

NATIONAL ASSEMBLY

OFFICIAL REPORT

Thursday, 30th March, 2017

The House met at 2.30 p.m.

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

PRAYERS

PAPERS LAID

Hon. A.B. Duale: Hon. Speaker, I beg to lay the following Papers on the Table of the House:

The Annual Report of the Parliamentary Service Commission for Financial Year 2014/2015;

The Report of the Auditor-General on the Financial Statements of the Competition Authority of Kenya for the year ended 30th June 2016 and the certificate therein.

Thank you, Hon. Speaker.

Hon. Speaker: The Chair of the Departmental Committee on Finance, Planning and Trade.

Hon. Gaichuhie: Thank you, Hon. Speaker. I beg to lay the following Paper on the Table of the House:

The Progress Report of the Departmental Committee on Finance, Planning and Trade on the Petition for removal from office of the Auditor-General, Mr. Edward R.O. Ouko, CBS.

Hon. Speaker, it is worth noting that we are tabling a progress report. We do not have any recommendations or observations yet, because this is a progress report on the Petition that was presented to this House. Once we are through with consideration of the Petition, if we shall continue, we will have observations and recommendations. It is also worth noting that this is a Petition that has attracted a lot of attention. We have had very many friends of the Committee as well as members of the public. It is, therefore, better if we can start again, continue and finish.

Thank you, Hon. Speaker.

Hon. Speaker: Next Order!

STATEMENT

BUSINESS FOR THE WEEK COMMENCING 4TH TO 6TH APRIL 2017

Hon. A.B. Duale: Hon. Speaker, pursuant to the provisions of Standing Order No. 44(2) (a), I rise to issue a statement, on behalf of the House Business Committee, on the business scheduled for consideration by the House in the week starting Tuesday, 4th April 2017.

The House Business Committee met on Wednesday last week to give priority to business for consideration by the House next week. On Tuesday, the House is scheduled to deliberate on

five election-related regulations that were tabled yesterday afternoon by the Chair of the Committee on Delegated Legislation. Thereafter, we will consider the Appropriations Bill, 2017 and see it through all the stages, having passed the Report of the Budget and Appropriations Committee on the Estimates of Expenditure for 2017/2018 Financial Year. We expect the Cabinet Secretary for the National Treasury, Mr. Henry Rotich, to read the Budget Policy Statement.

On the same day next week, the House is scheduled to have the Second Reading of the Nairobi International Financial Centre Bill, 2017; the President's Award Bill, 2017, and the Legal Metrology Bill, 2017.

During the same week, the following Bills are scheduled for consideration by the Committee of the whole House:

- (i) The Prevention of Torture Bill, 2016; and,
- (ii) The Statute Law (Miscellaneous Amendments) (No.2) Bill, 2016.

I urge hon. Members to submit their amendments in good time.

Hon. Speaker, should we conclude the aforementioned Bills, we will consider the Report of the Public Accounts Committee (PAC) on the accounts of the famous National Youth Service (NYS).

Finally, the House Business Committee will reconvene on Tuesday, 4th April 2017 at the rise of the House, to consider the business for the week that follows.

I hereby lay the Statement on the Table of the House.

(Hon. A.B. Duale laid the document on the Table)

Hon. Speaker: Member for Kisumu West, do you have an intervention?

Hon. Aluoch: Hon. Speaker, this is in respect of the schedule of business for next week. The Leader of the Majority Party has mentioned that we will debate, amongst others Bills, the five election-related Draft Regulations that were tabled yesterday. Yesterday, the Leader of the Majority Party raised concerns about the constitutionality of one of those Draft Regulations, as a result of which it was withdrawn by the Chair of the Departmental Committee on Justice and Legal Affairs. He has said that on Tuesday we will debate five electoral Draft Regulations. What is happening about the one that was withdrawn yesterday?

Hon. Speaker: Hon. Olago Aluoch, you have mixed two issues. If you look at the Order Paper – you are a ranking Member of the House Business Committee – you will see that you have reports on the five Draft Regulations. What was removed from the Order Paper yesterday was a proposed amendment to the Elections Laws Act, but not Draft Regulations. Those are the proposals which had come from the Judiciary, but they are in the form of an amendment to the Elections Laws Act; not Election Regulations.

Hon. Chepkong'a: On a point of order, Hon. Speaker.

Hon. Speaker: Yes, Hon. Chepkong'a?

Hon. Chepkong'a: Hon. Speaker, we undertook to table the report yesterday with respect to the Office of the Attorney-General (Amendment) Bill, and the Elections Laws (Amendment) Bill.

We adopted both of them this morning, because public participation had already been undertaken. The only thing that had remained was for the Committee to adopt the various proposals, including the one from the Judiciary. We adopted them this morning. We will file our report on Tuesday for both of them.

Hon. Speaker: Are you requesting that what is listed as Order No. 9 be taken out of the Order Paper?

Hon. Chepkong'a: That is correct, until we file our report on Tuesday, Hon. Speaker.

Hon. Speaker: Then the business appearing as Order No. 9 is taken out of the Order Paper to be transacted on Tuesday, 4th April 2017.

I have seen a request from Member for Kiminini?

*(Order No.9 – The Office of the Attorney General
(Amendment) Bill deferred)*

POINT OF ORDER

COURT RULING ON REALISATION OF THE TWO-THIRDS GENDER PRINCIPLE

Hon. Wakhungu: Thank you, Hon. Speaker. I rise to seek your direction pertaining to what is in the public domain – the ruling on complying with the two-thirds gender rule by courts. The judge directed the Attorney-General to liaise with Parliament to come up with legislation within 60 days. You know very well that there is the aspect of 90 days in every publication. Apparently, the judge did not take into account the 90-days maturity period in his ruling. Please, give us direction on the way forward.

