

# NATIONAL ASSEMBLY

## OFFICIAL REPORT

Thursday, 13<sup>th</sup> June 2019

The House met at 2.30 p.m.

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

### PRAYERS

### ORDINARY QUESTIONS

**Hon. Speaker:** Hon. Members, the first Question is by the Member for Kajiado Central, Hon. Elijah Memusi Kanchory.

*Question No.261/2019*

#### SHORTAGE OF SUB-COUNTY YOUTH OFFICERS

**Hon. Memusi ole Kanchory** (Kajiado Central, ODM): Hon. Speaker, I rise to ask the Cabinet Secretary for Public Service, Youth and Gender:

(i) whether she is aware that not every sub-county in Kenya has sub-county youth officers, thus creating shortages in many counties.

(ii) whether she is further aware that this shortage is affecting the administration and management of the *Uwezo* Fund, which has mandatory requirements for youth officers to be part of the administration.

*(Hon. Angwenyi called Hon. (Ms.) Wanga across the Aisle)*

**Hon. Speaker:** Hon. Angwenyi, you cannot call Hon. Wanga when you are seated across the aisle from her. Hon. Members, it is only fair that we allow others to listen to what is being transacted. That Question will be responded to before the Departmental Committee on Labour and Social Welfare.

The next Question is by the Member for Mumias East, Hon. Washiali.

*Question No.263/2019*

#### PAYMENT OF PARKING FEES AT MALLS AND SUPERMARKETS

**Hon. Benjamin Washiali** (Mumias East, JP): Hon. Speaker, I rise to ask the Cabinet Secretary for Industry, Trade and Cooperatives:

(i) whether he is aware that shoppers and staff of various malls and supermarkets across the country pay parking fees whenever they patronise such facilities;

(ii) whether he could state the mandatory essential amenities and facilities that developers and owners of malls, shopping arcades and other buildings or spaces must provide to shoppers whenever they use the malls, supermarkets or shopping arcades; and,

(iii) whether he could consider exempting customers and staff of various malls and supermarkets from paying parking fees when they patronise malls, shopping arcades and other similar buildings or spaces.

**Hon. Speaker:** The Question will be responded to before the Departmental Committee on Trade, Industry and Co-operatives.

The next Question is by the Member for Lugari, Hon. Savula Angatia. He is not here. We will come back to it.

*Question No.265/2019*

STATUS OF INVESTIGATIONS ON THE DEATH OF MICHAEL KULUNDU

Next is the Question by the Member for Konoin, Hon. Brighton Leonard Yegon.

*Question No.266/2019*

ADDRESSING EFFECTS OF POST-ELECTION  
VIOLENCE ON PUBLIC OFFICERS IN KONOIN

**Hon. Leonard Yegon** (Konoin, JP): Hon. Speaker, I rise to ask the Cabinet Secretary for Interior and Coordination of National Government:

(i) whether he is aware that the effects of the 2007-2008 Post Election Violence (PEV) have yet to be addressed, in particular, for public officers who were serving in Konoin Constituency; and,

(ii) what measures the Ministry is putting in place to compensate the public servants who lost their properties during the said violence, namely, chiefs of Kaptien, Boito, Mosonik and Simoti Locations, and assistant chiefs of Chepkochun, Saseta, and Simoti Locations, whose shops and houses were burnt; and retired Chief of Chemelet Location, who lost livestock.

**Hon. Speaker:** The Question will be responded to by the Cabinet Secretary before the Departmental Committee on Administration and National Security.

Hon. Members, the next Question is by the Member for Isiolo South, Hon. Abdi Koropu Tepo, who has indicated that he is unavailable. He rushed to his constituency on some urgent matters. Therefore, the Question is deferred to next week or such other time as the Member may suggest in the course of next week or the week after.

*Question No.267/2019*

INSECURITY IN MADOGASHE AREA OF ISIOLO SOUTH

*(Question Deferred)*

For the second time, the Member for Lugari, Hon. Savula Angatia.

*Question No.265/2019*

## STATUS OF INVESTIGATIONS ON THE DEATH OF MICHAEL KULUNDU

**Hon. Ayub Angatia** (Lugari, ANC): Thank you, Hon. Speaker. I was feeling unwell. I was in hospital, and I have just arrived. I am sorry for that.

I beg to ask the Cabinet Secretary for the Interior and Coordination of National Government:

(i) whether he is aware that on 2<sup>nd</sup> January 2019, one Michael Kulundu, Managing Director of Nzoia Sugar Company, was abducted by unknown persons at the Salmond Restaurant located along the Kanduyi-Sikata Highway and later succumbed to his injuries on 7<sup>th</sup> March, 2019; and,

(ii) whether he could give a progress report from the investigating agencies on the circumstances that led to the death of the late Michael Kulundu, and state what action the police have taken to apprehend and prosecute the suspects.

**Hon. Speaker:** Again, the Cabinet Secretary will appear before the Departmental Committee on Administration and National Security to respond to that Question.

Hon. Members, that concludes the issue of Questions. I can see that the Member for Lamu, Hon. Mohamed Obo, has an intervention.

**Hon. (Ms.) Ruweida Obo** (Lamu CWR, JP): Jambo la nidhamu, Bw. Spika. Kuna kitendo kimetokea cha kuwapiga akina mama na kimeanzia hapa Bungeni. Ninaomba utusaidie. Hapa Bungeni, tuliambiwa sisi ni *endangered species*. Leo kuna kitendo kimetokea Bungeni ambapo *Wajir County Woman Representative*, Fatuma Gedi, amepigwa na mwanamume mwingine. Kama kitendo hiki hakikanywi vikali, sisi wengine tutapigwa.

*(Loud consultations)*

**Hon. Speaker:** Order Members!

**Hon. (Ms.) Ruweida Obo** (Lamu CWR, JP): Sisi pia tunataka viti. Sisi hatuna ruhusa ya kuongea, na kwa hivyo tunapigwa. Kama ni nguvu, hatuwawezi.

*(Loud consultations)*

**Hon. Speaker:** Order, Members! We cannot hear what the Member is saying. Members are not trade unionists. So, allow Hon. Obo to prosecute what she has to say.

**Hon. (Ms.) Ruweida Obo** (Lamu CWR, JP): Bwana Spika, sijui itabidi tutafute askari ili tuje nao ndani ya *Chamber* kwa maana tunasikia kuna *immunity* hapa. Ili wengine watunyamazishe, wanataka kutupiga kwani hawajui kwamba wanawake hawapigwi. *Especially* sisi wanawake wa *Coast*, wanaume huwa wanatubembeleza. Sisi tunapigwa na lesu. Wanatuletea vitu na si kutupiga.

*(Applause)*

Sijui ni tabia gani hii ya kupiga wanawake. Imetoka wapi? Mimi sijaona kwa hizo *field* zingine.

*(Loud consultations)*

**Hon. Speaker:** Order, Members! I may not hear what the Hon. Member is saying about *buibui* and things like those. Hon. Members, I wish the Members for Ikolomani and Kesses could take their seats. I can see several Members have made requests by way of interventions. I am sorry but none of you will have a chance to say anything on that matter. This is the reason. That matter has been reported to the Parliament Police Station. It has been reported to me and I have given strict instructions that criminals cannot be harboured in Parliament.

*(Applause)*

A crime is a crime. It is not a matter for the Parliamentary Powers and Privileges Committee. On that matter, Hon. Obo, I have directed that the police must go to whatever extent to investigate it and if necessary...

*(Hon. (Ms.) Cecily Mbarire consulted loudly)*

Hon. Mbarire, you are unlikely to take over from what I am saying. It must be procedural. The police should investigate and if necessary, arrest and charge before a court of law whoever is found to be culpable. It is not a matter of privilege. It has been ruled before by previous Speakers that Parliament cannot be a sanctuary for criminals. Even if you disagree with what another Member is saying, it must remain just that - a disagreement! It cannot be the reason or excuse to engage in criminal activities. Therefore, those are my directions to the police. They must deal with the matter very firmly. Nobody is above the law. Hon. Obo, that matter should be made... What is this now?

*(Loud consultations)*

Very many of you think that you are in a *baraza*. That matter should not be the subject of any debate here. Let it be investigated by those that are responsible for criminal investigations in this country. Those are my firm instructions. Nobody can claim to be above the law when it comes to such matters. It, therefore, must rest at that point.

Thank you, Hon. Members.

*(Several Hon. Members interjected)*

**Hon. Speaker:** Order, Members!

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

That matter rests there. There must be no further discussion. Let it rest there. We move to the next Order. What is this now? What is this about?

*(Several Hon. Members interjected)*

Order, Members! Members, there must be decorum. Whatever point you wanted to make has been made. We are moving to the next Order which is for the Leader of the Majority Party to make his Statement.

BUSINESS FOR THE WEEK COMMENCING 18<sup>TH</sup> TO 20<sup>TH</sup> JUNE, 2019

**Hon. Aden Duale** (Garissa Township, JP): Hon. Speaker, pursuant to the provisions of Standing Order No.44(2)(a), I rise to give the following Statement on behalf of the House Business Committee, which met on Tuesday, 11<sup>th</sup> June 2019 at the rise of the House.

Next week, the House is scheduled to consider Estimates of Recurrent and Development Expenditures for...

*(Loud consultations)*

**Hon. Speaker:** Order, Members! Those of you who have finished their business can walk out in silence.

*(Loud consultations)*

Order, Members! Those who are making their way out, please, do so. Hon. Oduor, please make your way out.

*(Several Hon. Members interjected loudly)*

Serjeant-at-Arms, can you make sure that the Members at the door are thrown out! Can you also make sure that the Members at the door make their way out in peace!

*(Several Hon. Members interjected loudly)*

Walk out!

*(Loud consultations)*

Order, Members! Order Members!

*(Several Hon. Members left the Chamber)*

Serjeant-at-Arms, close the door now. Let those who are walking out do so in silence. Obviously, Hon. Members, those of you who recall the motto of this House, and I believe Hon. Wamunyinyi is in the House because I saw him walking in is "For the welfare of society and just Government".

*(Loud consultations)*

Let us proceed with business, Hon. Members.

**Hon. Aden Duale** (Garissa Township, JP): Hon. Speaker, next week, the House is scheduled to consider Estimates of Recurrent and Development expenditures for respective votes and programmes for the national Government for the year ending 30<sup>th</sup> June 2020 in the Committee of Supply. This process is expected to go on for a maximum of six days. We also hope to consider the Second Reading of the National Regulatory Bill, 2018, the Second Reading of the Public, Private and Partnership (Amendment) Bill, National Assembly Bill No.52, if the budget matters are considered by then.

In accordance with the provisions of Standing Order No.42A(5) and (6), I wish to convey to the House that the Cabinet Secretary for Education and Research will appear before the Departmental Committee on Education and Research on Tuesday, 18<sup>th</sup> June 2019 to answer the following questions:

- (a) Question No.133/2019 by Hon. Moses Kuria, MP.
- (b) Question No.137/2019 by Hon. Beatrice Nkatha, MP.
- (c) Question No.151/2019 by Hon. William Kisang', MP.
- (d) Question No.154/2019 by Hon. Joshua Kimilu, MP.
- (e) Question No.156/2019 by Hon. Andrew Mwandime, MP.
- (f) Question No.148/2019 by Hon. Godfrey Omuse, MP.
- (g) Question No.149/2019 by Hon. Moses Malulu Injendi, MP.
- (h) Question No.233/2019 by Hon. Bishop Kawira Mwangaza MP, and
- (i) Question No.236/2019 by Hon. Simon Ng'ang'a King'ara, MP.

