governments. These regulations seek to set a standardised financial management system to ensure accountability, transparency, effective, economic and efficient collection and utilisation of public resources. We now require all accounting officers to strictly adhere to those regulations. As a way to dismantle entrenched interests in expenditure executing agencies, we have redeployed all public finance officers – those are accountants, finance officers, internal auditors and procurement officers – to serve in new stations for a maximum of three years. Those who will handle procurement will have to undergo vetting.

Hon. Speaker, the Government will continue to resource and strengthen the capacity of institutions that provide oversight to the PFM, including the National Treasury, Office of the Controller of Budget, Office of the Auditor-General and the Public Procurement Regulatory Authority. We now have in place a new procurement law and public audit law. All public institutions are hereby required to familiarise themselves with those laws, and strictly adhere to the requirements therein. During the Financial Year 2015/2016, we tightened the release of exchequers to ministries and departments so as to ensure efficient use of public resources and reduce wastage. This policy will continue in the Financial Year 2016/2017. This will be complemented by full adoption of the National Treasury single account by September 2016, which will ensure efficient and effective cash management.

To further strengthen governance, we have issued a notice directing all public entities, which included the national Government ministries' departments and agencies, the national Government's state corporations and semi-autonomous Government agencies, and all the 47 county governments to establish internal audit committees with effect from 1st July 2016. The audit committees will be responsible for advising the accounting officers regarding suitability and robustness of the institutions' internal control systems and procedures. Members of the committees shall be sourced competitively. I encourage qualified Kenyans who meet the requirements to apply for those positions when the respective public entities that currently do not comply advertise.

On state owned enterprises, to further improve effective use of our scarce resources, the Government is committed to implement parastatal reforms. In this regard, the Government Owned Entities Bill is currently before the Cabinet. It is on its way to Parliament.

Regarding strategic Government investments that have faced challenges recently, allow me to report as follows:-

We are working to ensure that Kenya Airways turns around its financial position, and it is able to play its role in our economy, especially as a key asset supporting our tourism and transport sector.

On Telkom, I am happy to report that significant progress has been made in which Orange Kenya will sell its shares to a strategic investor. Through this transaction, the Government of Kenya will increase its shareholding from the current 30 per cent to 40 per cent. We expect the new investor to turn around the fortunes of the company so that it will be a sustainable business capable of competing effectively in the telecommunication sector.

Finally, the Government recognises the importance of financially strong Mumias Sugar Company to the economy of western Kenya. Consequently, the Government has allocated Kshs2 billion in this financial year in order to support the revival of the company. We believe we have now laid a strong foundation for its recovery.

On the use of enhanced efficiency on Information and Communication Technology (ICT), access to information, communication and technology is critical for the country's productivity and competitiveness in a knowledge based economy. The Government is, therefore, committed to investing resources as well as providing a conducive environment for the ICT sector to thrive. This will not only improve service delivery, but also cut transaction costs and safeguard Government revenue. Much progress has been made, including digital land transaction services, e-registry, business registration, motor vehicles and drivers licence services and services under the registration of persons, including passports, work permits and visa applications.

I stated in my last Budget Statement that we are moving all payments to Government onto the digital platform. The objective of the Government digital programme is to ensure that all payments to Government are made electronically so as to significantly reduce administrative costs, minimise leakage and expand access to payment points. This has enabled Kenyans to pay for Government services wherever they are and using payment channels of their choice, thus saving them costs associated with transport and queuing time. To date, over 1.7 million Kenyans have registered on e-Citizen payment platform, where they are able to access 115 services from different Government agencies, including some from the county governments. To date, the platform has processed over 2.4 million applications and collected Kshs4.2 billion in Government revenue. Some of the additional services we shall be bringing on board include assessment and payment of Stamp Duty, application for identity cards and inspection of company fines. To assure ourselves that the system is robust and not subject to manipulation, we have instituted an audit whose finding will be used to review the payment architecture. We will work closely with the Ministry of Information and Communication on those aspects.

Hon. Speaker, the Government has made strides in enhancing access to and delivery of Government services to all Kenyans through the one-stop shop service centres popularly known as *Huduma* Centres. By January 2016, we had 40 *Huduma* centres across the country. The target is that each of the 47 counties in the country will have a *Huduma* centre by the end of the Financial Year 2016\2017. This one-stop shop service delivery programme provides channels for a different integrated Government services to the public, including physical centres, online portal, mobile phone services to citizen and a unified and integrated payment gateway known as *Huduma* Card to facilitate payment for Government services. All those developments and innovations go a long way in reducing transaction costs to the *mwananchi*, in addition to improving Government revenue collection by sealing loopholes.

The implementation of the Kenya National Electronic Single Window System is on course. Seventeen modules are now operational while the remaining three will be completed in the next six months. We are beginning to see the benefit of this investment with the time taken to process documentation declining by 50 per cent, while the number of times a client needs to visit a Government agency coming down to zero. At the same time, there is increased uptake by Government agencies processing their permits through the system. This has, therefore, contributed to enhanced efficiency, transparency, accountability, governance and competitiveness, while at the same time improving revenue collection.

Hon. Speaker, the Government has put in place initiatives such as the Presidential Digital Talent Initiative, Digital Literacy Programme, Kenya Transparency and Communication Infrastructure Programme, County Connectivity Programme, Enterprise Kenya, Digital Migration and National Optic Fibre Backbone (NOFBI) Phase II, which will improve the delivery of Government services. In addition, Kenya identified Konza Techno City as one of the national flagship projects to position Kenya as a sustainable world class ICT hub in the region. In this sub-sector, I am proposing to allocate a total of Kshs6.1 billion for single window support project, research development fund, roll-out of IFMIS development at Konza Technopolis, digital migration (KBC) and for the Presidential Digital Talent Programme.

Hon. Speaker, let me now turn to the business regulatory reform and private sector development. As highlighted during last year's Budget Statement, the Government is committed to reducing the cost of doing business and encouraging private sector innovation, entrepreneurship and business expansion in order to have a strong and sustainable high economic growth and reduction in poverty level.

An Inter-Agency Business Environment Delivery Unit has been constituted and tasked with the mandate of coordinating the business processes, re-engineering of six out of 10 World Bank Doing Business Indicators. Those reforms that we are undertaking are expected to further improve our business environment and our overall ranking in the World Bank Ease of Doing Business Report, which has improved significantly from position 129 in 2015 to position 108 out of the 189 economies.

Building on the progress achieved thus far, the Government has further made it easier to register a company through the overhaul of the Companies Act. We have cut to a minimum the old stringent rules that once made it difficult for sole business owners to register as limited liability companies. The Government will continue to simplify and modernise business regulatory regimes, rationalise regulatory fees and other charges and eliminate regulatory and other hurdles that discourage investment.

Further, we shall establish an institutional and legal framework for the management of regulatory charges, including those that are imposed by the county governments.

Hon. Speaker, allow me to thank the Members of Parliament for taking time to review and pass the necessary pieces of legislation to enable many of those reforms to be implemented. I would also want to ask for your support to prioritise debate and passage of other pieces of legislation which are aimed at strengthening the business environment.

Let me now turn to the financial sector stability and development. Kenya's financial sector development continues to support economic growth through mobilisation of large savings to finance investment needs. In 2015/2016 World Economic Forum Global Competitiveness Report, Kenya ranked number 42 in the world out of 140 countries for the financial market development. In 2015, our capital market industry was voted the most innovative in Africa by Africa Investor, thus placing our capital markets in line for a global financial centre ranking and solidifying our position as the regional financial hub.

Kenya's banking sector continues to expand locally and across the Sub-Saharan African region with innovations driving financial inclusion. In the 2016 FinAccess Survey, Kenyans access to financial services improved to 73.5 per cent up from 66.7 per cent in 2013. In 2015, Kenya was ranked position one in the world for leveraging technology to drive inclusion by Brookings Financial and Digital Inclusion Project.