Hon. Speaker: The judgement did not refer to an amendment to the Constitution. Article 257 of the Constitution shows that if you are to propose an amendment to the Constitution, such Bill may not be read the Second Time in either House of Parliament until after the expiry of 90 days. In the judgement read out yesterday, the judge directed the Attorney-General to liaise with Parliament to come up with legislation. My reading of that would be that the legislation would be one purporting to implement the requirements of Article 27 (6) and (8), and Article 81 (b), of the Constitution alongside the legislation contemplated in Article 100 of the Constitution. To be fair, this issue should not just be limited to gender, because Article 100 of the Constitution says that Parliament shall enact legislation to provide for the representation of the marginalised communities, ethnic and other minorities, women, youth and persons with disabilities. All those should be incorporated in such legislation, so that they are considered together.

We are dealing with the issue of fairness and ways of trying to seek some elements of equity in representation. If at all the Attorney-General is to propose legislation, he should address all those issues because we can then get over Article 27, on the issue of not more than two-thirds of either gender. We will then address the issue of representation of marginalised and minority persons, and people living with disabilities as well as the youth and others. Indeed, Article 81 provides that the electoral system shall ensure that kind situation. Therefore, the kind of legislation contemplated in Article 100 could be the one that would address all those issues. Of course, it is not only limited to the Attorney-General. Even individual Members can come up with their proposals on how to implement all the principles enshrined in the Constitution.

Hon. Kajuju, what is your point of order?

Hon. (Ms.) Kajuju: Thank you, Hon. Speaker. Mine is just a follow-up on the issue that Hon. Chris has raised. Yesterday was a day for the woman of Kenya. We celebrated because the court was conscious and sensitive to the fact that we need the numbers of women in this House raised to meet the constitutional threshold of at least one-third of the entire membership of the House. It is important that you, as the Speaker of the National Assembly, gives us direction on

how we should deal with that ruling of the court because, as a House, we are supposed to abide by the decisions of the court. It is very important.

Hon. Speaker: Of course, I may only give guidance; that a clear reading of Article 122 of the Constitution shows that the Speakers of both Houses of Parliament have no votes. Therefore, given that they have no votes, they have no capacity to initiate legislations. How would they then navigate through the legislative process? It is within the powers of any Member of Parliament in either House of Parliament to initiate a legislative proposal to try and implement the ruling.

Leader of the Majority Party, the Floor is yours.

Hon. A.B. Duale: Hon. Speaker, as we wait for the Cabinet Secretary for the National Treasury, I would like to remind this House that it is recorded in the HANSARD that in the last four years, I brought the famous Duale Bill. It went through the various stages of legislation but hon. Members, in their own wisdom, dealt with those legislations in the manner they did. The courts cannot direct this House. I want Judge Mativo to listen to me. He cannot direct, dictate or blackmail us on how legislations should be done. It is for the people of Kenya to decide how any legislation shall be done. It is the Supreme Court which gave an advisory opinion. With the time that is remaining before we get to the end of this Parliament, if I reintroduce that Bill in the House, I will end up losing my seat as Member of Parliament.

(Loud consultations)

This is because come next month, I need to go back to my constituency to campaign and this applies to all the other Members. We are telling the great women of Kenya, you have an opportunity to convince the people of Kenya on the 8th of August 2017 to vote for you.

If the people of Kenya decide to bring 200 or 300 women to the 12th Parliament, so be it. However, it is not for the courts to fill up this House. It is for the people of Kenya to decide who comes here. It is not for a judge sitting somewhere. We have done our bit. We have passed all the constitutional Bills. Those of us who will be here during the 12th Parliament, we will try again. If we do not succeed, we will try again even during the 13th Parliament.

I am sure that our friends from embassies of the western world are here. It has not been achieved in the Congress. It has never been achieved in the House of Commons. It was achieved only once, and the Prime Minister lost the following election. Tell me one democratically elected Parliament that has achieved the two-thirds gender rule in the world. Let us be very busy.

(Loud consultations)

Hon. Members relax. The Member for Meru is heckling.

Hon. Speaker: Order! Order! Maybe, you need to conclude so that other Members can also get a chance to air their views.

Hon. A.B. Duale: Hon. Speaker, the Leader of the Majority Party shall be heard. We have an opportunity on 8th of August. Let us talk to the people of Kenya, so that they can bring more women to Parliament. However, in the time being, let us build roads, improve health care services and education. Let us not deal with sideshows.

Hon. Speaker: Hon. Members, it is fair that when you make your contribution, you are actively aware of the provisions of the Constitution and particularly in this matter, Article 261, sub-Articles 5, 6 and 7. We do not need anybody to be educated about these matters because they

are supposed to be at your fingertips. There is a judgement. You make what you may out of it but the process is provided for under Clause 7 of Article 261 in the event of no action. We do not need to get excited about this matter. It is very simple. It is up to you, as Members of Parliament, and the Attorney-General, to propose a legislation which will attempt, at the very worst, to meet the requirements of the one-third gender rule as provided for in Articles 27 and 81.

Member for Tongaren!

Hon. (Dr.) Simiyu: Thank you, Hon. Speaker. This will require a review of very many statutes, including the Constitution. It is virtually impossible for us to meet the two-thirds gender rule. If it were proportional representation, it would be possible. Perhaps, we need to review all our statutes to provide for proportional representation before we can meet the two-thirds gender rule.

Thank you, Hon. Speaker.

Hon. Speaker: Member for Ugenya.

Hon. Ochieng: Thank you, Hon. Speaker. The issue at hand is very important. It is an issue arising from the Constitution. Sometimes I wonder why we want to bring in the names of our judges. The judge who made the decision in this matter was merely carrying out his duties. We need to leave the judges out of this matter and handle it, as Parliament.