The Cabinet Secretary for Interior and Coordination of National Government will appear before the Departmental Committee on Administration and National Security on Tuesday, 18<sup>th</sup> June 2019 to answer the following questions:

- (a) Question No.116/2019 by Martha Wangari, MP (I saw her leaving).
- (b) Question No.117/2019 by Hon. Yusuf Hassan, MP.
- (c) Question No.118/2019 by Hon. David ole Sankok, MP.
- (d) Question No.124/2019 by Hon. Joseph Oyula, MP.
- (e) Question No.138/2019 by Hon. Teddy Mwambire, MP.
- (f) Question No.143/2019 by Hon. Wafula Wamunyinyi, MP.
- (g) Question No.155/2019 by Hon. Joshua Kimilu, MP.
- (h) Question No.175/2019 by Hon. Sakwa Bunyasi, MP.
- (i) Question No.178/2019 by Hon. (Ms.) Esther Passaris, MP.
- (j) Question No.180/2019 by Hon. Kathuri Murungi, MP.
- (k) Question No.183/2019 by Hon. Vincent Mogaka, MP, and
- (l) Question No.208/2019 by Hon. John Oroo Oyioka.

We have asked the Cabinet Secretaries to bring us written answers for some of the Questions if some Members will not be present, so that Members can interrogate the written answers.

The Cabinet Secretary for Industry, Trade and Co-operatives will appear before the Departmental Committee on Trade, Industry and Co-operatives on Thursday, 20<sup>th</sup> June 2019 to

answer a Question from Hon. David Gikaria. His counterpart from Transport, Infrastructure, Housing and Urban Development will appear before the Departmental Committee on Transport, Public Works and Housing on 20<sup>th</sup> June 2019 to answer the following Questions:

- (a) Question No.174/2019 by Hon. Gideon Ochanda, MP.
- (b) Question No.176 by Hon. Sakwa John Bunyasi, MP.
- (c) Question No.189/2019 by Hon. David Gikaria, MP.
- (d) Question No.198/2019 by Hon. Joseph Oyula, MP.
- (e) Question No.207/2019 by Hon. Alpha Ondieki, MP.
- (f) Question No.221/2019 by Hon. Josphat Kabeabea, MP.
- (g) Question No.222/2019 by Hon. Abdi Ibrahim, MP, and
- (h) Question No.236/2019 by Hon. Ben Momanyi, MP.

The House Business Committee will convene on Tuesday, 18<sup>th</sup> June 2019 at the rise of the House to consider business for the following week.

**Hon. Speaker:** Next Order!

### CONSIDERATION OF REPORT AND THIRD READING

#### THE STATUTE LAW (MISCELLANEOUS AMENDMENTS) BILL

*(Several Hon. Members entered the Chamber)*

**Hon. Speaker:** Let the Hon. Members take their seats; those who appear not to know what we are doing.

Hon. Members, debate on this Motion was concluded yesterday. What remained was for the Question to be put, which I hereby do.

*(Question put and agreed to)*

Let us have the Mover.

**Hon. Aden Duale** (Garissa Township, JP): Hon. Speaker, I beg to move that the Statute Law (Miscellaneous Amendments) Bill, National Assembly Bill No.21 of 2019 be now read a Third Time.

I request Hon. John Mbadi, the Leader of the Minority Party to second.

**Hon. Speaker:** Hon. John Mbadi.

**Hon. John Mbadi** (Suba South, ODM): I second.

*(Question proposed)*

**Hon. T.J. Kajwang'** (Ruaraka, ODM): On a point of order, Hon. Speaker.

**Hon. Speaker:** Hon. Kajwang', what is your point of order?

**Hon. T.J. Kajwang'** (Ruaraka, ODM): Hon. Speaker, I know we are doing the Third Reading of the Bill, but looking at how beautifully the House is constituted right now...

*(Laughter)*

Seeing how representatives are drawn from all walks of life of this nation, but keeping in mind the Constitution of Kenya, is the House constitutionally constituted to transact the business before us?

*(Laughter)*

May the Hon. Speaker express himself on the constitutionality or otherwise of the National Assembly to transact business.

**Hon. Speaker:** Hon. Members, of course, how the House is constituted is derived from the list of Members who took oath on 31<sup>st</sup> August 2017. Thereafter, the Speaker has no way of compelling any Member who desires from time to time to go to the streets or remain in the village. This is purely attendance and it is optional on a Member subject to obeying Article 103 of the Constitution. Those who decide not to attend regularly could follow Article 103 in terms of the number of attendances in the House. As of now, the House is properly constituted.

*(Laughter)*

*(Applause)*

It is for that reason I was trying to remind ourselves about...

*(Hon. Jimmy Angwenyi spoke off record)*

This is totally out of order by the oldest Member of the House. The Member violating the rules knows about the former motto of the House: "For the welfare of society and just Government of the people".

*(Laughter)*

There we are. I see it is the desire of the House I put the question.

**Hon. Members:** Yes!

*(Question put and agreed to)*

*(The Bill was accordingly read the Third Time and passed)*



**PROCEDURAL MOTION**

## REDUCTION OF PUBLICATION PERIOD

**Hon. Aden Duale (Garissa Township, JP):** Hon. Speaker, I beg to move the following Procedural Motion:

THAT, pursuant to the provisions of Standing Order 120, this House resolves to reduce the publication period of the Supplementary Appropriation Bill (National Assembly Bill No. 41 of 2019) from 7 days to 1 day.

This will allow us to go through the other stages today and, thereafter, embark on the Budget Estimates. The Supplementary Estimates are anchored on the payment of the pending bills. Noting that there are few days to the end of the financial year, we felt that before the Cabinet Secretary reads the Budget highlights and taxation measures for 2019/2020, it would be very good if the House disposed of the Supplementary Appropriation Bill. If the House agrees the President can assent to it, maybe, on Monday so that Kenyan Ministries, Departments and Agencies (MDAs) can get their money.

I beg to move and request Hon. Mbadi to second.

**Hon. Speaker:** Hon. Mbadi, you have the Floor.

**Hon. John Mbadi (Suba South, ODM):** Thank you, Hon. Speaker. The Supplementary Budget II for 2018/2019 was late in coming and we are also late in concluding it. There are some amounts that have not been spent as we speak. We need to conclude this matter quickly.

Hon. Speaker, you will just allow me to say something in reaction to the Kshs500 million that was meant for the Senate oversight. I saw...

**Hon. Speaker:** I thought, Hon. John Mbadi, you could do that when you are dealing with the Bill itself. It is because this is the Procedural Motion for reduction of publication time.

**Hon. John Mbadi (Suba South, ODM):** Hon. Speaker, now that I have started saying it, just give me 30 seconds and I will finish.

**Hon. Speaker:** No, Hon. Mbadi! Because it is going to come, I am sure in your capacity, you will get time.

**Hon. John Mbadi (Suba South, ODM):** I was not very sure that I will contribute. Anyway, I will contribute to the Bill.

I second. Thank you.

*(Hon. Raphael Wanjala spoke off record)*

**Hon. Speaker:** The Member for Budalangi, if you could allow me to transact this business. The Member for Budalangi looks extremely indomitable

*(Laughter)*

*(Question proposed)*

*(Question put and agreed to)*

**BILL**

*First Reading*

THE SUPPLEMENTARY APPROPRIATION BILL

*(Order for First Reading read – Read the First Time – Ordered  
to be read the Second Time today by leave of the House)*

**Hon. Speaker:** Hon. Members, it is for your information that on this Bill, Standing Orders allow the House to transact all the stages in one Sitting. So, you are doing it perfectly within the law.

Next Order!

*Second Reading*

THE SUPPLEMENTARY APPROPRIATION BILL

**Hon. Kimani Ichung'wah** (Kikuyu, JP): Thank you, Hon. Speaker.

I beg to move that the Supplementary Appropriation Bill (National Assembly Bill No.41 of 2019) be now read a Second Time. I request the Leader of the Majority Party to second.

**Hon. Aden Duale** (Garissa Township, JP): Hon. Speaker, this is the Second Supplementary Budget, and the House has already passed it. What we are now dealing with is the Supplementary Appropriation.

I want to confirm that, for the first time, the Salaries and Remuneration Commission (SRC) sent an amendment and asked that I carry it on their behalf. I have said they better come to the House and carry it themselves. The Cabinet Secretary for National Treasury sent me a note with an amendment on behalf of SRC, and I said their business is to run a Commission and my business is to make laws. I am not going to be used as a rubberstamp. I have rejected it. So, we will just carry the other amendment.

*(Several Women Members of Parliament walked into the Chamber)*

Thank you very much. My sisters have come back.

I beg to second.

**Hon. Speaker:** Those who are coming in, take your seats. We are not all going to operate as if we are in the bush. Forget about shaking hands. The Member for Bomet, stop shaking hands and take a seat.

Hon. Members, this is a House that represents the people of the constituencies and other special interests. It is up to any Member to choose the method of representation. Let us proceed with the business at hand.

*(Question proposed)*

**Hon. Speaker:** Hon. John Mbadi had something to say.

**Hon. Members:** Put the Question!

**Hon. John Mbadi** (Suba South, ODM): Thank you, Hon. Speaker. I know Members want the Question to be put. I am grateful that my colleagues have come back so that we participate together in this legislation. I had started by talking about the amount that we have re-allocated from the Senate oversight. I have seen reports in the media that we did this to punish the Senate. I want to ask those who are reporting for media houses to ask about the things they do not understand.

We are in June and this amount was supposed to be used from July to June. Unfortunately, the framework for spending has not been agreed on up to this time. Therefore, we felt that this amount cannot be spent in the next 20 days. That is the essence of reallocating that money from oversight. There is no way the Senate would spend it in a record two weeks. It has nothing to do with punishing the Senate or anything of the sort. Whoever made that report ought to have asked first. There are no regulations for spending that money, although I hear my colleagues are saying loudly that the money should be parliamentary oversight, and not Senate oversight. Maybe, that is something to think about as we go on.

I support. Thank you.

**Hon. Speaker:** Hon. Junet, what is your issue? Is it on this Bill or, do you want to raise another matter? Do you want to contribute to this?

**Hon. Junet Nuh** (Suna East, ODM): Hon. Speaker, I just want to put it to your attention that I support the Bill, though I have not put my eyes on it.

*(Laughter)*

It looks like the Bill came at night, when we were away.

**Hon. Speaker:** Hon. Members, is it the desire of the House that I put the Question?

**Hon. Members:** Yes!

**Hon. Speaker:** As you know, I have no vote. So, is it the desire of the House that I put the Question?

**Hon. Members:** Yes!

**Hon. Speaker:** Very well. We will test it: we will test that.

*(Question put and agreed to)*

*(The Bill was read a Second Time and committed to a Committee of the whole House today by leave of the House)*

**Hon. Speaker:** Next Order!

**COMMITTEE OF THE WHOLE HOUSE**

*(Order for Committee read)*

*[The Speaker (Hon. Muturi) left the Chair]*

**IN THE COMMITTEE**

*[The Temporary Deputy Chairlady  
(Hon. (Ms.) Soipan Tuya) took the Chair]*

**THE SUPPLEMENTARY APPROPRIATION BILL**

**The Temporary Deputy Chairlady** (Hon. (Ms.) Soipan Tuya): Hon. Members, we are in the Committee of the whole House to consider the Supplementary Appropriation Bill (National Assembly Bill No.41 of 2019).