(Applause)

In this context, I want to assure my fellow Kenyans that our financial sector remains strong and stable. The recent placing under receivership of three banks was due to specific factors related to those banks and not to the whole banking sector. Nevertheless, in order to prevent similar occurrences in the future, the following measures are being implemented:-

First, I will be presenting shortly to Parliament the Central Bank Bill which has already been approved by the Cabinet.

Second, we are enhancing the oversight of commercial banks IT systems while, at the same time, improving the skills of Central Bank's supervisory staff on ICT and forensic audits. In addition, the Central Bank is in the process of recruiting skilled IT staff to strengthen its technical capacity.

Third, we are also strengthening the Central Bank's supervisory functions in terms of numbers and competencies.

Fourth, we are insisting on strengthening corporate governance practices in banks.

Fifth, we are review the quantum of penalties for regulatory violation.

Sixth, the CBK is also considering publication of its enforcement actions against institutions.

Seventh, working with the relevant agencies to duly investigate and prosecute cases of financial fraud promptly.

Eighth, we intend to strengthen the bank resolution process under the Banking Acts as well as the Kenya Deposits Insurance Corporation Act.

The Government continues to implement measures to address the high cost of credit and to expand access of credit in the economy. We have developed the Movable Property Security Rights Bill, 2016 which provides for borrowing using movable assets as collateral for enforcement of security rights by lenders and protection of borrowers using such collateral. In addition, we are developing the electronic collateral registry where lenders will be able to launch their security rights on specific collateral through an online platform.

(Applause)

This year, I will be putting special focus on enabling the financial sector to play its role in enabling Kenyans access affordable housing. In this regard, on the demand side, I have gazetted a legal notice to provide a window for the National Social Security Fund to invest in prescribed financial vehicles for development of affordable housing. In addition, we are working with our development partners to put in place a mortgage liquidity facility which will provide long term funding to financial institutions, including SACCOs to enable them provide longer tenure of mortgages to the public.

(Applause)

We have also developed a raft of measures aimed at smoothening the land titling and collateralisation process including the ongoing digitalisation of the land registry. On the supply side, we shall operationalise incentives to facilitate developers of low cost housing for them to provide infrastructure which would otherwise have been provided by the county or national Government.

To cement progress made thus far and in the spirit of consolidating Kenya's position as the financial hub in the region, I have already exposed for public comments the Nairobi International Financial Centre Bill which has already undergone extensive stakeholder consultation. The Bill provides a framework to strengthen Kenya's position as a financial hub of choice in the region through incentives, addressing bottlenecks and putting in place the necessary market infrastructure and market development. I will also be tabling the Financial Services Authority Bill which provides for much more than a simple merger of the existing non-banking regulatory by encompassing issues of market conduct, financial services, consumer protection and addressing existing regulatory gaps such as regulations of credit provision.

We are also moving to strengthen both the primary and secondary markets for Government securities which constitute a major component of our capital markets. This will include: introducing electronic bond auctions which will spare investors from the current manual process of submitting paper bids, separating the retail and the wholesale component of the market, introducing primary dealers and market dealers and establishing an efficient horizontal repo market. In addition, with volatility in interest rates having been tamed, we shall now proceed with the M-Akiba Government Bond, the world first purely mobile phone based Government security.

The retirement benefits sector has continued to experience significant growth. The Government is, however, concerned about the confusion, duplication and unhelpful competition that has characterised the retirements arrangement for workers under the county governments since the enactment to the new Constitution. There remains a compelling need for a framework that will ensure maximisation of the benefit of pooling staff pension assets, facilitate mobility of staff across county governments and between national and county governments and bring on board universal norms and standards benchmarked with international best practice. This framework should cover all county government workers including those initially seconded from the national Government, those from the defunct local authorities and those employed by the county public service boards and county assembly service boards. In this regard, the National Treasury as the Ministry charged with the pension policy will be working with all parties to rapidly put in place a comprehensive solution once and for all. I urge all stakeholders, including the National Assembly, the Senate and the Council of Governors to co-operate with us on this matter to allow for the best long term and sustainable solution in the interest of the county workers.

Further, in order to support the insurance industry in Kenya, Section 20 of the Insurance Act expressly prohibits placement of "Kenyan Business" with non-Kenyan or foreign insurance markets, except under certain circumstances. Despite the existence of the law, imports into Kenya continue to be on cost, insurance and freight basis instead of cost and insurance basis. In effect, this denies insurance companies registered in Kenya huge business that could substantially benefit the industry and the economy as well. To address this, I direct the Kenya Revenue Authority (KRA) to work with the relevant stakeholders to ensure that this part of the law is implemented. This will also be beneficial to Kenyan importers who, under the current practice, have limited recourse if anything happens to their imports before they arrive in the country.

Let me now turn to infrastructure development and growth. In order to achieve our objective of having in place world-class infrastructure, the Government will continue with the ongoing public investments in roads, rails, ports, energy and water supplies in order to propel Kenya's economy towards prosperity. Much progress has been achieved in the implementation of the road rehabilitation and construction programme and a number of key projects in the roads sector have been completed. We will also step up road transport safety and regulation that is aimed at developing and implementing road transport policies for an efficient, effective, safe and decongested transport system.

Some of the major ongoing projects include the Northern Corridor Transport Improvement Project (NCTIP), decongestion and improvement of the roads in cities and urban areas, rehabilitation of access roads and the Lamu Port-South Sudan-Ethiopia-Transport (LAPSSET) project. The Government will continue to enhance road network connectivity across the country with the aim of enhancing trade, commerce, agricultural productivity and regional trade. To this effect, the Government has earmarked for construction 3,800 kilometres of low volume seal roads across the length and breadth of the country to open up rural areas and farm-lands.

To decongest the major urban areas, the Government will continue with the expansion of major roads. Currently, dualling of the Outering Road in Nairobi is progressing well. The dualling of Ngong Road to Adams Arcade has started and is expected to be completed in the next two years. Further, the Government, in partnership with the Nairobi City County will fast-track the realization of the Nairobi Metropolitan Mass Rapid Transport System and implementation of the Nairobi Metropolitan Transport Authority Bill.

The construction of the Standard Gauge Railway (SGR) from Mombasa to Nairobi has progressed well and is now over 80 per cent complete. It is expected to be launched by June 2017 by His Excellency the President. This rail will significantly reduce the cost of transport, facilitate faster and cheaper movement of freight and passengers and enhance competitiveness of the economy, thereby positioning Kenya as a regional business hub. In this Budget, I have further allocated Kshs154.4 billion for the SGR, of which Kshs118.2 billion is externally financed from China and Kshs36.2 billion is contribution by the Government of Kenya (GOK). Regarding Phase II of the SGR that will run from Nairobi to Naivasha, we have already concluded discussions on funding and we expect construction to start in the 2016/2017 Financial Year. With the completion of the new rail, there will be developments of industrial parks along the SGR line at Ndogo Kundu in Mombasa, Voi, Mtito Andei, Nairobi and Naivasha, which will help boost our manufacturing sector and its contribution to the Gross Domestic Product (GDP) and help create jobs for our youth.

The Government has made good progress with regard to the reforms and modernization of the Port of Mombasa, especially in expansion of container terminals. This, together with the ongoing integration of the Single Window System and other related systems, will facilitate faster, efficient and competitive clearance of cargo, positioning the Port of Mombasa as the preferred hub in Eastern and Central Africa.