So, we need to leave the judges out of this matter because the ball is now in our court. I am looking forward to Parliament being dissolved in the next 60 days, so that we can do our job. We are required to make law to implement the two-thirds gender rule. Let us make it, if not, let Parliament be dissolved and we go home. The next Parliament can do it.

Hon. Speaker: I would further guide that even if this House is dissolved--- Go ahead and read clauses 8 and 9. You will go back to square one because under Clause 8, the next Parliament would have a full five-year term within which to do that. If it fails, even the succeeding one will also have another five years. So, in as much as I see people getting excited about that ruling, it is coming at a time when it may not be very practical.

However, there is still room for either Members or the Attorney-General to propose legislation. Let us not wait for the dissolution because then, there may never come a time when that particular legislation will be enacted, since there is a chance that every succeeding Parliament will be waiting until the tail end when somebody says, "Five years are over, can you dissolve Parliament." Waiting until the tail end of a Parliament's life may not be very helpful. Can we encourage ourselves to explore various methods available?

Hon. Eseli has just brought out the point. Article 81(b) states thus:

"The electoral system shall comply with the following principles—

(b) not more than two-thirds of the members of elective public bodies shall be of the same gender;"

What is our electoral system? That is the question posed by the Member for Tongaren. It is first-past-the-post. How then will that electoral system ensure these results? Trying to get these results is like saying that you are going to have five people doing 100 meters. The Member for Kitutu Chache North, Member for Kitutu Chache South, Member for Tongaren, Member for Kisumu West and Member for Kibwezi East are running 100 meters but you are telling them that even as they compete in that race, the Member for Kitutu Chache North is going to be the winner. It may be difficult because the Member for Kibwezi East may run faster than the Member for Kitutu Chache North. So, if she wins but you want the result to be that the Member for Kitutu Chache North is the one winning, how do you achieve that? That is the question that

has been raised by the Member for Tongaren. As long as we have an electoral system that is first-past-the-post, you need to be more innovative to ensure these results.

Let us have the Member for Suba.

Hon. Ng'ongo: Thank you, Hon. Speaker. You have addressed a number of issues around this matter. However, I do not think the issue at hand is the dissolution of Parliament. As Kenyans, we decided, in our own wisdom, to put in our Constitution that we want to ensure gender mainstreaming in elective positions. What has been lacking is our commitment as political players, more particularly Parliament, to ensure that this happens. So, it should not be question of whether this House is going to be dissolved or not. We should take it as our responsibility.

I want to disagree with the Hon. Leader of the Majority Party that courts have no say. Indeed, courts have a say because they arbitrate on matters that are of concern to us. In our Constitution, we decided to give the judicial system some space to get into that arbitration.

Hon. Speaker, what is important is whether we, as political players, are ready to agree on how to ensure that that principle in the Constitution is implemented. This is because if we go the route of dissolution, it may not work. Right now, even if Parliament is dissolved in the next 60 days, I do not think many of us care much. By the way, we are more concerned with what will happen in the 12th Parliament. My concerns are two: I happen to occupy a very important position in one of the political parties. We need to show commitment to this process of ensuring gender equity. The other concern that I have is whether the Mover of the Motion, the Leader of the Majority Party is really convinced that he wants gender equity in this House.

Today, it has come out clearly that he is one of those who do not believe that we should have gender equity. The way he talks that we should build roads and so on it is as if when we pass legislation to ensure gender equity, we will not build roads. Who said if we have more representation of women in Parliament we will not build roads? That, to me, was a little bit irresponsible coming from an important Member of a party that considers itself serious, the Jubilee Party.

Thank you, Hon. Speaker.

Hon. Speaker: Let us have the Member for Igembe North.

Hon. M'uthari: Thank you, Hon. Speaker. It is high time we looked at other issues. We have this judgment with us, but in my opinion, it is not wise to give orders that may not be implemented. This is because if you do that then it reduces the powers or the credibility of the institutions concerned. Given the sentiments in this particular order, it is something that may not be implementable. So, this is also a reflection for us as a House and citizens. Sometimes we come up with very serious documents like our Constitution, but remember Parliament may not force people to go out there to vote. This may need a referendum. We have come up with a law that may not be practical to implement. The law does not talk about those appointed positions. How do you force the people to elect? Are we supposed to fill the House with the people who are nominated like we have done with the county assemblies or the other House where there are 20 extra nominated Members? Those extra Members do not even have a vote! We are also talking about reducing the wage Bill. We should reflect on this matter as a country.

Hon. Speaker: Member for Borabu.

Hon. Momanyi: Thank you, Hon. Speaker. As most of our colleagues have said, it is important as Hon. Members of this House to take drastic steps and ensure that we avert this crisis. It is important for the leaders of this country and the House leadership to address this issue so that we are not interrupted. In any event, elections are just around the corner. So, if we are

interrupted early as the Judge is trying to say, many things will go wrong in the country. It is important that the leadership resolves this thing once and for all.

Hon. Speaker: Finally, I will hear the Member for Kisumu West.

Hon. Alouch: Hon. Speaker, I have been a defender of the Judiciary in this House consistently even when they were wrong. My learned sister, Hon. Kajuju must have been away from the House yesterday afternoon. This matter was deliberated upon.

Hon. Speaker, you have set it out very clearly for all of us to understand. The excitement in the House is born out of ignorance of the law.

That judgement, without disparaging the judge, is worthless. It is not capable of being enforced in law. I ask any lawyer who is in this House to go and look at the law and Constitution properly and you will find that judgement cannot be enforced. Therefore, there is nothing to worry about. Do not even talk about Parliament being dissolved. It cannot. Members, rest assured that there is nothing to worry about, because that judgement is not worth it. Just sit down and wait for Parliament to end.

Thank you, Hon. Speaker.

Hon. Speaker: Well. Hon. Members, let us move to the next Order.