*(Clauses 2, 3, 4 and 5 agreed to)*

*First Schedule*

**The Temporary Deputy Chairlady** (Hon. (Ms.) Soipan Tuya): We have an amendment by Hon. Kimani Ichung'wah, the Chairman of the Budget and Appropriations Committee (BAC).

**Hon. Kimani Ichung'wah** (Kikuyu, JP): Hon. Temporary Deputy Chairlady, I beg to move:

THAT, the Bill be amended by inserting the following changes in the First Schedule –

**VOTE 1011: THE PRESIDENCY**

*Programme 0702000: Cabinet Affairs -*

- (i) THAT, the proposed allocation under the Programme in respect of Recurrent Estimates, Kshs161,675,794, be deleted and substituted thereof with the figure Kshs229,675,794; and,
- (ii) THAT, the allocation for Vote 1011 (The Presidency) in respect of Recurrent Estimates, Kshs1,737,126,642, be deleted, and substituted thereof with the figure Kshs1,805,126,642.

VOTE 1261: THE JUDICIARY

*Programme 0610000: Dispensation of Justice*

THAT, the proposed allocation under the Programme in respect of Recurrent Estimates, Kshs246,772,886, be deleted and substituted thereof with the figure Kshs178,772,886.

I have three amendments to the First Schedule. The first relates to Vote 1011, the Presidency and Vote 1261 which is moving the money that has been allocated for the Justice Ojwang' Tribunal. It had been budgeted for under the Judiciary. We are taking it to the Presidency. The second amendment relates to the State Department for Urban and Metropolitan Development – Programme 0105000. It is reallocating Kshs500 million that was there under the Diesel Multiple Units (DMUs).

Since Hon. Pkosing is not here, we will skip that amendment and move on to the next one under the State Department for Energy, Programme 0213000 – power transmission and distribution. It is a proposal for reallocation under the programme in respect of development estimates of Kshs1,595,000,000 to be deleted and substituted thereof with the figure of Kshs2,755,000,000; and, that the allocation for Vote 1152 in respect of development estimates of Kshs1.57 billion be deleted and substituted thereof with the figure of Kshs2.730 billion.

This relates to the amendments that had been disallowed by the Departmental Committee on Energy relating to Kshs1.16 billion for the Loiyangalani-Suswa Wind Power Project which has since been reinstated. The Vice-chair of the Departmental Committee on Energy is here. He can confirm that was an amendment from the Chair.

I beg to move.

**Hon. T.J. Kajwang'** (Ruaraka, ODM): On a point of order.

**The Temporary Deputy Chairlady** (Hon. (Ms.) Soipan Tuya): There is no point of order. I have not even proposed the Question.

*(Question of the amendment proposed)*

Hon. Kajwang', what is it?

**Hon. T.J. Kajwang'** (Ruaraka, ODM): Hon. Temporary Deputy Chairlady, we are struggling to come to terms with this digital system. I am trying to see the Order Paper that my learned friend, Kimani Ichung'wah, has been referring to. Could the oldest Member give us time to bring our points before the Assembly? I have seen Vote 1011 on the Presidency but, then, he has mentioned several other Votes that I am not able to see on the Order Paper unless he is referring to an Order Paper that I do not have. Could we have this Order Paper so that we are in sync?

**The Temporary Deputy Chairlady** (Hon. (Ms.) Soipan Tuya): I will have the Chair clarify that, but you might be right Hon. T.J. Kajwang'. What we have on the Order Paper are the Presidency Vote and the Judiciary Vote. There is no other. Hon. Chair, I do not know if you have ensured that Members have copies of the amendment.

**Hon. Kimani Ichung'wah** (Kikuyu, JP): The amendment is as reflected on the Order Paper; Vote 1011 which is the Presidency. That is where the reallocation is being moved to from

Vote 1261 - the Judiciary. I said that this money had been allocated to the Judiciary, but I am told the tribunal will be under the Presidency. That is the reason we are reallocating the money. It is the Justice Ojwang' Tribunal.

*(Question, that the words to be left out  
be left out, put and agreed to)*

*(Question, that the words to be inserted in place  
thereof be inserted, put and agreed to)*

**The Temporary Deputy Chairlady** (Hon. (Ms.) Soipan Tuya): The Chairperson of the Departmental Committee on Transport, Public Works and Housing. He is not present. Hon. Ichung'wah, do you want to do it on his behalf?

**Hon. Kimani Ichung'wah** (Kikuyu, JP): Thank you, Hon. Temporary Deputy Chairlady. On behalf of the Chairperson of the Departmental Committee on Transport, Public Works and Housing, I beg to move:

THAT, the Bill be amended by inserting the following changes in the First Schedule –

VOTE D1094 – STATE DEPARTMENT FOR HOUSING AND URBAN DEVELOPMENT

*Programme 0105000: Urban and Metropolitan Development -*

THAT, the proposed allocation under the Programme in respect of Development Estimates, Kshs5,702,565,579 be deleted and substituted thereof with the figure Kshs5,448,274,988.

*Programme 0102000: Housing Development and Human Settlement -*

THAT, the proposed allocation under the Programme in respect of Development Estimates, Kshs5,582,527 be deleted and substituted thereof with the figure Kshs240,126,882.

*Programme 0203000: Rail Transport*

THAT, the proposed allocation under the Programme in respect of Development Estimates, Kshs1,500,000,000 be deleted and substituted thereof with the figure Kshs2,000,000,000.

This relates to a share between the State Departments for Urban Planning and State Department for Transport of Kshs500 million over a figure we had allocated under (1) of Kshs1 billion. As I said, I am moving on behalf of the Departmental Committee on Transport, Public Works and Housing.

*(Question of the amendment proposed)*

*(Question, that the words to be left out  
be left out, put and agreed to)*

*(Question, that the words to be inserted in  
place thereof be inserted, put and agreed to)*

*(The First Schedule as amended agreed to)*

*(Second Schedule agreed to)*

*(Title agreed to)*

*(Clause 1 agreed to)*

**The Temporary Deputy Chairlady** (Hon. (Ms.) Soipan Tuya): Yes, Hon. Ichung'wah.

**Hon. Kimani Ichung'wah** (Kikuyu, JP): I am sorry, Hon. Temporary Deputy Chairlady. The Member for Kiharu is interrupting me from behind.

*(Laughter)*

I said he is interrupting me from behind me.

*(Laughter)*

**The Temporary Deputy Chairlady** (Hon. (Ms.) Soipan Tuya): Hon. Chairperson, proceed.

**Hon. Kimani Ichung'wah** (Kikuyu, JP): Hon. Temporary Deputy Chairlady, I beg to move that the Committee doth report to the House its consideration of the Supplementary Appropriation Bill (National Assembly Bill No.41 of 2019) and its approval thereof with amendments.

*(Question proposed)*

*(Question put and agreed to)*

*(The House resumed)*

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

## REPORT, CONSIDERATION OF REPORT AND THIRD READING

### THE SUPPLEMENTARY APPROPRIATION BILL

**Hon. (Ms.) Soipan Tuya** (Narok CWR, JP): Hon. Speaker, I beg to report that a Committee of the whole House has considered the Supplementary Appropriation Bill (National Assembly Bill No.41 of 2019) and approved the same with amendments.

**Hon. Speaker:** Let us have the Mover.

**Hon. Kimani Ichung'wah** (Kikuyu, JP): Hon. Speaker, I beg to move that the House doth agree with the Committee in the said Report. I also request the Member for Kiharu, Hon. Ndindi Nyoro, to second the Motion for agreement with the Report of the Committee of the whole House.

*(Laughter)*

**Hon. Ndindi Nyoro** (Kiharu, JP): Hon. Speaker, I second.

**Hon. Speaker:** Order, Members!

*(Question proposed)*

**Hon. T.J. Kajwang'** (Ruaraka, ODM): On a point of order, Hon. Speaker.

**Hon. Speaker:** Yes, Hon. Kajwang'

**Hon. T.J. Kajwang'** (Ruaraka, ODM): Thank you, Hon. Speaker. I know that the Deputy Leader of the Majority Party really wants us to hasten the process, which is okay because that is his business. I want to support the Committee, but I also need to point out that a few things need to be done in order. If we do not do things within the Standing Orders, we will take the National Assembly out of rail. For example, the able Chairperson of the Budget and Appropriations Committee brought before us an amendment which was drawn by the Departmental Committee on Energy against your command and clear direction. Out of sheer abundance of caution, we debated it but that did not exempt him from explaining why he did not comply with Standing Order No.133(2), on behalf of that Committee. Again, he brought amendments on behalf of another Chairperson without showing clearly whether that Chairperson had given him a written authority, as required by the Standing Order, unless the chairpersons of these committees are changing the Standing Orders. So, even though I support the Committee, we need to follow the Stranding Orders strictly so that we are within the law.

I support.

**Hon. Speaker:** Hon. Members, that matter had been brought to my attention. As you know, Standing Order No.133(2) requires that on a Bill of that nature, if any other Member other than the Mover needs to propose an amendment, that proposal must be submitted to the Speaker not less than 24 hours before the Motion comes to the House. Therefore, I advised that, indeed, the Chairperson of the Departmental Committees on Energy and that of the Departmental Committee on Transport, Public Works and Housing needed to get the concurrence of the Chairperson of the Budget and Appropriations Committee, who is the Mover of this Bill.

I can see my handwriting, which I can read very clearly. That is why as I was watching, I knew that the two - the Chair of the Departmental Committee on Energy and the Chair of the Departmental Committee on Transport, Public Works and Housing - were quite aware that they could not possibly move these amendments in as much as they may have been cleared unless they went through the Chair of the Budget and Appropriations Committee. Having been moved by the Mover of the Motion, then the House has complied with its own Standing Order No. 133(2).

Therefore, if it is the desire of the House, I will put the Question.



*(Question put and agreed to)*

**Hon. Swarup Mishra** (Kesses, JP): On a point of order, Hon. Speaker.

**Hon. Speaker:** The Member for Kesses, what is your point of order. Please, use your cards. Do not raise hands. Proceed.

**Hon. Swarup Mishra** (Kesses, JP): Thank you, Hon. Speaker, for giving me this chance. I want to seek your guidance and that of this House. The rules of Parliament should be followed respectfully by our invited guests. I can see some international guest on the phone as we debate. Secondly, the same guest did not care to stand when we were all standing.

**Hon. Speaker:** Hon. Member for Kesses is right, but I think the mistake must be directed through the right channel. In this case, it must be our staff who welcome our invited guests who did not inform them that in this place, people behave in a particular way, especially those invited to the Speakers gallery. Perhaps the guest will be excused then we will deal with our staff. Now, obviously our guests have been accordingly informed that this is not a place where you send text messages. If you have pressing text conversation issues, you are at liberty to move out of the place where you may be.

Mover, you have the Floor.

**Hon. Kimani Ichung'wah** (Kikuyu, JP): Hon. Speaker, I beg to move that the Supplementary Appropriation Bill, be now read the Third time.

I request Hon. Kioni to second.

**Hon. Jeremiah Kioni** (Ndaragwa, JP): Hon. Speaker, I second.

**Hon. Speaker:** Hon. Members, I am supposed to confirm that there is quorum. I am sure there is more than the requisite quorum.