With regard to air transport, the screening yard and security toll gate at the Jomo Kenyatta International Airport (JKIA) have been completed, while rehabilitation work at the five airstrips in Nanyuki, Ikanga, Lodwar, Embu and Malindi and expansion and modernization of Isiolo and Kisumu airports are ongoing. Going forward, we will scale up the ongoing airports expansion and modernization, commission the new Terminal 1E and commence work on the second runway at JKIA, which is expected to be completed by the end of 2018. We also plan to commence the expansion of the Eldoret International Airport to enable large cargo planes to land and position it as a transport hub. To realise some of the interventions that I have highlighted above, I have allocated, including external financing, a total of Kshs117.6 billion and Kshs30 billion for low volume seal roads. Of this, Kshs23.8 billion will be through the normal ministerial roads budget while Kshs6.7 billion will be from the Equalisation Fund specifically for the marginalised areas.

With regard to the ports, I have allocated Kshs0.8 billion for the ongoing upgrading of Malindi Airport, Isiolo Airport, Suneka Airstrip and Lokichoggio Airport. I have also allocated Kshs0.5 billion for the acquisition of two ferries for the Likoni Channel, Kshs5.5 billion for the Mombasa Port Development Project financed by development partners and Kshs10 billion for the LAPSSET project.

In order to boost regional trade, the Government will prioritize the construction of the East Africa Road Network (Voi-Mwatate-Wundanyi and Malindi-Mombasa-Lungalunga Road sections), the construction of the Kisumu-Kakamega Road under the Kenya Transport Sector Support Programme and the construction of the 600-kilometre South Sudan link road.

Our commitment to provide affordable and competitive electrical energy remains on course. Significant progress has been made towards generation of 5,000 megawatts of power. To date, 615 megawatts of power have been added to the national grid. This has significantly reduced the cost of power. We will continue to exploit the vast geothermal resources that Kenya is endowed with by creating a conducive environment for investors to invest, including providing a competitive Power Purchase Agreement (PPA), letters of support and risk guarantee arrangements.

Further, we expect to produce 300 megawatts of power from wind in the next one year with the ongoing works at the Lake Turkana Wind Project. Those resources are expected to increase our clean energy mix, cementing Kenya's position as world leader in renewable energy. The additional power supplies will significantly reduce the cost of doing business, spur growth of enterprise and industries and accelerate the creation of jobs in the industrial and other sectors.

We are implementing a programme to connect, at least, 70 per cent of Kenyan households to electricity by 2017 and, subsequently, reduce the connection cost and time by at least 60 per cent in the medium-term. Already, about 5 million households, 14,950 public primary schools and 980 public facilities have been connected to electricity under that programme. To fund specific intervention in the energy sector, we have allocated Kshs120.2 billion of which Kshs81.6 billion is from our development partners and Kshs38.5 billion is from the GoK in the 2016/2017 Financial Year. This will cater for geothermal development; power transmission; Rural Electrification Programme; Last Mile Connectivity; National Street-Lighting Programme; electrification of public facilities; exploration and distribution of oil and gas; installation of transformers in constituencies; connectivity subsidy and Liquefied Petroleum Gas (LPG) distribution and infrastructure programme.

Since 1996, Kenya has continued to attract private investment into the infrastructure sectors including sectors such as telecommunications, energy, transport, water and sewerage. Available public sector resources are limited to finance competing and critical infrastructure needs. In this context, the Government has recognized the critical role that can be played by the private sector in mobilizing resources for infrastructure development, and is using the Public Private Partnership (PPP) arrangement to accelerate infrastructure development, including the development of the 500 kilometres of roads under the annuity approach; the ongoing development of geothermal power; the construction of Kenyatta University hostels, the planned development of a seaport in Kisumu; the expansion of the Mombasa-Nairobi-Malaba Highway and the construction of the second Nyali Bridge in Mombasa among others. Specifically on the road annuity programme, we expect to commence the construction of the first batch of the roads with funding from the Annuity Fund which has currently received over Kshs9.5 billion.

Hon. Speaker, on agricultural transformation for food security, we have made significant progress in reducing our dependence on rain-fed agriculture. In order to realise our goals in this area, we shall continue investing in irrigated agriculture to build resilience in the economy and also improve our food security. We are pleased by the progress made in the implementation of the 10,000-acre pilot phase in Galana-Kulalu. Drawing from the lessons learned from that pilot phase, we shall roll out a programme covering at least 100,000 acres in Galana-Kulalu and other designated suitable schemes throughout the country under a viable business framework that involves the private sector.

To implement the ongoing programmes under this sector, I have allocated Kshs20.8 billion for the on-going irrigation projects countrywide. They include the Galana-Kulalu Irrigation Project interventions to transform agriculture from subsistence to productive commercial farming. The funds will also fund the Mwea Irrigation Project and the National Expanded Irrigation Programme.

In order to improve yields and output for our farmers, I have set aside Kshs4.9 billion for subsidised fertilisers and seeds. Further, I have allocated Kshs1.6 billion for strategic food reserves. This is to enable the country maintain adequate food reserves. I have also allocated a total of Kshs8.4 billion for acquisition of the Offshore Patrol Vessel for the fisheries sub sector, modernization of the Kenya Meat Commission, the revival of the pyrethrum sector, livestock and crop insurance schemes, livestock value chain support and mechanisation of agriculture. I have also set aside Kshs1 billion for crop diversification programme in the Meru region for *miraa* farmers, and Kshs2.4 billion for coffee debt waiver and STABEX.

Hon. Speaker, let me go to the promotion of industrialisation for export, growth and employment. The manufacturing sector is a key driver to economic growth, particularly in the agricultural sector through growth of exports and job creation. For this reason, the Government is keen to establish industrial and technology parks to catalyse innovation and value addition. The Government will also establish green industrial parks under the Special Economic Zones (SEZs) along the Standard Gauge Railway (SGR) line from Mombasa to western Kenya. That includes the shores of Lake Victoria and within the proximity of geothermal wells to provide cheaper and faster transport and logistics, access to near free steam and water, cheaper geothermal power and leverage other by-products for industrial, livestock and agricultural development.

As members are aware, the Pan Paper Mills, we sold under receivership. The new owners have promised to make the necessary investments to revive the company and revitalise the economy of its host community. We will monitor developments very closely to ensure that the undertakings provided by the new owner are, indeed, implemented.

Hon. Speaker, so as to promote the development of industries and extractive sectors of the economy, we have allocated a total of Kshs7.7 billion to the National Airborne Geo-Physical Survey (NAGPS), the leather industrial park development, textile development, ease of doing business, modernisation of the Rift Valley Textiles (RIVATEX), and an ongoing modernisation and debt for the New Kenya Co-operative Creameries (KCC).

On empowering the youth, the Government is cognisant of the fact that unless we invest in the potential of the youth, we will not achieve real demographic dividends in the future. Two years ago, we revamped the National Youth Service (NYS) as a vehicle for recruiting our young men and women into national service. That programme helped in inculcating the culture of patriotism, service, volunteerism, civic competence and social cohesion not only amongst the trainees, but also with other young people within their communities. This programme created a lot of hope to our youth by preparing them for the job market and other income generating activities while, at the same time, providing them with opportunities to serve our country. We shall continue supporting that programme for the benefit of our youth who acquire artisanal skills, crafts and technical training. The skills gained will enable the youth to contribute to our national economic development.

So as to meet the commitments we have made to our youth through the NYS, I am allocating Kshs21.1 billion towards gender and youth empowerment programmes. To further address the issue of youth unemployment, we shall be implementing the Youth Empowerment Programme (YEP) funded by the World Bank. This programme targets to increase access to youth-targeted employment programmes and improve their employability.

Hon. Speaker, last year, I proposed to introduce a tax rebate scheme for employers who employ and train at least 10 fresh graduates for a period of between six and 12 months. I have developed the regulations and I will be proposing to gazette them under the Tax Measures. This is to make our young graduates employable by preparing them for the job market so that they can contribute to nation building.