REPORT AND THIRD READING

THE SACCO SOCIETIES (AMENDMENT) BILL

Hon. Speaker: Hon. Members, debate on this Motion was concluded and what remains is for me to put the Question on the agreement of the Report of the Committee of the whole House on its consideration of the SACCO Societies (Amendment) Bill (National Assembly Bill No.26 of 2016)

(Question put and agreed to)

Hon. A.B. Duale: Hon. Speaker, I beg to move that the SACCO Societies (Amendment) Bill (National Assembly Bill No.26 of 2016) be now read the Third Time and request Hon. Washiali, Member of Parliament for Mumias to second.

Hon. Speaker: Hon. Washiali.

Hon. Washali: Hon. Speaker, as a senior Member of the Departmental Committee on Agriculture, Livestock and Cooperatives, I second.

Hon. Speaker: I thought you had been called upon to second even in your other capacity. But nevertheless we appreciate that you are ranking Member of the Departmental Committee on Agriculture, Livestock and Cooperatives.

(Question proposed)

(Question put and agreed to)

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

Hon. A.B. Duale: On a point of order.

Hon. Speaker: Yes. What is your point of order, Leader of the Majority Party?

Hon. A.B. Duale: Hon. Speaker, I rise to seek your indulgence and indeed that of the House and request you to defer the business appearing as Order No.10. Firstly, I am asking this because these Reports were laid in this House yesterday and they affect the next general elections. As such, they may impact on the citizenry and indeed Members of this House. In this regard, I am concerned that Members have not had time to look into these Election-Related Regulations.

Secondly, I am hoping that the coming weekend will give the Members and political parties time to propose, through their Members, any amendments because they are required to give 24 hours notice to the Clerk for them to reflect on the Order Paper. Thirdly, it is unlikely that the few minutes remaining before the commencement of the presentation of the Budget highlights will accord this House sufficient time to consider these Regulations.

These Election-Related Regulations are so important because they touch on the technology to be used in the general elections, party primaries and general regulations. Therefore, political parties, through their legal teams, need to study and make the relevant amendments. Finally, the Chair and Chief Executive Officer (CEO) of the Independent Electoral and Boundaries Commission (IEBC) have also consulted my office and said they want to study them during the weekend alongside what they submitted to the House and what the Committee has brought in case they want to make a presentation. As such, I seek your indulgence under Standing Orders No.1 and 40(4) to defer this Order.

Thank you, Hon. Speaker.

Hon. Speaker: Well. Hon. Members, if I was not so minded I would have said that the Leader of the Majority Party has spoken in vain. But given that we are just about to undertake the other exercise, I will take this into account but let us follow procedure. Allow for the Order to be read out so that I can allow some comments.

I had seen the Chair of the Committee on Delegated Legislation desirous of saying something, but let us move in that direction. But, before we do so, the Member for Makueni has been a bit agitated about the business we have just transacted on the SACCO Societies (Amendment) Bill given his background before he became a people's representative in the House. That Bill will be considered in the Senate. You do not have to tell them. It suffices that I say it myself. You may say it but, you will still require me to state it. So, I say it on your behalf, Member for Makueni, Hon. Maanzo, that Bill will be considered in the Senate.

Next Order!

MOTION

APPROVAL OF ELECTIONS-RELATED REGULATIONS

Hon. Cheptumo: Hon. Speaker, I beg to move the following Motion:

THAT, this House adopts the Reports of the Committee on Delegated Legislation on its consideration of the Elections-related Regulations, laid on the Table of the House on Wednesday, March 29, 2017, and pursuant to provisions of sections 44(6) and 109(3) of the Elections Act, 2011, approves the following Elections-Related Regulations:

- (i) The Draft Elections (*Technology*) Regulations, 2017.
- (ii) The Draft Elections (*Registration of Voters*) (Amendment) Regulations, 2017.

- (iii) The Draft Elections (*Voter Education*) Regulations, 2017.
- (iv) The Draft Elections (*General*) (*Amendment*) Regulations, 2017; and
- (v) The Draft Elections (*Party Primaries and Party Lists*) Regulations, 2017.

As I mentioned when I tabled this Motion---

Hon. Speaker: I think it is fair for Members to listen to this because of what is imprinting in the next few days. These are the Elections-Related Regulations in respect of various aspects of General Elections Technology, Registration of Voters, Voter Education, General Regulations, Party Primaries and Party Lists. These Election-Related Regulations are the ones which Hon. Aden Duale has claimed to move their consideration to be deferred to next week so as to allow Members and indeed those who belong to political parties to consider them as well as the Report.

The Report was only tabled yesterday. The indication I have is that not many Members have seen it. I think it is fair that we do not move without sufficient knowledge and information regarding both the Report and the various regulations. It is with respect to that, that the Leader of the Majority Party claimed to move for deferment of this business.

Yes, Hon. Cheptumo.

Hon. Cheptumo: Hon. Speaker, I totally agree. In the next two weeks or so, Members of this House are going to undertake party nominations.

Hon. Speaker: Including the Members of the other House and county assemblies.

Hon. Cheptumo: The last set of regulations in the five items touches on regulations on primaries and party lists. When I tabled the Report yesterday, I appealed to my colleagues that it is very important for each one of us to have time to go through these regulations because they affect these Members directly. That proposal, which I believe you will agree with the Leader of the Majority Party as you give your direction, will allow Members to spend time to go through these regulations and move any amendment, so that next week from Tuesday they give our country and people proper regulations.

These are very unique regulations because most regulations normally, when we approve as a Committee, we forward to the regulation-making authority. But these ones are unique because this House has to approve and tell the nation and this House that they are very important for our electoral system. Members need to be acquainted with them. So, I agree and support that proposal as you give directions.

Thank you.

Hon. Speaker: Member for Kiminini.

Hon. Wakhungu: Thank you, Speaker. I just want to comment on these five regulations. Indeed, they are very critical. My humble request is that the Table Office---

Hon. Speaker: Your voice today seems to be a bit low. Might you have contributed too much outside?