*(Question proposed)*

*(Question put and agreed to)*

*(The Bill was accordingly read the Third Time and passed)*

**Hon. Junet Nuh** (Suna East, ODM): On a point of order, Hon. Speaker.

**Hon. Speaker:** Hon. Junet, what is your point of order? You appear to be burning with a point of order.

**Hon. Junet Nuh** (Suna East, ODM): Hon. Speaker, I rise on a point of order, pursuant to Standing Order No.83. Today is, indeed, a very important day for this nation and for the entire East Africa as we congregate here to listen to the key highlights of the National Budget 2019, as presented by the Cabinet Secretary for National Treasury. In this regard, allow me to ask whether this House is properly constituted this afternoon. How come the Senate is not part of this sitting? How come the Senators are not with us? Can this House proceed to hear the key highlights of the 2019/2020 Budget without the presence of our colleagues from the Senate? This is a very important constitutional matter that you need to address us on.

Under the new Constitution of Kenya 2010, we have two Houses, namely, the National Assembly and the Senate. I have information that they have their ordinary sitting today when the Budget is being read. So, we want clarity whether they have any role in the budget-making process or not.

Hon. Speaker, you need to clear that matter before the Cabinet Secretary for National Treasury comes to highlight the Budget Estimates.

**Hon. Speaker:** Hon. Members, I am sure you are all aware about the process that we are engaged in and more specifically, I would like to read to you, Hon. Junet, the provisions of Article 221 of the Constitution on Budget Estimates and Annual Appropriations Bill, which says:

“At least two months before the end of each financial year, the Cabinet Secretary responsible for finance shall submit to the National Assembly estimates of the revenue and expenditure of the national Government for the next financial year to be tabled in the National Assembly”.

Your own Article 93 is also very clear. It says:

“(1) There is established the Parliament of Kenya, which shall consist of the National Assembly and the Senate”.

That is Parliament. In this one, the Constitution is very clear. It says:

“... National Assembly estimates of the revenue and expenditure of the national Government for the next financial year to be tabled in the National Assembly.”

The Constitution further states that the Assembly shall consider the estimates again, submitted under Clause 1 together with the estimates submitted by the Parliamentary Service Commission and the Chief Registrar of the Judiciary under Article 127 and 173 respectively.

Before the National Assembly considers the estimates of revenue and expenditure, a committee of the Assembly, which is the Budget and Appropriations Committee, shall discuss and review the estimates and make the recommendations to the Assembly. That process was concluded yesterday, which was the 3<sup>rd</sup> Allotted Day. Therefore, today, the Cabinet Secretary is required to only appear before the National Assembly. Therefore, this House is properly constituted. Any other person or Member who is not a Member of the National Assembly can only attend as a guest, but not to participate in the Chamber. This is not a joint sitting of the two Houses.

This is very clear. Therefore, Hon. Junet, we are well within the Constitution and the law. We are also within the provisions of the Public Finance Management Act to proceed in the manner that it is proposed to proceed this afternoon. That matter should rest there, Hon. Members. Other than people who wish to attend as guests - and even guests must be invited through cards with the permission of the Speaker - it is not a matter of right. There are no rights. Even other guests, when they finish doing what they are doing, if they want, they can apply and we might consider their applications and allow them to come and participate in this just like they participate in other processes. Otherwise, let us proceed.

Hon. Members, we had to finish the businesses that were before us and which were urgent. I, therefore, wish to make the following Communication. If Members making their way could do so... That Member does not appear to have proper eyesight. Is it?

*(Laughter)*

Is he the Member for Jomvu?

**Hon. Members:** Yes!

**Hon. Speaker:** He seems to have assumed that he is about to attend a meeting in his constituency and, therefore, alert his constituents that he has arrived.

## COMMUNICATION FROM THE CHAIR

### INTERRUPTION OF BUSINESS FOR DELIVERY OF HIGHLIGHTS OF BUDGET ESTIMATES FOR 2019/2020

Hon. Members, as you are aware, yesterday, Wednesday, 12<sup>th</sup> June 2019, this House passed the Report of the Budget and Appropriations Committee on the Budget Estimates for the national Government for the Financial Year 2019/2020. This process will be finalised once the House concludes the Committee of Supply, which will allocate funds to various Votes and programmes for the respective three arms of the national Government.

As part of the process, the public pronouncement of the policy highlights contained in the Budget along with the proposed ways and means of supporting it ought to be made by the Cabinet Secretary for National Treasury. Therefore, pursuant to the provisions of Section 40 of the Public Finance Management Act of 2012, and Standing Orders 25A and 244C of the National Assembly, I will now interrupt the business of the House to allow the Cabinet Secretary for the National Treasury, Mr. Henry K. Rotich, EGH, to make a public pronouncement of the Budget Policy Highlights and revenue-raising measures for the national Government for the Financial Year 2019/2020 and the medium-term.

In accordance with the Standing Orders, I have also designated a suitable place in the Chamber for that purpose to the right of the Speaker's seat and adjacent to the Public Servants' Benches to enable the Cabinet Secretary for the National Treasury discharge his obligation in compliance with the provisions of Section 40(1) of the PFM Act, 2012. The Cabinet Secretary is, therefore, invited and may proceed to make the pronouncements.

*(Applause)*

## THE BUDGET STATEMENT

### BUDGET HIGHLIGHTS AND REVENUE RAISING MEASURES 2019/2020

**The Cabinet Secretary for the National Treasury** (Mr. Henry Rotich): Hon. Speaker, Hon. Members and fellow Kenyans, today I present to the country the highlights of the Budget for the Financial Year 2019/2020. I do this in performing my fiduciary responsibility as the guardian of the nation's finances and in fulfilment of the requirement of Section 40 of the PFM Act, 2012 and Standing Order 241 of the National Assembly.

His Excellency the President, Hon. Uhuru Kenyatta, has, on several occasions, including most recently during the 2019 State of the Nation Address, set out an ambitious socio-economic development agenda that speaks to the Kenya we want. This has been captured under the Big Four Agenda, which lays out key initiatives that will put Kenya on a bold new path of rapid and

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shared economic growth, job creation at unprecedented pace and reduced poverty on a sustained basis.

The Budget for 2019/2020 lays a strong foundation for achieving the President's Big Four Agenda while at the same time addressing the following challenges facing our economy:

1. Creating an enabling environment for businesses and in particular for the micro, small and medium enterprises in order to accelerate the growth of our economy and create more jobs for our youth.
2. The need to be prudent and efficient in our spending.
3. The need to mobilise domestic resources to fund priority projects and programmes.
4. The need to reduce our fiscal deficit in order to stabilise and reduce our debt.
5. The need to implement reforms that will enhance our efficiency and make us competitive.

Before addressing these issues, allow me to say a few words on the recent economic development and outlook. Our economy continues to be resilient in the midst of significant global and domestic headwinds. In 2018, our economy grew by 6.3 per cent, up from 4.9 in the previous year. The growth is the highest to have been recorded for the past eight years, and well above the Sub-Saharan African regional average growth of 3 per cent and the global average of 3.6 per cent, reinforcing the advantages of a diversified and reforming economy. This strong growth was attained despite the rising global trade friction among major trading partners as well as uncertainties from Brexit and renewed geopolitical risks. We project growth in 2019 to remain strong at around the same level as 2018.

While there are risks associated with delayed long rains which may impact negatively on agriculture, we expect such risks to be offset by continued strong performance in non-agricultural activities such as tourism and construction. Over the medium-term, we expect growth of over 7 per cent as programmed activities under the Big Four Agenda gain traction. The risks to this outlook include escalation of global trade relations tension, rising oil prices and weather-related shocks. Should these risks materialise, Kenya's growth focus could be constrained. However, the Government will take appropriate measures to mitigate any negative impact on growth.

Let me now turn to how we are going to address the challenges facing us. The theme of this year's Budget is "Creating Jobs, Transforming Lives, Harnessing the Big Four Plans". This theme resonates with our strategies towards a stronger economy that will generate more employment opportunities and provide better livelihoods for Kenyans. In this Budget, therefore, we are laying a strong foundation for accelerated growth and shared prosperity.

In order to achieve rapid and inclusive economic growth and expand job opportunities for the youth, we must continue to improve the business climate in order for our business sector to thrive. Therefore, we must continue to implement prudent fiscal and monetary policies in order to achieve low rate inflation, low but sustainable interest rate and a competitive exchange rate. In

addition, we will continue with our ambitious business reform initiative in order to reduce the cost of doing business and encourage private sector innovation and entrepreneurship.

Our current ranking of 61 out of 180 countries in the World Bank Doing Business Indicators is not only the best ranking we have had so far, but is also an indication of our resolve to improve our business climate and become a top investment destination. Our aim in the next few years is to be among the top 50 nations in the World by continuing to strengthen our reform agenda.

Hon. Speaker, last year, I amended the Income Tax Act, to provide for a deduction of 30 per cent of the total electricity by manufacturers as rebate subject to the conditions to be set by the Ministry of Energy. The Ministry of Energy, in consultation with the Ministry of Industry, Trade and Cooperative Development, has now developed the framework that will be used so that manufacturers can enjoy this incentive. We expect this incentive to reduce the cost of electricity to manufacturers by about 20 per cent and to make our products competitive in the region. This should spur economic growth and create employment for the youth.

Hon. Speaker, the large accumulation of VAT refunds with the KRA arising from VAT on zero-rated supplies has impacted negatively on the cash flow and liquidity of our manufacturers and the business community at large. In order to fast-track the return of these funds to the rightful owners, I have constituted a team at the National Treasury to quickly validate the outstanding refunds with a view to clearing them within the next two months.

Hon. Speaker, in addition, there has also been a large accumulation of VAT refunds at the KRA, which emanate from the 6 per cent VAT Withholding Tax. We are currently working on the modalities for settling these obligations and I intend to engage the business community immediately in order to come up with a workable solution. Going forward, we intend to lower the VAT Withholding Tax to a level that will eliminate the need for KRA to make refunds. I will be making proposals to lower the VAT Withholding rate under the tax proposals later in this Budget Statement.

*(Applause)*

Hon. Speaker, on the pending bills, we have reviewed existing pending bills as directed by His Excellency the President during this year's Madaraka Day celebrations. In addition to the payments we have made so far, we have prioritised payment of Kshs10.9 billion of the verified pending bills, which will be paid before the end of this month. This should eliminate most pending bills owed to the youth, women and persons living with disabilities under the Access to Government Procurement Opportunity (AGPO). The clearance of this backlog should improve liquidity to our suppliers and contractors and thereby boost our economy.

Our Micro, Small and Medium Enterprises (MSMEs) play a critical role in wealth and employment creation. We have listened carefully to their concerns which include limited access to credit, entrepreneurial skills and markets, as well as a cumbersome regulatory and working environment.

Hon. Speaker, to facilitate faster clearance of cargo, His Excellency the President in May 2019, directed the Ministry of Interior and Coordination of National Government, in collaboration with other Government agencies, to ensure all import and export consolidators undergo strict vetting, registration and gazettelement before they are allowed to operate at all the ports of entry and clearance. This will reduce delays in cargo clearance into the country for most

small cargo importers operating under the consolidators, reduce tax evasion and curb the illegal importation of contraband and counterfeits goods.