The Government recognises the role of Small and Micro-Enterprises (SMEs) as a source of employment. As noted in my statement last year, growth of this segment continues to be hindered by inadequate capital. In addition, limited market access, poor infrastructure, inadequate knowledge and skills, rapid changes in technology and, sometimes, unfriendly laws and regulations continue to hamper the growth of SMEs in Kenya. To address those challenges, we will continue:-

(i) entrenching Buy-Kenya-Build-Kenya policy in all public procurement;

(ii) enforcing the legislation on preferences and reservations that require, at least, 40 per cent local content in all public projects;

(iii) continuing to increase allocations to the *Uwezo* Fund and the Youth and Women Enterprise Fund (YWEF) by Kshs1.6 billion in the 2016/17 Financial Year;

(iv) supporting Small and Medium Enterprises to acquire small industrial plants for value addition of agricultural products currently produced under the *Jua Kali*; and,

(v) supporting research and development to boost science, technology and innovation.

Hon. Speaker, some of the economic stimulus projects that were initiated a while ago remain incomplete. In order to complete those projects, I have allocated a total of Kshs1.6 billion for upgrading of the national schools, purchase of computers, aquaculture development and for prototype fresh produce and wholesale markets.

(Applause)

Cultural diversity, sports and arts foster inclusion in addition to being central to our tourism strategy. The tourism sector is well on its way to recovery largely owing to the improvement in security, which has resulted in the withdrawal of travel advisories by key tourist source countries. The Government will continue focusing on improving security in the country as well as strengthening visitor experience, packaging tourism sector incentives and revamping the tourism communication strategy in order to ensure the sector recovers fully. To this end we have allocated Kshs.4.5 billion for tourism promotion activities, in addition to some tax incentives that I will be announcing shortly.

Hon. Speaker, The Government has established the Anti-Doping Agency and initiated the process of improving sports facilities in Eldoret, Mombasa, Kisumu and Nairobi in order to strengthen our sports and arts. Further, we have acquired and preserved 63,878 heritage collections for posterity, restored 19 sites and monuments; acquired 34,409 public records for preservation; and digitized 1,898,130 million public records and archives. Going forward, the Government, in partnership with key stakeholders, will continue to promote and develop tourism, sports, conserve national heritage and enhance integration, cohesion and patriotism and promote vibrant art culture. To develop, preserve and protect our culture and national heritage, I have proposed to allocate Kshs.1.9 billion for sports, culture and arts programmes. In the area of film and music, to ensure that Kenya reclaims its position as a leading destination, the Government, in consultation with relevant stakeholders, will roll out the required incentive packages.

Hon. Speaker, on quality and relevant education for all Kenyans, to further enhance access and transformation of the education system through e-teaching and e-learning, we have set aside a total of Kshs.13.4 billion for the Digital Literacy Programme commonly known as the School Laptop Project to schools development of digital content, building capacity of teachers and rolling out computer laboratories for primary schools throughout the country.

As we speak, the laptop idea has already become a reality for 11,500 pupils across the country. We sampled some of the reactions after the initial roll out of the laptops to our schools: A 10 year old boy by the name Maina from Roysambu Primary School said: “I cannot wait to learn new things and play educative games on the laptops.” Further, his Head Teacher, Ms. Sarah Nyota, added: “It is not only the pupils who are enthusiastic at Roysambu, parents are giving it their full backing and are donating laptops to help expand the pool of computers, so all 1,700 students get a chance to use them. Some parents even help build the storage facility and charging units for the laptops. The world out there is moving fast and we cannot, as a country, afford to remain behind in terms of technology”.

Hon. Speaker, a Standard Six pupil in Kakamega Primary School, Belinda Mwonja, was overjoyed with her new acquisition and said: “I have never used a laptop but I am sure after being taught, I will master it fast.” Therefore, the impact, excitement and expectations are clearly self-evident. We shall ensure the remaining schools get their laptops in the Financial Year 2016/2017.

To further support the ongoing programmes within the education sector, I have made the following allocations: Kshs.32.4 billion for Free Day Secondary School Education; Kshs.14.7 billion for Free Primary Education; Kshs.4.5 billion for recruitment and promotion of teachers; Kshs.2.8 billion for the second phase of the teachers house allowance; Kshs.2.5 billion for technical training institutes; Kshs.400 million for sanitary towels for girls in schools; Kshs.2.6 billion for School Feeding Programme; Kshs.3.2 billion for subsidy to Kenya National Examinations Council (KNEC) for examination fee waiver; Kshs.9.1 billion for Higher Education Loans Board; and, Kshs.57.8 billion for University Education.

Hon. Speaker, let me now turn to equity, poverty reduction and social protection for vulnerable groups. The Government’s support for social safety nets programme has grown significantly over the years and we will continue to set aside resources for affirmative action interventions. Further, we have set up a single registry for the National Safety Net Programme in order to improve transparency, accountability and reduce costs. Going forward, we will empower persons with disabilities for self reliance through training and decentralize the single registry for the National Safety Net Program to counties.

Accordingly, in order to address the plight of the less disadvantaged in the society, combat poverty and promote equity, the social protection safety net in form of cash transfers has been enhanced as follows: Kshs.34.5 billion for National Government Constituency

Development Fund (NGCDF); Kshs.2.1 billion for Affirmative Action for Social Development; Kshs.6 billion for Equalization Fund; Kshs.7.9 billion for Orphans and Vulnerable Children (OVC); Kshs.7.3 billion for elderly persons; Kshs.1.5 billion for those with disabilities; Kshs.0.4 billion for street families rehabilitation; Kshs.400 million for Children Welfare Society; and Kshs.400 million for Presidential Secondary School Bursary Scheme.

Further, I have set aside Kshs.6.0 billion for the final phase of resettling the IDPs and for the Restorative Justice.

Hon. Speaker, I now move to the quality and accessibility of health care services for all Kenyans. The Government recognizes that investment in quality healthcare services is essential in developing a healthy population with higher productivity for sustainable economic growth. In partnership with county governments, we have equipped most hospitals in the country with specialized state of the art healthcare equipment through leasing. These include modern theater equipment, surgical and sterilization equipment, laboratory equipment, kidney dialysis equipment, ICU facilities, digital X-ray machines and ultra sound and imaging equipment.

In addition, our policy objective of preventive healthcare programme, aimed at eradicating infant and maternal mortality, has achieved significant progress. The free maternal service has been a success with the number of deaths of children under the age of five declining from 100,000 in 2013 to 70,000 currently while mortality for mothers giving birth has declined from 6,000 in 2013 to 4,300 currently. One health care worker in a public hospital noted: "Overall, I can say that free maternity service is doing a good job. For example, we used to have so many mothers crowded in the maternity world because they were waiting to clear the bills but, nowadays, they deliver and go home depending on the mode of delivery. If normal delivery, they stay in the facility for 24 hours, if caesarean section we discharge them on the 3rd post-operative day, so, we never have mothers overcrowded in the department like we used to. This has eased the pressure on the healthcare workers."

Hon. Speaker, again, as Dr. Kimuu noted: "Before the programme, many mothers would be detained at health facilities because they were unable to raise the maternity fees being charged at a public institutions, but this has now changed." These are some of the growing tributes to the free maternity programme.

In the Financial year 2016/2017 Budget, to further support the programme, I have allocated Kshs.4.3 billion for Free Maternity Healthcare. To further support the Managed Equipment Services and scale-up the supply of specialized medical equipment to hospitals, I have allocated Kshs.4.5 billion for lease of medical equipment. Other allocations that I have proposed in this sector include Kshs.8.8 billion for Kenyatta National Hospital; Kshs.5.8 billion for Moi Teaching and Referral Hospital; Kshs1.7 billion for Kenya Medical Research Institute; Kshs3.0 billion for Doctors/Clinical Officers/Nurses internship programme; Kshs0.6 billion for the National AIDS Control Council; Kshs0.9 billion for Free Primary HealthCare (Removal of 10-20 Policy); Kshs0.7 billion for the Slum Clinics Upgrading Programme (Portable Clinics); Kshs0.5 billion for Health Insurance Subsidy Programme (Elderly & Disabled); Kshs1.3 billion for the rollout of universal health coverage; and Kshs3.5 billion for Kenya Medical Training College (KMTC).