Hon. Wakhungu: Hon. Speaker, I am mourning one great teacher from my constituency.

Hon. Speaker: You are mourning?

Hon. Wakhungu: Yes, I have been mourning. That is why I am in low spirits. So, just bear with me. It is something to do with my constituency. In my community, when you mourn, there is also the aspect of crying that affects your voice. So, that is why I am affected.

My humble request is that you direct the Table Office to make photocopies of these regulations to be placed at the entrance. I went there and not all of them are available. Some of us are very serious people. We have to go through them so that we can contribute accordingly.

My humble request is the Table Office should do photocopies. We request every parliamentarian that as they go out to pick a copy, when we come back, we amend them accordingly.

Thank you.

Hon. Speaker: Member for Kitutu Chache North, not South this time. Had you indicated an intervention or you just placed your card for general consideration?

Hon. Onyonka: Mhe. Spika, nilikuwa nataka kuzungumzia jambo hapo awali lakini kwa vile muhula uliisha ningependa kusema sina jambo la kusema.

Hon. Speaker: Basi huo muhula umepita.

(Laughter)

Johana Ng'eno, Member for Emurua Dikirr.

Hon. Kipyegon: Thank you, Hon. Speaker. I also wanted to comment on a small issue which is in Elections-Related Regulations under part (v): The Draft elections (Party Primaries and Party Lists) Regulations, 2017. I thought you would give us guidance on the inclusion of party lists. I remember the last law we made here which was suspended by the court dwelt on the party lists. I do not know whether we are introducing the same thing or we are now going to discuss a matter which is pending in court.

Hon. Speaker: Party lists are not just provided for in the Elections Act. They are also provided for in the Constitution itself. But, of course, as Members and House, you would be at liberty, when you debate these regulations, to propose whatever amendments as long as they are within the realms of the Constitution. It is for that reason that Hon. Aden Duale is proposing that debate on this Report and Regulations be deferred to Tuesday next week so as to give every Member an opportunity to run through them.

Therefore, Members, for the reason stated by the Leader of the Majority Party and with whom the Chair of the Committee agrees, debate on this Motion is deferred to Tuesday, 4th April 2017 at 2.30 p. m.

(Motion deferred)

Of course, Members, this had been alluded to by the Leader of the Majority Party, if you desire to propose amendments to those Regulations, they must be received by the Office of the Clerk 24 hours before Tuesday 4th April 2017 at 2.30 p.m. If you bring them on Tuesday morning, I will reject them. So, you better read them this weekend even as you go out looking for the obvious that you are looking for. Please, carry copies of those Regulations so that you can read them and ask your voters to also help you read through them. Some of them are very knowledgeable.

(Hon. Kombe and Hon. Mulu walked into the Chamber)

Order, Member for Magarini and Member for Kitui Central.

THE BUDGET STATEMENT

BUDGET HIGHLIGHTS AND REVENUE RAISING MEASURES 2017/2018

Hon. Speaker: Hon. Members, pursuant to the provisions of Section 40 of the Public Finance Management Act of 2012, and our Standing Orders No.241 and 25(b) of the addendum to the National Assembly Standing Orders, I will now interrupt business of the House to allow the Cabinet Secretary for the National Treasury to make a public pronouncement on the Budget Highlights and Revenue Raising Measures for the National Government for the Financial Year 2017/2018 and the Medium Term. In accordance with the Standing Orders, I have also designated a suitable place in the Chamber for that purpose.

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

(Applause)

The Cabinet Secretary for the National Treasury (Mr. Henry Rotich): Hon. Speaker, it is my singular honour to present the Budget for the Financial Year 2017/2018; the fifth Budget under the Jubilee Government. The Budget is the first in our history to be presented before the month of June. We have brought forward the reading of the Statement in order to allow the Honourable Members to approve the Appropriation Bill in time and focus on the elections scheduled for 8th August 2017.

Hon. Speaker, we have consulted our Partner States in the East African Community (EAC) on the timing of the budget presentation and have agreed that Kenya can proceed with an early presentation of the Budget while the other Partner States will present theirs at the same time in mid-June 2017.

Mid this month, we were reminded, by His Excellency President Uhuru Kenyatta during his 2017 State of the Nation Address in this Chamber, of an extraordinary Kenyan journey of four years of transformation, growth and deepening democracy. Kenyans are proud of these achievements as they have happened through collective participation, partnership and the usual dynamism of our private sector.

Hon. Speaker, Four years ago, the Jubilee Administration inherited an economy which although had achieved several milestones, still had insufficient and expensive power with limited access, a century old railway, limited road network and port capacity, poorly equipped security forces, high maternal and child mortality, a poorly managed education sector, inadequate social protection for the poor and vulnerable, and disharmonised pay for public servants, among others. But today, and to use His Excellency the President's words again, "We celebrate a transformed Kenya."

Hon. Speaker, this transformation is the culmination of four years of working tirelessly to put in place policies and reforms to foster a rapid socio-economic transformation of our country. In this endeavour, I feel very encouraged by the strong support we have received from Kenyans of all walks of life. Today, I am happy to report to all Kenyans that we have made significant progress towards achieving our development goals.

Specifically, at the macro level, the value of goods and services we produce has risen from Kshs4,745 billion in 2013 to an estimate of Kshs6,951 billion in 2016. As a result, our per capita income rose from Kshs113, 210 in 2013 to an estimate of Kshs152,691 making us a lower medium income economy. This reflects the improvement of our business climate as indicated in the move from position 136 in 2013 to position 92 in the World Bank's Doing Business Indicators.

Revenue collection has increased from Kshs1,001.0 billion in 2013/2014 to the projected

Kshs1.515.5 bilion in 2016/2017, a 51 percent increase. Since 2013, our economy has generated a total of 2.3 million new jobs. In 2015 alone, 841, 600 new jobs were created with similar levels expected in 2016.