Hon. Speaker, the Government has been supporting MSMEs through various affirmative action funds including the Uwezo Fund, Youth Enterprise Development Fund and Women Enterprise Development Fund. To increase efficiency and eliminate overlaps, I have consolidated the three funds into one to be known as Biashara Kenya Fund. The Fund will give special priority to businesses owned by youths, women and people living with disabilities. The regulations establishing the new Fund have been published after being subjected to stakeholders' consultations. I will be submitting them to this House today. To further improve access to credit for SMEs, last month, we endorsed a mobile loan product known as Stawi Loans which offers unsecured loans to small enterprises.

Hon. Speaker, the Government, through the Ministry of Information, Communications and Technology, in partnership with academia, civil society and the private sector has set up a programme known as "Ajira Digital Programme" whose aim is to bridge the gap between skills available and skills demand. A major objective of the programme is to enable over one million youths annually to be engaged as digital freelance workers.

In order to provide stability for the youth engaged in this programme, the Government has proposed that the youth registered in the programme pay a registration fee of Kshs10,000 for the next three years in lieu of income tax with effect from 1<sup>st</sup> January 2020. In this regard, I propose to amend the Income Tax Act in order to exempt registered members from regular taxation for the specified period.

Hon. Speaker, this registration fee will be paid to the Ajira Fund through which the youth-oriented programme will be financed for the benefit of our young people who need to be engaged in tangible programmes. In this regard, a framework for the registration of the Ajira members, the modalities of collecting the fee as well as the structure for the utilisation of the Fund will be put in place. This Fund will promote growth of local business that generate digital and digitally-enabled jobs. In this respect, I have set aside Kshs1billion as seed capital for the Fund. I encourage the youth and women to take advantage of this funding window to establish and grow their businesses.

Hon. Speaker, in order to take full advantage of the preferences and reservations in the Procurement Act and promote local industries through the 'Buy Kenya Build Kenya' initiative, we are in the process of developing a catalogue of items that are locally manufactured, assembled, mined or grown in Kenya and which will be given priority in public procurement.

Accordingly, no tax exemptions will be provided for any items on the catalogue. In this respect, with effect from 1<sup>st</sup> July 2019, all ministries, departments, agencies and other public entities are required to give exclusive preference in procurement of motor vehicles and motor cycles from firms that have assembly plants in Kenya. This will go a long way in spurring the growth of local auxiliary industries and enterprises and create employment opportunities to the youth.

Hon. Speaker, we have received numerous complaints relating to late payment, and even non-payment of suppliers by businesses and contractors who enjoy relatively superior bargaining positions. The most affected are Small and Medium Enterprises. To address this situation, I have proposed amendments to the Competition Act to empower the Competition Authority to deal with abuse of buyer power and ensure prompt payment to suppliers. The proposed amendments shall also provide for penalties for infringement of these provisions.

Further, going forward, the National Treasury will endeavour to ensure that payments to suppliers of goods and services to the national Government are made within a maximum of 60 days. This will support our MSMEs and the business community. I expect all the 47 county governments to take cue from this and ensure prompt payments for all supplies delivered to their respective counties.

Hon. Speaker, the Government will streamline the process of Pre-Verification of Conformity (PVOC), so that our business community stops suffering demurrage charges and other costs while clearing their goods at the point of entry. This has been caused by additional inspections of imports by the Kenya Bureau of Standards (KEBS) and a host of other agencies.

Hon. Speaker, to address this challenge, it has been decided that once the PVOC has been done at the point of export and information relayed to our Customs and Standards teams, the same goods should not be subjected to further inspection unless there is prior intelligence on non-compliance. In addition, the logistics at the Port and at the Inland Container Depot will be streamlined to have the Customs and the essential Standards team only.

Turning to expenditures, we must ensure that our scarce resources are used in the most efficient and effective manner. Accordingly, since the start of this financial year, the Government has implemented new initiatives to contain growth of expenditure. First, we adopted a zero-based budgeting process to weed out non-priority expenditures from the budget. Second, we have adopted a policy of “no new projects” to ensure that the Government completes ongoing projects. Third, we are reviewing the portfolio of externally funded projects with a view to restructuring and re-aligning them with the “Big Four” plan, and fourth, we are taking measures to reduce spending on some specific programmes which are not of high priority. All these initiatives have helped to lower our expenditures.

Going forward, we will continue to take bold actions to contain our expenditures further in the next financial year in order to further reduce the deficit. This will entail the following.

The public sector wage bill continues to rise leaving fewer and fewer resources for development. Certainly, this is not a good practice and no meaningful development can be realised unless we reverse the trend. In order to contain the wage bill, I propose that we limit strictly the extension of service for the significant number of civil servants who are retiring after the age of 60 years. In addition, we will restrict new recruitment to key technical staff, security personnel, teachers and health workers. Further, a cleansing of the wage bill will be undertaken to root out ghost workers. The Government will also fast-track migration away from the current Integrated Payroll and Personnel Database System (IPPD) to IFMIS Human Resource Module to improve payroll management.

Expenditure on domestic and foreign travel has been growing due to frequent travels. To limit this expenditure, we are exploring the use of a more efficient cost cutting approach, including use of electronic cards system for all public officers travelling within and outside the country. This card would be pre-loaded with subsistence allowance to be expended by officers travelling on official duty on eligible expenditures only.

The Cabinet is considering a new Government transport policy that will standardise the institutional framework for fleet management and use of fuel cards across the Government in order to improve efficiency and cut cost. In addition, the policy will promote local industries by requiring that all Government vehicles be procured only from local assembly plants.

The Government has been leasing office space at higher than market rates resulting in huge costs to the Government. Beginning 1<sup>st</sup> July 2019, all procurement of office

accommodation by Government will be standardised with uniform cost leases and existing contracts will be renegotiated to ensure a standard rate.

We are on course towards providing an electronic end-to-end solution on all procurement processes. This will significantly enhance efficiency, transparency and accountability in procurement. It will further provide procurement audit trails, enhanced reporting and procurement analytics for better monitoring of the public procurement system, efficient and electronic archiving of procurement records and availability of online appeal and complaint mechanism, among others.

We are now in the final stage of issuing the new Public Procurement and Asset Disposal Regulations to fully operationalise the Public Procurement and Asset Disposal Act, 2015. Our assessment shows that significant savings can be achieved under the Framework Procurement and new institutional arrangement for Common User items that have been instituted in the new regulations.

The pension budget has increased by over three fold in the last 10 years from Kshs25 billion in FY 2008/09 to Kshs86 billion in FY 2018/19. This is unsustainable. Between February and May 2019, we conducted a payroll cleansing exercise for pensioners and dependants at the Huduma Centres across the country to authenticate the approximately 270,000 recipients of monthly pension paid by the Government. We are finalising the analysis and we expect cost savings. Pension management is also being improved with migration to IFMIS since May 2019.

To address the challenge of the rising pensions' budget, we have finalised a new National Pensions Policy and the Public Service Superannuation Scheme (PSSS). This scheme, which will be rolled out in the FY 2019/20, will ease the pension burden on the Exchequer and free resources for other critical national priorities while at the same time ensuring that the pension budget remains sustainable. This scheme will allow portability of pension benefits thus allowing free movement of staff into and out of Government.

The Government will issue Public Investment Management Regulations, which will provide a framework for appraising and approving new projects to be funded through the Government budget. In order to enhance transparency and accountability, all the approved and on-going projects will be available in a Public Investment Management Information System portal.

In addition to the expenditure measures that I have just enumerated, domestic revenue mobilisation will be critical to helping us achieve our fiscal deficit target. I will be coming back later in this Budget Statement to our proposed taxation measures that will make our tax system more efficient and strengthen our revenues.

Meanwhile, in terms of administrative measures to enhance revenue collection and seal revenue loopholes, a number of initiatives are underway, including:

- Sustaining the fight against illicit and counterfeit trade that was launched last year;
- KRA will continue to strengthen and upgrade the ICT systems, including the full rollout of the integrated customs management system which has been delayed for too long;
- Information sharing through Memorandum of Understanding (MoUs) with other jurisdictions to support the fight against cross-border tax evasion;
- Revenue Enhancement Initiatives (REI) that target among others: enhanced scanning of containers to detect concealment; Implementation of a Regional Electronic Cargo Tracking system to tackle transit diversions; Implementation of new debt collection



strategy; Resolution of tax disputes; and enhancing investigative capacity to support revenue collection.

We expect the above administrative measures to significantly boost our revenue efforts.

In the coming financial year, we expect revenues, including A-i-A of Kshs2.1 trillion. Expenditures and net lending are projected at Kshs2.8 trillion, leaving a fiscal deficit including grants of Kshs607.8 billion. In relation to the GDP, this deficit translates to 5.6 percent, a decline from 6.8 percent in FY 2018/19 and 7.4 percent for FY 2017/18.

Hon. Speaker, the fiscal deficit of 5.6 percent of GDP in FY 2019/20 will be financed by net external financing of Kshs324.3 billion and net domestic financing of Kshs283.5 billion. We shall continue to remain on this planned path of reducing the fiscal deficit in the medium-term in order to create more fiscal space and to reduce the public debt.

Resource mobilisation through borrowing will be in accordance with the Public Finance Management Act, 2012 and guided by the annual Medium-Term Debt Management Strategy, which this House approves annually, and which seeks to minimise costs and risks on public debt and borrowing. Official Development Assistance on high concessional terms will be preferred for some of the external financing while medium to long-term Treasury Bonds will remain the primary source for domestic financing.

Hon. Speaker, Kenya continues to meet its debt service obligations promptly with no accumulation of debt arrears. Public debt is within sustainable levels and the debt burden is projected to decline over the medium-term as we implement fiscal consolidation plan.

The loan proceeds we have contracted, primarily from our multilateral and bilateral development partners have been used to finance development expenditures including in such areas as ports, railway, roads, energy and water. This infrastructure is critical to the expansion of our potential growth and regional competitiveness, and in making Kenya the African hub for transportation, industrial and services sectors. Nevertheless, the borrowed resources must be used wisely.

Accordingly, the recently established Public Investment Management Unit will be appraising all infrastructure projects before such projects are committed in the budget, in order to establish their value for money, affordability and economic return for the benefit of the current and future generations in line with the Constitution of Kenya.

Hon. Speaker, we have constituted and strengthened the Public Debt Management Office at the National Treasury under a Director-General to be responsible for public debt management and operations. We have initiated a set of reforms to promote development of the domestic debt market, an important source of financing for our development programmes.

In particular, we plan to roll-out measures to enhance transparency and predictability in the issuance and trading process for Treasury Bills and Bonds to enhance efficiency, lower costs and risks, as well as develop an effective yield curve for Government domestic debt securities. Given the importance of Eurobonds in our debt portfolio, we will strengthen the debt office to adopt modern liability management instruments to reduce cost and settlement risks, in addition to introducing an investor relations unit at the National Treasury.

County governments in the coming financial year will receive a proposed allocation of Kshs371.6 billion, of which Kshs310 billion is the equitable share and Kshs61.6 billion will be conditional transfers, including Kshs38.7 billion from our development partners. I am well aware that the proposal I have outlined above on the Division of Revenue between the national and county governments is subject to negotiations under the Joint Mediation Committee established by the two Houses of Parliament. We look forward to the speedy conclusion of the mediation

process, which we expect will fully take into account the provisions of Article 203 of the Constitution.

In order to encourage the counties to optimise own source revenue collection, the National Treasury, in collaboration with the Council of Governors, will implement the National Policy to Support Enhancement of County Governments' Own-Source Revenue. Further, as per the Presidential directive issued in February 2019, the National Treasury has established a multi-agency team to develop and implement an Integrated Revenue Management System for county governments. This initiative is aimed at eliminating the leakages and large costs currently incurred by counties in their revenue collection processes.