Access to clean and affordable water is indispensable for eliminating the burden of disease. For this reason, the Government will continue to invest in clean water supply and put in place measures to control floods and harvest rain water as well as to protect and conserve the environment thus connecting over one million additional Kenyans to safe drinking water.

In order to mitigate the impact of climate change, Hon. Speaker, the Government will continue to mainstream climate change measures into its projects and programmes. We shall therefore enhance our tree planting and re-forestation, water harvesting, smart agriculture, technologies that reduce pollution levels, investments in green energy, construction of mini dams, water pans and rehabilitation of existing dams and water pans.

The Constitution of Kenya and Vision 2030, and in line with the Sustainable Development Goals (SDG 6), promises universal access of safe water and sanitation for all by 2030. It is with this in mind that the Embassy of Sweden came up with Kenya Innovative Financing Facility for water that will establish a Kenya Pooled Water Fund (KPWF) to facilitate financing of the water sector infrastructure by issuing longer term bonds in the local capital market. This will be lent to credit worthy Water Service Providers (WSPs) to build water and sanitation infrastructure. This programme will leverage the existing Ministry of Water and Irrigation budget by raising a minimum of Kshs3 billion in infrastructure bonds on an annual basis.

As you are aware, Hon. Speaker, Kenya will go into elections in August 2017. The Government is committed to a free and fair general election. Towards this end, we have allocated the Independent Electoral and Boundaries Commission (IEBC), Kshs19.7 billion for them to adequately prepare and conduct the general elections. We have also allocated to Parliamentary Service Commission and to the Judiciary Kshs28.4 billion and Kshs15.8 billion, respectively.

Since the Financial Year 2013/2014, the National Government has supported devolution as stipulated in the Constitution and the PFM Act 2012. As evidence of this commitment, significant financial resources have been channelled to counties to determine and finance their own priority programmes in line with the National Development Agenda.

Over the last three financial years since devolution was introduced, the National Government has allocated more than Kshs710 billion to the counties. Majority of this allocation - some Kshs676 billion - was transferred in the form of counties' equitable share of nationally-raised revenue. During the just-ended three-year transition period, annual aggregate fiscal allocations to the counties – that is, including additional conditional allocations - increased from Kshs195 billion in 2013/14 to Kshs288.0 billion in 2015/16, representing a growth of more than 42 percent. Hon. Speaker, I want to say that since July 2013 (when devolution took root), we have disbursed every single penny due to counties in every financial year. Indeed, as at today, we have disbursed all equitable share funds for the eleven months to May in this current financial year 2015/16. We are now preparing to disburse the last batch for the month of June.

In the Financial Year 2016/17, Parliament has approved allocations to county governments amounting to Kshs280.3 billion as the equitable share of revenue raised nationally. This allocation guarantees county governments of a Kshs20.5 billion increase over and above the equitable share allocation in the Financial Year 2015/16. Furthermore, this allocation is more than double the constitutional minimum of 15 per cent of the latest audited revenues.

We have also provided additional conditional allocations to county governments, amounting to Kshs23.9 billion that include: Conditional grant for Level-5 Hospitals of Kshs4.0 billion; Special Purpose Grant of Kshs200.0 million to support emergency medical services in two counties (Lamu and Tana River) which are vulnerable to terror attacks; Grant for free maternal healthcare of Kshs4.1 billion; Kshs900 million conditional grant to compensate county governments for foregone user fees (which was abolished); Kshs4.5 billion for financing the leasing of medical equipment; Kshs4.3 billion for the Road Maintenance Fuel Levy Fund; Kshs605 million for construction of county headquarters in five counties and Kshs5.3 billion conditional loans and grants from the World Bank, Denmark.

This brings the total allocation to county governments to Kshs304.2 billion which is equivalent to 33 percent of the most recently audited revenues approved by the National Assembly. Cumulatively, at the end of the Financial Year 2016/17, the amounts transferred to county governments since the roll out of the devolved system of Government in Kenya, will be in excess of Kshs1 trillion, a remarkable support to service delivery, and a clear demonstration of the Government's commitment to ensure that devolution succeeds.

Since the establishment of county governments in 2013, we have continued to receive complaints from citizens and business enterprises on the haphazard manner in which user fees, service charges and property rates are being levied at the county level without participation by key stakeholders or public consultations. We have witnessed a number of counties introducing multiple regulations, forcing businesses to pay for numerous licences and permits, especially between jurisdictions. Such regulatory practices are clearly contributing to an unfriendly business environment, with adverse implications for investment, employment and economic growth.

At the same time, certain county revenue instruments – such as cess may be in violation of the Constitution, while others – such as the Single Business Permit may have a weak basis, under the current legal environment.

Towards this end, the National Treasury, jointly with all the relevant State agencies as well as the Council of Governors, has commenced a process to develop a National Policy and Legal Framework to guide county governments' revenue raising measures particularly on own-source revenue. This exercise is specifically intended to promote a conducive business environment and ensure compliance with Article 209 (5) of the Constitution, as well as better coordination and a well-defined mechanism for regulating business activity countrywide. The exercise is also intended to support efforts by county governments to enhance their own-source revenues, reduce the tax gap and improve the alignment between county budgets and policy priorities.

Hon. Speaker, allow me to emphasize that all organs of Government ought to abide by the resolutions of the Fifth National and County Government Co-ordinating Summit held in Sagana in February 2016. This summit adopted a policy of austerity aimed at eliminating wastage so as to release more resources from recurrent expenditure to development expenditure.

I now turn to Equalization Fund. I have allocated Kshs6 billion from the Equalization Fund to be disbursed among 14 counties as recommended in the policy on marginalised areas. We expect that the Equalization Fund allocation for Financial Year 2016/2017 as well as previous allocations currently being held in the Equalization Fund account at the Central Bank of Kenya (CBK), amounting to Ksh6.4 billion will be fully disbursed in the budget year 2016/2017, following Parliament's approval of the Fund's guidelines and the Fund's official launch by His Excellency The President on March 11th 2016.

The Equalization Fund allocation for the Financial Year 2016/2017 represents approximately 0.6 per cent of the last audited revenues approved by the National Assembly, which exceeds the constitutionally-prescribed minimum of 0.5 percent. The allocations from the Fund will be used to finance identified projects in 14 marginalised counties. The resources will be appropriated and channelled through the relevant Ministries.

Before I move to the revenue measures to finance the planned expenditures, let me note that we are in the final stages of getting parliamentary approval for the Estimates of Expenditure submitted to this House in April 28th 2016 for us to prepare the Appropriation Bill. We will be providing comments to the Report of the Budget and Appropriation Committee on the Estimates shortly.

Hon. Speaker, allow me to first provide an overview on the implementation of the 2015/2016 budget. During the course of the year, we witnessed revenue shortfalls in the Financial Year 2016/2017 and increased expenditure requirements to cater for security among others. Arising from the revenue shortfalls in the Financial Year 2016/2017, we instituted various measures aimed at aligning the expenditures with the revised resource envelope. These included measures to curb non-priority expenditures and to free resources for more productive purposes as well as expenditures cuts on slow and delayed projects.

These measures were rationalised through a supplementary budget that we tabled in Parliament recently. Hon. Speaker, we estimate revenue collection including Appropriation-in-Aid of about Ksh1.3 trillion by end of this month. Of this, ordinary revenue is projected at Ksh1.184 trillion.