Kenyans and their properties are more secure today following the heavy investment in the security sector – The number of police vehicles has risen from 3,155 in 2013 to 6,363 in 2017.

Hon. Speaker, with regard to infrastructure, the movement of goods and people around the country has been made cheaper and more effective through expansion of most roads, seaports and airports. On the SGR, after going over a century without a modern rail, we have in three years, constructed a modern railway that will have significant positive spill-over effects on the economy.

Today, more than 5.2 million Kenyans have been connected to electricity compared to 2.3 million in 2013. In four years, we have connected more Kenyans to the grid than in all years since Independence! This is a remarkable achievement.

At the sectoral level, more of our farmers now have access to subsidised fertiliser and seeds, enabling them to increase productivity of their lands, earn more incomes and indeed make Kenya more food secure.

Reflecting on our investment in security, the tourism sector, which was shrinking by 4.6 percent in 2013 is now expanding by 15 percent and creating jobs for our youth and women. We have also invested heavily in critical social sectors as well as on the less fortunate. We have equipped our hospitals with specialised medical equipment, and maternal healthcare is now free in all public hospitals.

More of our children go to school without their parents worrying whether they can afford the school fees. Examination fees for both standard eight and form four candidates have been abolished. Thousands of orphans and vulnerable children, people living with disabilities and the elderly in our society continue to receive cash transfers through the social safety net programme.

In order to empower Kenyans without title deeds, the Government has issued 2.5 million title deeds which, among other things, will facilitate access to capital. Going forward, the Government will be waiving land title search fees with immediate effect.

Finally, Hon. Speaker, on devolution, since 2013, about Kshs1 trillion will have been disbursed by end June 2017 to all the counties to enhance service delivery. This is a clear demonstration of the Government's commitment to a strong devolved system of Government.

Hon. Speaker, while we celebrate these remarkable achievements, we should not be complacent. Having laid a firm foundation for businesses to thrive and expand, our focus is now to invest in accelerating job creation especially for the youth. This is why, we have chosen as the theme for this year's Budget, "Creating Jobs, Delivering a Better Life for All Kenyans." This Budget builds on the transformation we have achieved so far and emphasises the need to support the sectors with a high potential for creating jobs for our youth such as manufacturing and agriculture.

Among the strategies to be employed will include supporting domestic production and value-chains, boosting exports, encouraging entrepreneurship, continuing with business climate reforms, completing on-going infrastructure programmes, modernising agriculture and agro-processing, protecting the vulnerable and supporting emerging growth sectors. All this will be accomplished within sustainable public finances in order to continue securing macroeconomic stability. In sum, the 2017 Budget is about building on the recent successes and delivering jobs and prosperity to Kenyans.

While finalising this Budget, we consulted Kenyans from all walks of life. I want to thank the contributors for their keen interest in wanting Kenya to develop and prosper. Allow me, Hon. Speaker, to sample a few of the contributions. Both Mr. Muito and Mr. Suresh from the Nairobi City County underscored the need for the Government to allocate resources and to provide tax incentives to support industries. I fully agree with this sentiment, the Government is keen on facilitating our industries to create jobs and expand our manufacturing base, including for exports. I will, therefore, be detailing some tax incentives and other policy measures to boost our industries in line with the theme of this Budget.

I also agree with Ms. Cherotich from Baringo County, who emphasised the need to invest more in health, especially in maternal healthcare, to enable women particularly in the rural and remote areas, to give birth with the help of skilled medical attendants. According to her, this will ensure that healthy babies are raised and it will also reduce mother and infant deaths. As you are aware, maternal health care is a key initiative of the Jubilee Government. In this regard, we should all recognise the tremendous contribution of our First Lady, in championing maternal health care in all counties.

(Applause)

In this Budget, we have provided resources for the requisite medical technology for all our public hospitals, and for the expansion of immunisation coverage to reduce infant, child and maternal mortalities, in addition to continuing to fund free maternity care.

This House approved the 2017 Budget Policy Statement in December and this paved the way for the preparation of Budget Estimates for the Financial Year 2017/2018 which Parliament approved yesterday. The estimates broadly reflect the priorities that I will elaborate shortly. In addition, I have submitted the Finance Bill, 2017, which contains the taxation and financial proposals that will further help achieve our goals.

Let me now turn to the highlights of this Budget. The main message of my Statement is that we have accomplished a lot in the past four years and have laid a solid foundation and built the infrastructure to support more businesses to flourish and to achieve accelerated shared economic growth. This will help us create even more jobs and improve the lives of our people. In this respect, this Budget will continue to empower businesses and entrepreneurs to invest, grow and create jobs. This Budget will continue to implement our transformation agenda to build new roads, railways and other infrastructure that will generate new growth opportunities. We will also continue to prioritise social spending in support of education, health services and cash transfers to vulnerable groups.

This Budget will continue to support devolution through disbursement of resources and maintaining transfers to county governments at levels well above the constitutional threshold.

In this Budget, we shall continue to progressively reduce the fiscal deficit and ensure continued sustainability of our debt. In this regard, in the Financial Year 2017/2018, we project the fiscal deficit to decline to 6 percent of GDP from an estimated 9 percent in the current Financial Year. The sharp reduction of the deficit reflects reduced expenditure owing to the one off expenditures mainly those related to the general elections and the drought which are not expected to recur. Over the medium term, the deficit is expected to narrow to 4 percent of GDP by 2019/2020, which will further lower our debt-to-GDP ratio.

Hon. Speaker, to further accelerate growth, create jobs and better the lives of Kenyans, I will be proposing tax measures to:

- a) Support Growth and Domestic Production;
- b) Reduce Income Inequality;
- c) Promote Job Creation;
- d) Improve Tax Administration and Compliance; and
- e) Enhance Social Security and Welfare.