During this financial year, the County Governments' Revenue Raising Process Bill, 2018 was submitted to the National Assembly. Pursuant to Article 209(5) of the Constitution, this Bill aims to regulate the introduction of levies by county governments while ensuring that counties do not prejudice national economic policies, cross-county economic activities, or national mobility of goods, services, capital and labour. I urge this House to prioritise the enactment of this Bill in order to ensure better regulation of the process of introducing new levies by county governments to safeguard the gains made in improving our business climate.

We expect counties to manage their finances in a manner that is consistent with the fiscal responsibility principles, as set out in the PFM Act, 2012, with respect to development spending allocations, and control of expenditure on personnel emoluments. We also expect counties to adhere to the policy of clearing pending bills, pursuing austerity measures and completing ongoing projects before embarking on new ones.

Hon. Speaker, let me turn to highlights of the Government spending priorities in the coming financial year. Total programmed spending for the 2019/20 amounts to Kshs2.8 trillion. His Excellency the President has outlined the Four Big Areas of focus. These are:

1. Universal health coverage.
2. Affordable housing.
3. Increasing manufacturing contribution to the GDP, and
4. Food and nutrition security.

Let me outline how the Budget speaks to the President's priorities. Ministries, Departments and Agencies while finalising the expenditure estimates for the next financial year and medium-term were required to align their proposals towards realisation of the 'Big Four' Plan. In total, I have allocated approximately Kshs450.9 billion to the "Big Four" Plan drivers and their enablers.

A healthy population is key in the attainment of socio-economic development. It is for this reason that the Government has prioritised Universal Health Coverage (UHC). To support UHC, I have allocated Kshs47.8 billion to activities and programmes geared towards UHC. Some of the specific interventions in this area include scaling up universal health coverage to the rest of the counties and, NHIF cover for the elderly and severely disabled.

In addition, Hon. Speaker, I have allocated Kshs7.9 billion from the Sports, Arts and Social Development Fund to fund the universal healthcare initiatives. Other allocations to improve health service delivery include Kshs2.9 billion for doctors/clinical officers/nurses internship programme; Kshs14.4 billion for Kenyatta National Hospital; Kshs9.2 billion for Moi Teaching and Referral Hospital; Kshs2.3 billion for Kenya Medical Research Institute; Kshs7.4 billion for Kenya Medical Training Centres (KMTC), and Kshs1.2 billion for health workers internship programme.

The Government continues to stay focused on providing decent and affordable housing for our citizens. To that end, I have allocated Kshs10.5 billion to cater for social housing and construction of affordable housing units, including housing units for the police and Kenya prisons. Included also is Kshs2.3 billion for the Public Servants Housing Mortgage Scheme and Kshs5 billion for the National Housing Development Fund, as contributions by Government for its employees.

With the recent establishment of the Kenya Mortgage Refinance Company (KMRC) by His Excellency the President, Kenyans will now access affordable mortgage loans for purposes of acquiring homes. The KMRC has received capital injection of Kshs1 billion from the Government, and Kshs35 billion credit lines from the World Bank and the Africa Development Bank. The KMRC has also received Kshs1.2 billion from other shareholders (banks and SACCOs), and a further Kshs400 million is expected from other development financial institutions, that is, IFC and Shelter Afrique in the form of equity injection.

Investment in the manufacturing sector is key in transforming Kenya into a middle income economy. Under the 'Big Four' Plan, the goal is to increase its contribution to GDP, create jobs annually, increase Foreign Direct Investment (FDI) and improve ease of doing business. To support the manufacturing sector, we have scaled up reforms to encourage investments in industrial sheds and parks. The electricity rebates mentioned earlier will improve competitiveness in the sector.

The Government has completed the revival of one of the oldest textile company in Kenya based in Eldoret - RIVATEX. It is expected to be launched in the coming weeks. RIVATEX is expected to employ over 3,000 employees when fully operational. In this budget, we have allocated a total of Kshs1.1 billion for the development of textile and leather industrial park, Naivasha Industrial Park and cotton development subsidy. In addition, we have allocated Kshs1.7 billion to support the growth of SMEs in the manufacturing sector; Kshs400 million to constituency industrial development centres; and Kshs1 billion to modernise facilities in the Kenya Industrial Research and Development Institute (KIRDI).

Hon. Speaker, to enhance food and nutrition security and support our farmers, the Government is reforming its agricultural policies and regulations as well as subsidies to farmers with a view to making them efficient and less prone to rent seeking. With the unspent funds for this current financial year and proceeds from sale of maize from strategic reserve, the Strategic Food Reserve Trust Fund will have adequate funds to buy food reserves and intervene to support farmers in accessing inputs in a reformed arrangement in the coming financial year.

In this Budget, I have set aside Kshs2 billion for the National Value Chain Support Programme and Kshs3 billion for setting up the Coffee Cherry Revolving Fund to implement prioritised reforms in the coffee sub-sector. In the coming financial year, coffee farmers across the country will be able to access the Cherry Advance at a modest interest rate of 3 per cent.

In this current financial year, the Government supported sugar farmers by paying Kshs2.1 billion debt for cane deliveries to public mills. To cater for the outstanding balance, we have provided Kshs700 million. Other provisions include Kshs1 billion for crop diversification and to revitalise the *miraa* industry; Kshs800 million for the rehabilitation of fish landing sites, and Kshs700 million for small-holder dairy commercialisation. I have also allocated a total of Kshs7.9 billion for ongoing irrigation projects.

Hon. Speaker, allow me to turn to the proposed expenditure on enablers that are critical to the realisation of the Big Four Agenda. I will start with infrastructure. We will continue with the infrastructure programme in order to improve our competitiveness. I am, therefore, proposing

to allocate Kshs180.9 billion for ongoing roads construction projects as well as rehabilitation and maintenance of roads. We have also provided Kshs55.8 billion for the completion of Phase 2A of the Standard Gauge Railway (SGR), Kshs11 billion for the Lamu Port and Lamu-Southern Sudan-Ethiopia Transport (LAPSSET) Corridor Project, and Kshs7.2 billion for the Mombasa Port Development Project.

To support generation of adequate and affordable energy, particularly for our manufacturing sector, I have allocated Kshs8.6 billion for geothermal development and Kshs61.2 billion for power transmission and distribution. This includes Kshs4.5 billion for electrification of public institutions, Kshs5.5 billion for Last Mile Connectivity and Kshs1.3 billion connectivity subsidies; Kshs1 billion for street lighting and Kshs1.5 billion for transformers in our constituencies.

A safe and secure environment is a precondition for achieving the Big Four Agenda. Therefore, I have provided Kshs326.5 billion for the security agencies, which include Kshs121.6 billion for defence, Kshs37.7 billion for National Intelligence Service (NIS), Kshs26.9 billion for the Prisons Department, Kshs140 billion for State Department of Interior. The allocation to the State Department of Interior includes Kshs22.8 billion for house allowance for police service and prison service officers and Kshs6.9 billion for police and prison officers' medical scheme.

*(Loud consultations)*

**Hon. Speaker:** Order Members!

**The Cabinet Secretary for the National Treasury** (Mr. Henry Rotich): Hon. Speaker, education continues to receive the lion's share of spending as Government continues to provide access to basic and higher education as well as to skills development and training. A sum of Kshs55.4 billion has been set aside to cater for the Free Day Secondary Education Programme and Kshs13.4 billion for Free Primary Education Programme. To increase the teacher to student ratio, we have provided Kshs3.2 billion for recruitment of additional teachers.

*(Applause)*

Other allocations include Kshs1.5 billion for primary and secondary school infrastructure, Kshs10.3 billion for tuition and tools support for vocational training, Kshs6.8 billion for construction and equipping of technical institutions, Kshs4 billion for examinations fee waiver for all class eight and form four candidates, and Kshs4 billion for National Hospital Insurance Fund (NHIF) for secondary school students.

I have further set aside Kshs97.7 billion to support university education and Kshs12.6 billion to the Higher Education Loans Board (HELB).

In my Budget Statement last year, I highlighted some of the measures to improve governance, transparency and accountability of the Government. Procurement reforms included the requirement for all MDAs to continuously publish and publicise all details of procurement information and contracts awards on the Public Procurement Information Portal. This portal was developed and launched. The Public Procurement Regulatory Authority continues to publish monthly contract awards by all public entities in the Portal. To date, 385 public entities have been registered in the Portal and 5,236 contracts published valued at Kshs146.5 billion. We expect further transparency with implementation of a new end-to-end e-procurement system fully integrated with Integrated Financial Management Information System (IFMIS).

To sustain the drive against corruption, I have enhanced allocations to the institutions mandated to fight corruption. In particular, we have allocated Kshs2.9 billion to the Ethics and Anti-Corruption Commission (EACC), Kshs3 billion to the Office of the Director of Public Prosecutions (DPP), Kshs50 billion to Asset Recovery Agency, Kshs540.8 million to the Financial Reporting Centre, Kshs7.1 billion to the Directorate of Criminal Investigations, and Kshs5.7 billion to the Office of the Auditor-General. Additionally, to support the oversight and legislative role of Parliament and access to justice, I have allocated Kshs40.5 billion to Parliament and Kshs19.4 billion to the Judiciary.

Hon. Speaker, the rapidly developing digital economy provides opportunities to boost our economic growth and create jobs. Therefore, we need to invest more in this area to boost literacy and digital skills. We also need to invest in digital infrastructure and improve access to affordable broadband connectivity. Thus, to support the Information and Communications Technology (ICT) sector and take advantage of the digital dividend and consolidate Kenya's leading position in the technology space, I have allocated Kshs3.2 billion for the Digital Literacy Programme, Kshs2.9 billion for Government shared services, Kshs2.8 billion for National Optic Fibre Backbone Phase II Expansion, and Kshs1.1 billion for installation of an Internet Based 4000 Network. I have also set aside Kshs7.2 billion for the ongoing construction of Konza Technopolis Complex and another Kshs5.1 billion to support the Konza Data Centre and Smart City Facilities Project.

To share the benefits of our growing economy and to relieve the plight of the vulnerable members of our society, we have provided Kshs16.6 billion for cash transfers to the elderly persons, Kshs7.9 billion for orphans and vulnerable children, and Kshs1.1 billion for cash transfers to persons with severe disabilities. Also, we have set aside Kshs2.3 billion for the Kenya Hunger Safety Net Programme, Kshs100 million to support those with albinism and Ksh200 million for the National Council for Persons with Disabilities Fund.

Hon. Speaker, to support sports, culture and arts, I have also allocated Kshs5.3 billion for the Sports, Arts and Social Development Fund to support the youth, women and persons living with disabilities in areas such as sports and arts.

To promote equitable regional development, we have provided Kshs41.7 billion for the National Government Constituencies Development Fund (NG-CDF) and Kshs2.3 billion for Affirmative Action Fund to promote regional equity and social development. We expect these funds to augment national Government functions, especially school infrastructure to ease the shortages associated with the 100 per cent transition policy.

*(Applause)*

I have also allocated Kshs5.8 billion to the Equalisation Fund to finance programmes in the marginalised areas.

The rest of my presentation summarises various tax measures and miscellaneous amendments that I intend to introduce through the Finance Bill, 2019 and regulations to realise the objectives set out in the Big Four Agenda. The tax policy measures in this Budget are expected to generate additional Kshs37 billion in tax revenue to the Exchequer. The new Income Tax Bill that benefitted from extensive public consultations is at the final stage of legal drafting before it is submitted to this House shortly. Accordingly, I will make limited changes to the Income Tax Act to enhance equity and fairness.