Overall expenditure and net lending are projected at Ksh1.842 trillion by end of this month. We expect a fiscal deficit excluding spending related to the Standard Gauge Railway (SGR) of Ksh398.1 billion or 6.1 percent of GDP.

Hon. Speaker, allow me now to turn to the financial projections for Financial Year 2016/2017 budget. First, the Budget Policy Framework for Financial Year 2016/2017 and the medium term is in line with the commitment that we made three years ago and aims at striking a balance between supporting rapid and inclusive economic growth and continued fiscal discipline. The Government will continue to reduce the overall fiscal deficit and put emphasis on efficiency and effectiveness of public spending and improve revenue performance. Specifically, the fiscal policy aims at raising revenue efforts to above 21 per cent of GDP over the medium term and containing growth of total expenditure.

For Financial Year 2016/2017, the budget targets revenue collection including Appropriation-in-Aid of Ksh1.5 trillion. Of this, ordinary revenue is projected at Ksh1.37 trillion or 18.6 percent of GDP.

This year, we have witnessed revenue shortfalls and arising out of this, Kenya Revenue Authority (KRA) has instituted various measures to seal revenue leakages in customs administration particularly by use of Certificate of Conformity (CoC) while valuing imported goods for payments of duty. Other measures include expansion of withholding VAT agents for suppliers to county governments, targeting nil and non-filers; Rental Income Programme and operationalisation of the Tax Appeals Tribunal. Further, a reputable consulting firm has been engaged to deep-dive into KRA business processes and systems to identify any gaps and weaknesses and propose requisite adjustments needed to ensure the 2016/2017 revenue targets are met. This, together with other measures I will be proposing shortly, will provide a stronger basis for achieving the set revenue targets.

Overall expenditure and net lending are projected at Ksh2.26 trillion or 30.6 percent of GDP. The expenditures reflect support to ongoing infrastructure projects in roads, SGR, ports, energy and security, among others. Part of this development budget will be funded by project loans and grants from development partners while the balance will be financed from domestic sources. I wish at this stage to thank all the Development Partners for the commitment and support for our development agenda.

In line with the constitution and the PFM Act 2012, a contingency provision of Ksh5 billion has been provided for in the Financial Year 2016/2017 budget to cater for unforeseen expenditures. Further, as indicated earlier, the Equalization Fund has been allocated Ksh6 billion to cater for critical development expenditure in water, roads, health, and energy in marginalised areas to improve services in those areas to the standards in other areas. This, together with the accumulated deposits of Ksh6.4 billion, brings the total available resources in the Equalization Fund to Ksh12.4 billion. The National Treasury has proposed utilization of these funds as per the recommendations of the Commission on Revenue Allocation.

The expenditure creates a financing gap of Ksh691.5 billion, but excluding SGR which is fully funded by China, the deficit is Ksh603.2 billion. The overall gap will be financed by net domestic borrowing of Ksh225.3 billion or 3 per cent of GDP and Ksh462.3 billion net external borrowing or from concessional loans from development partners and other domestic financing of Ksh4 billion.

Going forward, we remain committed to bringing the fiscal deficit down gradually to below 4 per cent of GDP in the medium term. This reduction should strengthen our debt sustainability position. In this context, allow me to assure this honourable House that Kenya's public debt remains sustainable. We have been careful to maintain our external and domestic debt well within our capacity to service the same. A recent Debt Sustainability Analysis conducted jointly by the Government, the International Monetary Fund (IMF) and the World Bank concluded that Kenya continues to face low risk of debt distress, with the net present value of our public debt to GDP being below 50 per cent. As our debt is principally focused on the development of infrastructure, it is significantly beneficial to Kenyans.

I now turn to the Tax Measures and Miscellaneous Amendments. Hon. Speaker, the rest of my statement outlines various tax measures and miscellaneous amendments that I intend to introduce through the Finance Bill 2016 and the regulations.

Hon. Speaker, the tax measures and miscellaneous amendments I intend to propose hereunder are broadly categorised into six priority areas, which complement the broad policies I have outlined in the earlier part of my statement. These include:

1. Promoting growth of industries and employment creation
2. Facilitating infrastructure development
3. Enhancing equity and fairness in the tax system and tax administration
4. Cushioning households' budget to ease the cost of living
5. Strengthening financial sector stability
6. Promoting private sector growth

On promoting growth of industries and employment creation, our iron and steel mills are closing down due to unfair competition from cheaper imported iron and steel products. In order to protect and create more jobs for our youth in the iron and steel sector, I have introduced a specific duty rate of USD 200 per metric tonne on a wide range of iron and steel products which are available in the region to cushion our local manufacturers from unfair competition.

(Applause)

Hon. Speaker, plates and sheets of aluminum alloys are the major raw materials used in the manufacture of aluminum cans. These raw materials are not available in the region. In order to attract investments in the can manufacturing sector, I have remitted the import duty on aluminium plates and sheets to allow manufacturers of aluminum cans in the country to import the inputs under the duty remission schemes at a rate of 0 per cent instead of 25 per cent In addition, I have increased the rate of import duty on aluminum cans from 10 per cent to 25 per cent to protect local manufacturers of the cans.

Hon. Speaker, the World Health Organization (WHO) requires manufacturers of pharmaceutical products to install specialised air conditioning equipment commonly known as Heating, Ventilation, and Air Conditioners (HVAC) in order to comply with good manufacturing practices. In this regard, I have exempted the HVAC Air Conditioners from payment of duty in order to make them affordable to the manufacturers of pharmaceutical products.

Hon. Speaker, the Export Processing Zones (EPZ) Scheme has continued to play a significant role in the growth of our economy. However, its role has been curtailed by trade restrictions and duty free imports from Common Market for Eastern and Southern Africa (COMESA) region. In order to enhance the role of the Scheme in growing our economy and creating employment, I have stayed the application of import duty and propose to exempt from Value Added Tax (VAT) made up garments and leather footwear procured from the EPZ to enable Kenyans to acquire new clothes and shoes at affordable prices.

(Applause)

Hon. Speaker, while animal feeds are exempt from VAT, some of the raw materials used in their manufacture are taxable. This treatment has led to high prices of animal feeds. In order to make animal feeds affordable to farmers and attract more manufacturers to invest in the sector, I propose to exempt raw materials used in the manufacture of animal feeds from payment of VAT.

(Applause)

Hon. Speaker, last year I introduced a tax incentive for employers who engage apprentices. I propose to gazette the regulations that will facilitate employers in the implementation of this incentive. Employers who engage at least 10 graduates will be allowed an extra fifty percent (50 per cent) cost of the apprentice emoluments in addition to the normal allowable emoluments. Employers are therefore requested to take up this opportunity and empower the graduates leaving our universities.

(Applause)

Hon. Speaker, the removal of excise duty on kerosene in 2011 was intended to cushion low income earners against high prices of this petroleum product. However, the removal of the tax has since resulted in increased adulteration of fuel in the country. This has denied the oil marketers business in the neighbouring countries in addition to giving them a bad reputation. In addition, adulteration negatively impacts car engines and increases their maintenance costs. In order to discourage this harmful practice, I propose to introduce excise duty on kerosene at Ksh7,205 per 1000 litres.

Hon. Speaker, tourism is one of the leading sectors in foreign exchange earning in Kenya. However, in the recent past, the sector has been adversely affected by the negative travel advisories consequently reducing the number of tourists visiting Kenya. In order to boost the sector and encourage local tourism, I propose to:

a) Exempt entry fees charged into the national parks from payment of VAT

b) Exempt commissions earned by tour operators from VAT and

c) Increase the Air Passenger Service Charges (APSC) for external travel from USD 40 to USD 50 and for internal travel from Kshs500 to Kshs600. The revenue raised from the increase will be used exclusively for the promotion of tourism. In this regard, the National Treasury and the Ministry of Tourism will develop a Special Tourism Promotion Fund (STPF) for this purpose.