With this background, the rest of my Statement will cover the economic context around which this Budget is prepared and the progress made in various strategic areas aimed at creating jobs and delivering a better life for all Kenyans. Thereafter, I will share the Fiscal Policy and the framework for Financial Year 2017/2018 Budget and conclude with tax and other policy measures in the Finance Bill, 2017 that I have submitted today.

When I presented the Budget last year, Brexit sounded like a mirage and the United States had just started a presidential election process whose outcome many could not have predicted. The global impact of these outcomes is yet to be felt. Nevertheless, I sense an inward mood in a number of advanced economies which could lead to protectionist policies and potentially weaken global trade and investments which could have a negative impact on global trade and on our exports. If this materialises, we will have to take mitigating measures to safeguard our exports and financial flows into Kenya.

Global growth is projected at 3.4 percent in 2017 compared with an estimate of 3.1 percent in 2016. Economic growth for most sub-Saharan Africa countries has been slower in recent years partly due to the fall in world commodity prices, lower demand from China, as well as a much weaker global economic environment. In 2017, economic growth for the sub-Saharan Africa region is projected at 2.8 percent, up from the estimate of 1.6 percent in 2016. This slight recovery is supported by the firming up of oil prices, sustained infrastructure investment and buoyant service sectors.

Hon. Speaker, our economy has continued to register robust growth despite the slower global and regional growth. The economy grew by 5.9 percent, 6.2 percent and 5.7 percent in the first, second and third quarters of 2016 respectively, bringing the average growth for the first three quarters to 5.9 percent. In 2017, the economy is projected to further expand by 5.9 percent, but growth could be lower if the ongoing drought persists and the slowdown in private sector credit is not reversed.

Our economy is growing at twice the pace of global growth and more than twice that of sub-Saharan Africa. We are also growing faster than both Nigeria and South Africa, whose growth is projected at 0.8 percent in 2017 for each country. The resilience of our economy reflects continued macroeconomic stability, lower import bill, investment in infrastructure and recovery in tourism. Our vibrant and dynamic private sector has also contributed to this resilience.

To support an environment where more jobs will be created, the Government is strongly committed to pursuing prudent fiscal and monetary policies that support strong economic growth, ensures price stability and maintains our debt at sustainable levels. Our fiscal policy will continue to focus on prioritising development expenditures to support growth while curtailing growth of non-productive recurrent expenditures. Monetary policy will target to keep inflation within the target range of 2.5 percent on either side of 5 percent. To further reinforce price stability, our proposed fiscal policy will help keep interest rates low and stable and the exchange rate broadly stable and competitive to support our exports.

The Government has significantly reduced the time and cost of opening and operating a business, thus making it easier for investors to start and run a business. This has been achieved as

a result of the implementation of measures initiated by the dedicated Business Environment Delivery Unit at the Ministry of Industrialisation, and Enterprise Development. Kenya's business environment has improved remarkably. Over the past three years, Kenya's ranking in the World Bank's Doing Business indicators has improved from 136 to 92 largely due to reforms in getting credit, getting electricity and ease of starting a business. In 2016, we were ranked third out of the World's top ten reformers.

With the objective of achieving a rank below 50 in the medium term, we have passed appropriate legislation and processes to reduce the time, steps and costs associated with opening a business, obtaining construction permits, single business permits and property registration. To further improve our ranking, I have allocated Kshs250 million to support initiatives to ease the cost of doing business.

Today, Kenya is a preferred investment destination in Africa with many major companies across the globe starting operations in the country. As a result, foreign direct investment (FDI) has risen from about US dollar 0.514 billion in 2013, to at least 2.3 billion US dollar 2.3 billion in 2016.

In an effort to reduce obstacles that hinder faster growth of investment, the Government has established a One Stop Centre (OSC) for investors which will be operational by April 2017. The Government has also established e-regulation and will soon be establishing e-Opportunities to enable investors interested in Kenya to search for investment opportunities available in Kenya from the comfort of their homes. These initiatives, in addition to the existing Huduma Centers, will provide comprehensive information to investors on licences, permits and approvals that are currently offered in a multiplicity of Government agencies located in different parts of the city, further sustaining increased FDI inflows in the country.

We are aware of complaints from our business community of double taxation of their activities by county governments. This is not only bad for our investment climate but is also a violation of Article 209 of our Constitution. Accordingly, I will be making legislative proposals to Parliament that will set out how county governments may raise revenues without violating the Constitution and raising the cost of doing business.

Hon. Speaker, in the past four years, the Government has invested heavily in security in order to make Kenyans and their properties safe and secure. This investment has progressively reversed security threats, especially those posed by terrorism and this has seen the tourism sector make a strong come back with increased employment. In addition, to further secure the country and reduce crime rates, we have substantially increased the number of our police officers, to more than 98,732 compared to 78,885 in 2013. This has narrowed the ratio of police to the citizens to 1 officer to about 400 citizens, just about the United Nations recommendation of 1 officer to 450 citizens.

Our police officers have been equipped to respond faster to distress calls. In four years, we have acquired additional 3,208 police service vehicles, thus significantly improving their mobility.

(Applause)

To sustain police mobility and security operations, in the Financial Year 2017/2018, I have allocated Kshs8.1 billion for leasing of police service vehicles; Kshs24.8 billion for police and military modernisation; Kshs12 billion for enhanced security operations; Kshs0.9 billion for the construction and equipping of the national forensic laboratory; and Kshs2.0 billion for securitising our borders.

(Applause)

Today, police officers have a comprehensive Medical Insurance Cover and Group Life Insurance Cover. To improve our police welfare, I have allocated Kshs5.1 billion for Police and Prison Officers Medical Insurance Scheme and Kshs1.7 billion for Group Life Insurance for Police. To enhance community security and facilitate timely access to crime scenes, the Government invested in CCTV cameras and improved street lighting in major towns. The cumulative effect of investing in our security has seen a significant reduction in crime.