After four years of implementation, there is need to review the Capital Gains Tax legislation in order to enhance equity and fairness as well as harmonise the rate which other jurisdictions, including the East Africa Community (EAC) region, where the rate ranges from 20 per cent to 30 per cent. Consequently, I propose to increase the rate of Capital Gains Tax from 5 per cent to 12.5 per cent. Further, in order to allow for seamless restructuring of corporate entities, I propose to exempt from the Capital Gains Tax the transfer of property that is necessitated by restructuring of corporate entities. This measure will allow corporate entities to restructure their operations for efficiency and market penetration.

With the increasing demand for mobilise resources, there is need to expand the tax base and enhance our revenue. Over the years, with the expanded economy, there has been an increase in services that are offered on commercial basis, some of which are not within the ambit of withholding tax. I, therefore, propose to expand the scope of application of withholding tax by subjecting additional services, other than management and professional fees to Withholding Tax. These services include security, cleaning and fumigation services, catering services offered outside hotel premises, transportation of goods excluding air transport services, sales promotion, marketing and advertising services. These measures will enhance tax compliance by persons offering these services.

Hon. Speaker, the Kenyan economy and the world economy at large, is fast changing to keep up with technological advancements. In particular, the digital economy is fast evolving thereby posing challenges to taxation. This is due to the unparalleled reliance on intangibles, the massive use of data, the widespread adoption of multi-sided business models and the difficulty of determining the jurisdiction in which value creation occurs. This has led to erosion of our tax base, hence low tax revenue since the existing system is not equipped to deal with these emerging challenges. In this regard, I have proposed a raft of tax measures that are aimed at providing the platform for taxation of income generated from the digital economy so as to boost our revenues for inclusive economic development.

In my Budget Statement last year, I had indicated that the draft Income Tax Bill, 2018, would be submitted to Parliament for enactment. The Bill is at an advanced stage of legal drafting and I will soon be submitting the same to this House. This Bill will modernise our Income Tax legislation so as to boost revenue mobilisation.

The VAT Act provides for refund of tax where the input tax exceeds the output tax for taxable supplies and full of input tax attributed to zero-rated supplies. In 2017, the VAT Regulations introduced a formula for determination of the amount of refund payable to taxpayers who supply both zero-rated and standard-rated supplies. However, the application of the formula is adversely affecting exporters as they are not able to fully recover the excess input tax relating to zero-rated supplies. To address this, I propose to adjust the VAT refund formula in order to ensure that these taxpayers are able to fully recover the portion of input tax relating to zero-rated supplies. This measure will boost Kenyan exports and make them competitive in the international market.

In addition, the Value Added Withholding Tax (VAWT) system has been in operation for some time now. However, the implementation of the system has encountered challenges, the major one being a build-up of huge credits, yet the law does not provide for refund of the same to

the taxpayers. In order to address these challenges, I propose to reduce the rate of VAWT from 6 per cent to 2 per cent.

*(Applause)*

This will not only help reduce the build-up of VAT refunds, but will also help enhance the cash flow of our business community and stimulate economic activities and job creation.

Kenya is positioning herself as a leading assembler of electronics and computers within the region. This development initiative will transform Kenya into a major manufacturer and supplier of electronics and computers in the EAC. In order to encourage the growth of this sector, I propose to exempt from VAT locally manufactured mother boards and all inputs used in their manufacture. This will make them more competitive against imported mother boards.

The Government has made tremendous efforts in protecting our environment. The country has banned the use of plastic bags to reduce pollution and provide clean environment to its citizens. However, other forms of plastic waste remain a major cause of both land and water pollution. To address this challenge, there is need to promote plastic waste management by encouraging recycling of plastic waste. In this regard, I propose to exempt from VAT all services offered to plastic recycling plants and supply of machinery and equipment used in the construction of these plants. Further, to encourage investment in plastic recycling, I propose to lower Corporation Tax to 15 per cent for the first five years for any investor operating a plastic recycling plant.

On matters relating to Customs, I have proposed measures intended to make our products more competitive while at the same time protecting local industries from unfair competition. This will support the manufacturing sector under the Big Four plan which is expected to grow to 15 per cent of GDP by 2022. The details of the Customs measures will be communicated through the EAC Gazette and will be effective from 1<sup>st</sup> July 2019. I wish to highlight a few of them.

Our Metal and Allied sector continues to face stiff competition from imported cheap and subsidised iron and steel products. In order to protect this industry, I have retained the ad valorem rate of import duty at 25 per cent with corresponding specific rates of duty in a wide range of products produced in the region.

Kenya has sufficient capacity to produce some paper and paper board products and, therefore, there is need to protect these industries. However, the common external tariff on these products is 10 per cent. To protect manufacturers of these products from unfair external competition, I have proposed that the import duty rate which was increased last year to 25 per cent for a one-year period be maintained for another one-year period.

As you may be aware, the Government banned the logging of trees to stop deforestation. However, our manufacturers who use raw timber to manufacture furniture and other products are affected by this measure as they now lack adequate supply of raw timber. To address their plight and at the same time protect our forests, I have proposed to reduce import duty on raw timber from 10 per cent to 0 per cent. In addition, to protect the timber and furniture industry from

proliferation of cheap finished timber products and to enhance local production, I have proposed to retain an ad valorem rate of import duty at 25 per cent with corresponding specific rate of import duty on the products.

Betting has become widespread in our society and its expansion has had negative social effects, particularly to the young and vulnerable members of our society. In order to curtail the negative effects arising from betting activities, I propose to introduce Excise Duty on betting activities at the rate of 10 percent of the amount staked.

*(Loud consultations)*

You will have an opportunity to look at that.

Although currently there is low uptake of electric powered motor vehicles in the country, green energy technology is being embraced in many countries due to environmental benefits and renewability. Kenya too needs to promote the use of this clean type of energy in line with the Sustainable Development Goal 7 which can be achieved through lowering the cost of these vehicles through tax incentives. This will encourage uptake of these vehicles as well as encourage investment in this area of technology. Further, it will support the policy on green energy thereby reducing carbon emission. In this regard, I propose to reduce the Excise Duty on motor vehicles that are fully powered by electricity to 10 per cent.

Excise revenue has declined from approximately 3 per cent of GDP in 2003/2004 to about 2 per cent in 2017/2018. The law currently provides for an annual inflation adjustment for excisable goods that have a specific rate. The adjustment was done last year and the rates of Excise Duty on these goods were increased by 5.2 per cent. Although the rates will be adjusted again in July 2019 by the inflation rate provided by the Kenya National Bureau of Statistics, the adjustment may not be adequate to address the declining trend of the excise revenues. In order to address this decline and to boost excise revenues, I propose to increase the rates of Excise Duty on cigarettes, wines and spirit by 15 per cent.

In other words excise duties on alcohol and tobacco will be increased as follows: a 750ml bottle of wine will have an Excise Duty of Kshs136 which is Kshs18 more from the current rate and the duty of a bottle of whisky will go up by Kshs24 to Kshs182 for a 750ml bottle.

*(Loud consultations)*

**Hon. Speaker:** Order, Members! Even if you are excited or affected...

*(Laughter)*

**The Cabinet Secretary for National Treasury** (Mr. Henry Rotich): The Excise Duty on a packet of 20 cigarettes will increase by Kshs8 to Kshs61 per packet.

Hon. Speaker, the Government introduced the Growth and Enterprise Market Segment (GEMS) with favourable listing conditions for the SMEs to raise finance from the capital markets for growth. However, the uptake has not been good in view of the potential back taxes



that the enterprises may be facing. In this regard, I propose to introduce an amnesty on the tax penalties and interest on any outstanding tax for two years prior to the listing for SMEs that list under the GEMS program to encourage them to list and clear their tax records. The principal taxes shall however be paid in full.

The Government is keen to position Kenya as a prime financial centre in East and Central Africa. The first step to achieve this is to make our financial services accessible to both Kenyans and our visitors. Currently, the law requires one to have a KRA PIN before opening a bank account. This poses challenges to visiting foreigners, privileged persons and foreign investors investing in our financial markets. In this regard, I propose to amend the Tax Procedures Act to empower the Commissioner to grant exemption from the PIN requirement, in certain circumstances, when opening a bank account.

Last year, through the Finance Act 2018, I introduced an anti-adulteration levy on illuminating kerosene in order to check the menace of adulteration of fuel. In addition to reducing the adulteration of fuel products, this levy has increased the cost to manufacturers of paint and resin who use illuminating kerosene as inputs. In order to address this problem, I propose to introduce a provision, under the Miscellaneous Fees and Levies Act, 2016 that will allow manufacturers of paint and resin to get refund on the levy paid.

In order to further cushion our local manufacturers, and facilitate the growth of the sector, I propose to reduce the Import Declaration Fee (IDF) on intermediate goods and raw materials used by manufacturers from 2 per cent to 1.5 per cent while increasing the rate on finished goods from 2 per cent to 3.5 per cent. In addition, I am proposing to raise the Railway Development Levy for finished products from 1.5 percent to 2.0 percent to further cushion our manufacturers.

Raw hides and skins are currently subject to export levy. This measure has had a significant impact in increasing value addition in the sector. However, the levy does not apply to tanned and crust hides and skins which are also being exported at the expense of value addition. In order to further accelerate value addition and promote the manufacturing of local leather products, I propose to impose export levy on tanned and crust hides and skins at 10 per cent.

The Capital Markets Authority is responsible for promoting, regulating and facilitating the development of an orderly, fair and efficient capital market in Kenya. In order to effectively deliver on this mandate, the Authority requires powers to sanction the players in the market in case of a default. In this regard, I have proposed amendments to the Capital Markets Act to empower the Authority to enforce penalties and sanctions on market players who violate laid down rules and procedures.

The Policy Holder's Compensation Fund was established to cushion holders of insurance policies in the event that insurance companies are unable to discharge their services. However, the Fund has not been utilised since its establishment in 2004, despite 4 insurers going under statutory management. This is because the current provisions of the law only allow compensation to claimants of an insolvent insurer. To address these challenges, I have proposed amendments to the Insurance Act and the Regulations to bring clarity and enable the Fund to be utilised to compensate claimants.

The *boda-boda* transport has become an important sector in our economy. It is one of the largest employers of our youth and also provides cheap and convenient transport for Kenyans. Despite the above benefits, this mode of transport has proven to be very risky to the riders, passengers and even pedestrians. Further, the accident victims who are mostly from the lower cadres of the society are left to seek financial assistance for treatment from friends and relatives since these *boda-bodas* are not insured. In order to mitigate against these risks, I propose to

amend the Insurance (Motor Vehicle Third Party Risks) (Certificate of Insurance) Rules to require all passenger carrying *boda-bodas* and *tuk-tuks* to have insurance cover for passengers and pedestrians.

The Retirement Benefits Schemes that invest in guaranteed funds are subjected to unfavourable terms of exit. In particular, the schemes are required to withdraw funds in instalments spread over three years otherwise they suffer a charge of up to 25 per cent of the fund value. This exposes members to low returns on the fund balance due to an extended transfer period. Therefore, I have proposed to amend the Retirement Benefits Act to reduce the period of transfer to one year so as to allow members to access better returns.