Hon. Speaker, I now turn to the facilitating infrastructure development**.** With the growing population of youthful entrepreneurs, the demand for decent low cost housing is steadily growing particularly in the urban areas. Currently, demand for housing is estimated at about 200,000 units annually with only 50,000 new units constructed every year thereby occasioning a shortage of 150,000 units annually. To bridge this gap and also to ensure decent low cost housing, I have introduced an incentive to encourage investors to enter into this sector by reducing the corporate rate of tax from 30 per cent to 20 per cent for developers who construct at least 1,000 units per year.

(Applause)

Hon. Speaker, transport is a key service to all sectors of the economy. With the increasing expansion of our road network, there is a corresponding increase in the cost of maintaining our roads. Hon. Speaker, in order to maintain the expanded road network, I propose to increase the Road Maintenance Levy (RML) from KSh12 per litre to KSh18 per litre. In the meantime, the transition period for the imposition of VAT on petroleum products which was to expire in September 2016 has been extended by one year.

Hon. Speaker, I now turn to enhancing equity and fairness in the tax system and tax administration**.** Last year I introduced excise duty on motor vehicles based on the age of the vehicles at a specific rate. This has been perceived to be unfair, inequitable and punitive to importers of vehicles commonly imported by low income earners but beneficial to importers of luxurious vehicles. In order to address the situation, I propose to amend the Excise Duty Act, 2015 to remove specific rate of duty and introduce *ad valorem* rate of 20 percent based on the value of the vehicle.

Hon. Speaker, cosmetics and beauty products are not currently subject to the excise duty. These products are subject to excise duty in some countries in the East African Community (EAC)**.** In order to help to move towards the harmonisation of the excise duty regime in the EAC, I propose to introduce excise duty on cosmetics and beauty products at the rate of 10 per cent. I also expect that other excise duties take effect beginning July 1, 2016 as provided for by the law.

(Applause)

Hon. Speaker, last year, I introduced measures meant to enhance compliance among landlords---

Hon. Speaker: Order, Members! The CS will be heard in silence, even if you are excited. Proceed.

The Cabinet Secretary for National Treasury (Mr. Rotich): I introduced measures meant to enhance compliance among landlords by enacting a simplified taxation regime based on 10 per cent of the gross rent for taxpayers earning less than Kshs10 million per year. I propose to gazette rules to facilitate in the implementation of this law, introduce a minimum taxable rent income of shs12,000 per month and empower the Commissioner to appoint Withholding Tax agents for rental taxation. These measures are meant to encourage landlords to do a full and true declaration of their rental income.

The Government is committed to providing an environment that enhances the investment climate and tax compliance. The Government is aware that there are taxpayers who own assets and businesses outside the country and would be willing to reinvest back home provided that there is a conducive environment to facilitate such reinvestments. Consequently, I propose to declare tax amnesty for such taxpayers provided that they submit their returns and accounts for the year of income 2016 between 1st January, 2017 and 31st December, 2017. Taxpayers who take up this amnesty shall have all principal taxes, interests and penalties for the year of income 2016 and the prior year's automatically remitted in total. In addition, the Government shall not follow up on the sources of such income and assets declared.

Hon. Speaker, Kenya Revenue Authority (KRA) has been working towards simplifying and reducing the time taken to file tax returns by taxpayers and also enable the Authority to flag out the non-compliant taxpayers to ensure that every person pays his fair share of taxes. In order to make it easier for taxpayers to submit their tax returns in the *i*-Tax System, I propose to amend the Tax Procedure Act to grant KRA powers to collect information in advance from identified persons for purposes of pre-populating the information in the *i*-Tax System.

Hon. Speaker, Kenya continues to face increasing threats from terrorism, drug trafficking and related cross-border criminal activities. The country also faces the challenge of increased inflow of contraband goods, a practice which undermines genuine trade besides leading to loss of Government revenue. In order to strengthen controls on the import supply chain, I propose to introduce, later in the year, legislation that will streamline the training, licensing and regulation of Kenyan clearing agents, pending agreement at the East African Community (EAC) level of a harmonized approach on the issue.

Hon. Speaker, I now turn to cushioning households' budget to ease the cost of living. In order to encourage the use of energy efficient stoves that support conservation of our environment, I have reduced the import duty on stoves from 25 per cent to 10 per cent. The duty reduction will also align the energy efficient stoves with similar stoves and cookers that use gas, electricity and other fuels that attract import duty at 10 per cent.

The use of wood and charcoal by many Kenyans exposes them to premature deaths as well as denying them access to clean, safe and efficient household energy. I propose to amend the Value Added Tax Act in order to exempt liquefied petroleum gas from payment of VAT. This will give Kenyans access to clean, safe and efficient household energy, protect the forest cover and reduce premature deaths.

Hon. Speaker, tea and sugarcane farmers in the agricultural sector have been experiencing declines in income due to many factors, including the *ad valorem* levy on tea and the Sugar Development Levy. In order to improve the earnings of the farmers, I propose to remove these levies.

(Applause)

The institutions that were hitherto funded from these levies will now be funded from the Exchequer. In addition, I also intend to remove all other levies including levies charged by the National Environment Management Authority (NEMA) and the National Construction Authority (NCA) in order to reduce the cost of doing business.

(Applause)

Hon. Speaker, our economy grew by 5.6 per cent in 2015 and is expected to rise to about 6 per cent this year. On the other hand, the world economy grew by 3.1 per cent while the sub Saharan economies grew by about 3.4 per cent. This good news allows us to share the good performance of the economy as widely as possible. Consequently, I propose to exempt from tax; bonuses, overtime and retirement benefits paid to workers who fall under the lowest income tax band. In addition, I propose to expand the tax bands and increase personal relief by 10 per cent. These measures are meant to cushion workers from the high cost of living and demonstrate our commitments to sharing the growth of our economy.

The Government appreciates that it has received numerous income tax proposals from various stakeholders which are meant to facilitate the taxation reform agenda. In connection with this, some of these proposals will be considered when reviewing the Income Tax Act, Cap 470, which is currently ongoing. I intend to table the Bill in this House in the next financial year.

Hon. Speaker, as I did mention earlier, we shall be introducing three landmark financial sector legislations, namely; the Financial Services Authority Bill, the Nairobi International Financial Centre Bill, and the Moveable Property Security Rights Bill. In addition to these major reforms, I am proposing a number of other changes in order to facilitate growth and stability of the sector.

Hon. Speaker, on banking, last year, I did table in this House specific measures to increase the capitalization of banks in order to ensure we have a strong and stable banking system but our efforts were not successful. I am seeking to reintroduce the proposals and I am hopeful that hon. Members will look at them more favourably in light of the recent developments in our banking sector. In addition, the current monetary penalty for violation of the Banking Act or the prudential guidelines is capped at Kshs5 million. This amount has proved to be too little compared to the seriousness of some of the violations institutions have committed. I am therefore proposing to increase the maximum penalty to Kshs20 million and to allow for additional penalties for each day that the violation continues.

The Credit Information Sharing (CIS) framework in Kenya has continued to develop and increase its coverage as a result of facilitative reforms that we have put in place over the years. Indeed, the expansion of the CIS framework was one of the key factors behind the improvement in Kenya’s ranking in the World Bank Ease of Doing Business indicators this year. Apart from the obvious benefits to the borrowers who maintain good credit history and to lenders who are able to get information on potential borrowers, the CIS regime is important to the economy as a whole in terms of increasing access to credit, reducing transaction costs, enhancing efficiency in financial intermediation and fostering financial sector stability through reduction in non-performing loans. To maximise on these benefits, I am today proposing additional amendments to the Banking Act as well as the Sacco Societies Act to facilitate cross border information sharing and to allow Saccos and utility companies to more effectively participate in the CIS framework.

Hon. Speaker, with the increasing numbers of SACCOs invariably using the name “SACCO” or “SACCO Society”, it has become difficult to know the differences between a cooperative society, a SACCO society, a deposit taking SACCO society (DTS) and a non-depositing taking SACCO society (non-DTS). The emergence and exponential growth of “Matatu or PSV SACCOs” have further fuelled the confusion. Therefore, I propose to amend the SACCO Society Act to provide that only SACCOs that are licensed for deposit taking can use the acronyms "Deposit taking SACCO Society (DTS)" or "DT-SACCO" to differentiate them from the other SACCOs and also to provide legal restrictions for the usage of these acronyms by other non-deposit taking SACCOs.

Kenya has witnessed growing interest in online trading of foreign currency particularly among the youth. There is currently no regulatory framework to guide online forex trading in Kenya where it is estimated that over 50,000 investors are participating through foreign registered brokers who link through the internet to access the highly liquid currency clearing centres in the USA, Europe, Japan and other countries. Providing a legal framework for the online trading of foreign currency goes hand in hand with making Nairobi an international financial hub. In this regard, I am proposing facilitative amendments to the Capital Markets Authority Act following which I will be gazetting relevant regulations for effective and secure online forex trading by Kenyans.

Last year I removed the requirement for annual licensing of banks and instead empowered the Central Bank of Kenya to issue non-renewable perpetual licences. This year, I propose to extend a similar perpetual licences framework to institutions licensed by the Retirement Benefits Authority. In addition, I propose to further review the investment guidelines for retirement benefits schemes to facilitate their investment in new products approved by the Capital Markets Authority including exchange-traded derivatives and listed Real Estate Investment Trusts.

Medical expenses constitute one of the biggest categories of expenditure for our senior citizens. Many workers who have employer-provided medical schemes during their working life find themselves without any cover the day they retire. An innovative solution to this challenge is for retirement schemes to establish separate medical funds into which members can contribute during their working life and the same be used to purchase medical cover at retirement. I am, therefore, proposing facilitative amendments to the Retirement Benefits Occupational and Individual Regulations to allow schemes to put in place such arrangements.

Last year I amended the Insurance Act to facilitate the industry to move to risk-based solvency framework and a more principle-based investment framework. To further anchor this risk based approach, I am proposing additional amendments in particular expanding the allowable forms of capital and reflecting the new gross premium valuation methodology across different classes of business. In addition, to protect insurance policy holders from long delays in settlement of their claims, I am proposing to reduce the maximum time in which a claim should be settled from 90 days to 30 days.

(Applause)

With the rapid growth of interest we have experienced in *Sharia* compliant or Takaful insurance products, I am proposing amendments to anchor this form of insurance in the Insurance Act and also facilitate the issuance of regulations to govern Takaful Insurance.

Hon. Speaker, let me now turn to the promotion of Private Sector Growth. The enactment of the new Constitution has seen the Government devolve various functions to the county governments. In view of this, the county governments are expected to contract for the provision of services. Like the national Government, the county governments are faced with financial constraints to undertake projects within their jurisdiction. The national Government enacted the Public Private Partnership Act to allow participation of private sector in the implementation of projects and especially that require huge funds. However, the provisions in the Act do not recognise the county government as a procuring entity for the public private partnership projects. In order to affirm the Government's commitment and support for devolution, I propose to amend the Public Private Partnership Act to recognize the county government as an independent procuring entity for the public private partnership projects.

The mandate of the Competition Authority is to conduct market enquiries. The Authority experiences challenges when seeking information from stakeholders who sometimes withhold vital information on grounds that it is not mandatory for them to provide the information. In order to enable the Authority to realise its mandate as envisaged by the law, I propose to amend the Competition Act to make it obligatory for stakeholders to provide information to the Authority when requested to do so.

The Competition Authority further experiences challenges in imposing financial penalties after a company engages in restrictive trade practices. The Authority uses a 10 per cent maximum of the gross annual turnover based on international best practices in calculation of penalties. In order to create certainty in determination of penalty, I propose to amend the Competition Act to specify the financial penalty to be a maximum of 10 per cent of the gross annual turnover which is in line with the international best practices and also with regional competition agencies.

In addition, the Authority receives various applications for mergers which have no effect on competition on restrictive trade practices. I propose to amend the Competition Act to set a threshold in order to exclude mergers whose effect has no great impact on competition on restrictive trade practices from the provisions of the Act. This will also reduce the administrative burden on the Authority and facilitate investment.

Three years ago, we set ourselves a goal of implementing an Economic Transformation Agenda, one that was to strengthen our economy, deliver prosperity to Kenyans and propel Kenya to the middle income status level in line with the aspirations of the Vision 2030. This dream was realised when Kenya was classified as a lower-middle income country with a Gross National Income (GNI) per capita of US$1,245. Despite this notable progress, we are still not satisfied because we believe we can do more to uplift the livelihoods of all Kenyans and bring the country to upper middle income status.

As I conclude, allow me to express my gratitude to my fellow Cabinet Secretaries and their Principal Secretaries for their support and contributions throughout this budget process.

I am sincerely grateful to His Excellency the President and His Excellency the Deputy President for their unwavering leadership, guidance and support during the budget process and in particular during the budget retreat held in Naivasha in April 2016 which involved all Cabinet Secretaries and Principal Secretaries.

I am also grateful to the Speakers of the National Assembly and Senate and their respective Clerks for overseeing the approvals of submissions on the budget estimates for the Fiscal Year 2016/17, Members of the Liaison Committee, the Budget and Appropriations Committee of this House and the other Departmental Committees of Parliament for the comprehensive and constructive engagement in reviewing the budget estimates for the Fiscal Year 2016/17.

I am sincerely grateful to the Leader of the Majority Party of the National Assembly, Hon Aden Duale, for his relentless support to get most of the legislative proposals on finance matters pass through the House.

I also want to thank all Members of the National Assembly and Senate for their cooperation and support, management and staff of the National Treasury under the able leadership of the Principal Secretary, Dr. Kamau Thugge, who have tirelessly worked long hours, including most weekends to ensure that this budget and supporting documents meet the legal deadlines.

I also want to thank the management and staff of the KRA and the CBK for their contributions, staff from the Attorney General's Office, staff of the Parliamentary Budget Office for providing support on the budget process and our bilateral and multilateral development partners, as well as private foundations for their contribution to our development agenda through their technical and financial support.

Finally, I thank all Kenyans from all walks of life for their contributions, proposals and suggestions received during the finalization of this budget.

I thank you. God bless you; God bless Kenya.

(Hon. (Ms.) Kajuju consulted loudly)

Hon. Speaker: Hon. (Ms.) Kajuju, you cannot be excited because of Kshs1 billion.

Hon. Members, I wish to thank the Cabinet Secretary (CS) for making public pronouncement of the Budget highlights and revenue raising measures for the national Government for the 2016/2017 Financial Year. I also wish to confirm that in conformity with the provisions of Standing Order No. 24(2), the Cabinet Secretary (CS) has since submitted to my office the proposed Finance Bill 2016 and other legislative proposals necessary to actualise the revenue raising measures he has pronounced for the national Government for the financial year in question.

Hon. Members, it is now my pleasure to invite all the Hon. Members, the CS for National Treasury, other CSs and all the other guests to a reception at the Parliament forecourt hereafter.

ADJOURNMENT

Hon. Speaker: Hon. Members, the time being 5.52 p.m., and there being no other business, the House stands adjourned until Thursday, 9th June 2016, at 2.30 p.m.

The House rose at 5.52 p.m.