While both Individual and Occupational Regulations under the Retirement Benefits Act make provision for creation of reserve funds in the defined contribution schemes, the schemes are not required to make provisions for distribution of the reserve funds in the rules. This has made some members exit without accessing their entitlement to the reserve funds. In this regard, I propose to amend the Occupational Benefits Regulations and Retirement Benefits Regulations to ensure that the exiting members receive their equitable share of the reserve funds.

Last year, I introduced amendments to allow contributions for post-retirement medical funds in the Occupational and Individual Retirement Benefit Schemes Regulations. This was meant to enable members of these schemes to contribute to a medical scheme to be accessed after retirement as a form of social security. In order to ensure that many Kenyans enjoy this opportunity, I proposed to further amend the Umbrella Retirement Schemes Regulations to allow members of the Umbrella Retirement Benefits Schemes to contribute towards Post-retirement Medical Fund. This will also contribute to the achievement of Universal Health Coverage.

In order to establish the legal framework for the operation of the National Electronic Single Window System, I will soon submit the National Electronic Single Window Bill, 2019 for deliberation by the National Assembly. The Bill proposes to legislate the use of the National Single Window System as well as re-establish the Kenya Trade Network Agency. In addition, the Bill also seeks to amend various Statutes to recognise and formalise the issuance of electronic certificates or permits that are currently issued by various Agencies through the System.

The aim of the interest rate capping introduced in September 2016 was to reduce the cost of borrowing, increase access to credit and higher return on savings. It is now going to three years and the law has had the opposite effect with MSMEs starved of credit and the loan books of small banks becoming smaller.

Hon. Speaker, you will recall in the Finance Bill, 2018, I proposed to amend the Banking (Amendment) Act, 2016 by repealing Section 33B of the Act. The proposal was motivated by the need to enhance access to credit and minimise the adverse impact of the interest rate capping on credit growth while strengthening financial access and monetary policy effectiveness.

In addition, I highlighted a number of reforms that we are putting in place to optimise lending to the private sector while at the same time encouraging innovation in the financial sector in Kenya. The Central Bank of Kenya is already dealing with consumer protection issues in the banking sector.

Given the challenges that MSMEs are facing in accessing credit from the banking sector and conscious of the need to spur business activities, I am in this year's Finance Bill proposing a repeal of section 33B of the Banking Act, 2016. I am convinced this will unlock credit to the

private sector and in particular to the MSMEs. Further, we will be launching an “SME Credit Guarantee Scheme” in a few weeks’ time to deepen access to credit by SMEs without being subjected to complex application procedures and collateral requirements. This, together with Biashara Kenya Fund and the SME Fund, will address the very reason interest rate caps were introduced. The aforementioned reforms will not only address shortcomings in the credit market but also catalyse provision of credit to support the Government’s Big Four Agenda.

The Budget is also about insulating ourselves against future risks and sustaining our long-term development agenda. The funds allocated in the Budget for infrastructure development are not adequate to meet the growing needs for quality and sustainable services and to support the Big Four Agenda. In this respect, the Government will continue to leverage on the private sector to support infrastructure development through Public Private Partnership (PPP) arrangements. We have already made great strides in this area and I have awarded the Nairobi-Nakuru-Mau Summit Toll Road Project and approved development of the JKIA-James Gichuru-Nairobi Expressway Project to be done under the PPP framework.

*(Applause)*

These projects are expected to commence soon and will significantly reduce traffic in Nairobi City and on the Nairobi-Nakuru highway.

As the host Nation of the United Nations Environment Programme (UNEP), Kenya remains a global leader in environmental conservation and sustainable development. We have continued to champion the green economy by spurring industrial growth in a manner that protects the environment from the effects of climate change. We have also committed to expand our forest cover from 7.2 per cent to the 10 per cent target. Building on our commitment to foster a sustainable environment, we have issued another ban on single use plastics in all our protected areas including national parks, beaches, forests and conservation areas. The ban shall be effective from 5<sup>th</sup> June 2020.

As reiterated by His Excellency the President during his State of Nation Address in April this year, our resolve to sustainably manage our natural resources remains unwavering. This is a new sector in our economy. We shall soon export crude oil to establish its commercial viability. In addition, the NIS, working with the Department of Defence, is conducting a geophysical survey to map out the natural resources across the country. In order to prepare for that, we have finalised the Kenya Sovereign Wealth Fund Bill which is undergoing legal drafting before submission to Parliament for approval. Among other things, the SWF Bill proposes creation of a Fund and provides a legal framework to guide the investment of revenues from oil, gas, and mineral resources. It is important to underscore that, other than the cost of managing the Fund, all the monies in the Fund will be used to finance critical development programmes, build savings for future generations in order to ensure inter-generational equity and for stabilising budgetary expenditures in the event of fluctuations in the price of the natural resources.

The Government has eased service delivery to the public through digitalisation of critical services in the e-citizen portal. We have e-Registry and we are digitalising land transactions, business registration, motor vehicles and driver’s license services and, services under the registration of persons, including passports. As a result of the ICT penetration, Kenya has been ranked seventh in Africa in e-commerce uptake and 85<sup>th</sup> globally in the United Nations

Conference on Trade and Development (UNCTAD) Business-to-Consumer E-commerce Index of 2018.

In May 2019, His Excellency the President launched the Kenya's Digital Economy Blueprint for Africa in Kigali, Rwanda. The blueprint serves as one of Kenya's contributions to SMART Africa Alliance in its role as the champion for Digital Economy within the Alliance and proponent of an African-wide digital economy. The adoption of the Digital Economy framework offers us an opportunity to leapfrog and join nations in the First World and actively contribute to the global economy.

The Government will continue with its initiatives to recapitalise and restructure the banks that are partially or wholly owned by the Government with a view to creating stronger banks and develop financial institutions. In this regard, the Government, as a shareholder, is supporting the merger of the National Bank and the Kenya Commercial Bank that will result in creation of one of the strongest Banks in East Africa. In addition, the merger of the Tourism Finance Corporation, IDB Capital and the Industrial and Commercial Development Corporation (ICDC) to form the Kenya Development Bank (KDB) with the right capacity to support the industrial growth of the country by providing long-term development financing.

You will recall that His Excellency the President appointed a taskforce in November 2018 to review our sugar industry with a view to addressing the challenges in the sector. The Government will implement the recommendations from the taskforce. In the meantime, it will pay all outstanding debts owned by sugarcane farmers.

Hon. Speaker, university reforms are critical at this stage. We shall review all the universities' public financial and management systems, appraise ongoing projects with a view to restructuring them, and implement radical measures that will include merger or closure of some universities and university campuses that are not able to sustain their operations against the number of students admitted or degree courses offered.

In conclusion, the Government, under the leadership of His Excellency President Uhuru Kenyatta, has steered our economy to become the largest and most diverse in the region. We should be proud of this and be ready to guard and further promote our growth and development.

The Budget I have presented today has undergone a vigorous preparation process in which we had to make tough decisions in the quest to move our country forward. Faced with limited resources, we have had to make tough choices to cut low priority expenditures. I firmly believe that if we all embrace and support the measures spelt out in this Budget, we shall create more jobs and transform the lives of Kenyans. This Budget takes into account the socio-economic status of our people and their desire for better livelihoods and quality of their lives.

Mr. Speaker, in summary, this Budget responds to the concerns of Kenyans which include high cost of living, unemployment, poverty and income inequality; lays a firm foundation for economic transformation and renewal; aligns resource allocation to the "Big Four" Plan while sustaining allocations to critical infrastructure as well as pro-poor spending in health, education, and social safety net programmes; and provides support to the youth and growth of SMEs.

The actualisation of our development goals in the past has largely been driven by the Kenyan spirit of peace, hard work, unity of purpose and national cohesion. These values remain critical for our growth and development. I, therefore, urge all Kenyans to nurture and promote peace and unity of purpose as fundamentals in building the Kenya we want – a prosperous and peaceful nation in which we all aspire to live.

At this point, I wish to thank His Excellency the President and His Excellency the Deputy President for their leadership during this Budget preparation process.

*(Applause)*

Hon. Speaker, allow me to thank you most profoundly for according me this opportunity to present to this august House the highlights for the Financial Year 2019/2020 Budget and also for the support the House has accorded the National Treasury in the Budget formulation process. I am also greatly indebted to my Cabinet colleagues and the Principal Secretaries for their support and cooperation throughout the process of preparing this Budget.

Many thanks to the Budget and Appropriation Committee, led by the Chairman, Hon. Kimani Ichung'wah; the Finance and Planning Committee, led by its Chairman, Hon. Joseph Limo, and the other Departmental Committees of the National Assembly as well as the Leader of the Majority Party, Hon. Aden Duale for the time and dedication of sifting through the Estimates and for constructive debates that helped refine this Budget. I also thank the Leader of Minority Party, Hon. Mbadi, for the lengthy support he has given us.

*(Laughter)*

A word of appreciation to the staff of the National Treasury and Planning led by the Principal Secretary, Dr. Kamau Thugge, who tirelessly worked long hours to ensure that this Budget and supporting documents meet the legal timelines.

Finally, I wish to thank Kenyans from all walks of life who gave their suggestions and proposals throughout the Budget-making process.

*(Applause)*

Thank you for listening.

### **PAPERS LAID**

Hon. Speaker, in April 2019, I submitted the Budget Estimates together with the accompanying documents.

As I conclude, I beg to further submit the following documents to this august House:

- (i) The Budget Statement.
- (ii) The Finance Bill, 2019.
- (iii) The Competition (Amendment) Bill, 2019.
- (iv) The Insurance (Amendment) Bill, 2019.
- (v) Various Legal Notices.
- (vi) The Financial Statement for Financial Year 2019/2020.
- (vii) The 2019 Budget Policy Statement.
- (viii) The Estimates of Revenue Grants and Loans for Financial Year 2019/2020.
- (ix) The 2019 Medium Term Debt Management Strategy Paper.
- (x) The Budget Highlights (*Mwananchi* Guide) 2019/2020.

(xi) The Statistical Annex to the Budget Statement for the Financial Year 2019/2020, and

(xii) The Public Finance Management (*Biashara* Kenya Fund) Regulations, 2019.

Hon. Speaker, I will soon submit the following Bills, which are at advanced stages of legal drafting, to the National Assembly for approval.

(i) The Income Tax Bill, 2019.

(ii) The Kenya Sovereign Wealth Fund Bill, 2019.

(iii) The Central Bank of Kenya Bill, 2019, and

(iv) The Kenya National Electronic Single Window Bill, 2019.

Thank you.

*(Applause)*

**Hon. Speaker:** Hon. Members, I thank the Cabinet Secretary for the National Treasury for having ably made his public pronouncement on the Budget Policy highlights for the national Government for the Financial Year 2018/2019 and the Medium-Term and the various revenue raising measures. I also wish to confirm to all of you, Hon. Members, in terms of Standing Order No.244C(4) that the Cabinet Secretary, as you have noticed, has submitted to me the Finance Bill, 2018 and other legislative proposals, as is stated, necessary to actualise the revenue raising measures for the national Government for the Financial Year 2019/2020.

Hon. Members, it is now my pleasure to invite all Hon. Members, the Cabinet Secretary for the National Treasury, other Cabinet Secretaries present and all other invited guests to a reception at the Parliament Court Yard hereafter.

### ADJOURNMENT

**Hon. Speaker:** Hon. Members, the House stands adjourned until Tuesday, 18<sup>th</sup> June 2019, at 2.30 p.m.

The House rose at 5.05 p.m.