For instance, in Nairobi alone, between 2014 and 2016, cases of robberies fell by 32 percent; motor vehicle thefts fell by 43 percent; and offences targeting individuals, such as muggings, also fell by 27 percent.

Hon. Speaker, on better Government and strengthening Government institutions, the implementation of the Constitution and reforms in the parliamentary and judicial areas remain priorities of the Government. In order to strengthen the oversight and legislative role of Parliament and improve access to justice in the Judiciary, I am allocating Kshs36 billion to Parliament and Kshs18.1 billion to the Judiciary in this Budget. As we are all aware, Kenya will be going for elections in August this year. The Government is committed to free and fair elections. In addition to the Kshs19.3 billion in the Financial Year 2016/17 to cater for electoral-related operations, we have allocated an additional Kshs21.4 billion in the Financial Year 2017/2018 to the Independent Electoral and Boundaries Commission (IEBC). The Government continues to prioritise the war against corruption. To this end, the Government has implemented the measures articulated in the National Call to Action Against Corruption, and strengthened various institutions that are mandated to fight corruption.

To further support these institutions, I have allocated Kshs 4 billion to the Ethics and Anti-Corruption Commission (EACC), Kshs2.3 billion to the Department of Public Prosecutions (DPP), Kshs210.7 million to the Assets Recovery Agency, Kshs300 million to Financial Reporting Centre, Kshs 6.7 billion to the Criminal Investigations Services and Kshs 6.1 billion to the Office of the Attorney-General.

Everyone has a role to play in the fight against corruption. In this connection, and working with the Government of the United Kingdom, we have traced and recovered Kshs577 million from the Smith and Ouzman case and the Jersey case. The recovered amounts have been used to support the health sector and clean energy generation in the arid and semi-arid areas. To date, approximately Kshs3 billion of corruptly acquired assets have either been recovered or preserved for recovery. No previous Governments have gone this far in the fight against corruption. To further fight graft, late last year and early this month, His Excellency President Uhuru Kenyatta assented to the Bribery Act 2016, and the Proceeds of Crime and Anti-Money Laundering (Amendment) Act 2017, respectively. This introduced tough sanctions against individuals guilty of economic crimes.

Our support for devolution is clear. In the Financial Year 2017/18, the National Treasury will be supporting county governments to enhance their own-sources of revenue thereby strengthening their ability to offer better services to the public. To facilitate this, a policy has been finalised together with a legislative framework which I intend to submit to Parliament shortly.

Hon. Speaker, in the Financial Year 2017/2018, we are providing to the counties Kshs291.1 billion as shareable revenue and another Kshs38 billion conditional allocations, which includes support from our development partners. This brings the total allocation to the county

governments to Kshs329.3 billion which is equivalent to 35.2 percent of the most recent audited revenues approved by the National Assembly.

Our national development blueprint Vision 2030 envisions a nation that is moving to the future as one. In this Budget, we have provided Kshs410 million to the National Cohesion and Integration Commission (NCIC) and Kshs106 million for national integration under the Ministry of Interior and National Coordination.

On Public Financial Management, in the Financial Year 2017/18, the Government will continue to cut unnecessary expenditure and keep Government spending under control. To improve the implementation and absorption capacity of projects and curb non-priority expenditures, we have issued guidelines on how capital projects should be planned, appraised and evaluated before funds are finally committed in the Budget. In addition, to ensure prudent management of resources, the National Treasury is now in a position to operationalise the Treasury Single Account starting July this year.

Further, to enhance public expenditure management, the National Treasury will review delivery processes such as transport services, financial and audit services in order to ensure value for money and efficiency in expenditure management. In his State of the Nation Address, His Excellency President Uhuru Kenyatta, emphasized the need to trim the public sector wage bill and supported the recommendations of the Salaries and Remuneration Commission (SRC), which seek to reduce the salaries and allowances of State officers. We urge all stakeholders to support the work of SRC and ensure full implementation of the recommendations.

Beginning July 2017, salaries and allowances of all public servants will be harmonised as per the guidelines provided by the SRC following the job evaluation exercise which resulted in an upward review of salaries for teachers and doctors and other public officers. We have set aside Kshs20 billion in this Budget to implement the first phase of the new review cycle of SRC amounting to about Kshs 84 billion in four years. In addition, and in the spirit of controlling the growth of the wage bill, new recruitments will remain frozen except for limited technical staff, security personnel, teachers and health workers. These actions will release funds for priority social sectors and critical infrastructure.

On procurement reforms, the Government is in the process of improving the Public Procurement and Asset Disposal System, with the aim of managing our resources in an effective and efficient manner as provided for in the Constitution. The Public Procurement and Asset Disposal Act, 2015 came into force on 7th January, 2016. Following this and with the aim of strengthening the realisation of the key principles and pillars of integrity, transparency, and accountability in the public procurement and asset system, we have now finalised development of Regulations and Code of Ethics for suppliers of the national and county governments. With the new Code of Ethics, we expect accountability on the part of those who do business with the Government to be enhanced. This includes the private sectors who have not been subjected to the same parameters as State and public officers in the fight against corruption until the recent enactment of the Bribery Act, 2016. The code is complementary to an earlier code issued to guide the activities of public officers responsible for procurement and disposal processes.

In addition to the Code of Ethics, I will soon gazette the Public Procurement and Asset Disposal Regulations, 2017. These regulations aim at facilitating procurement at both levels of governments.

On financial sector reforms, about 75.3 percent of Kenyans now have access to financial services, a massive growth from the 26.7 percent in 2006. This growth has been driven by the mobile phone technology. Today, more Kenyans buy goods and services, and pay their bills

conveniently using their phones. The banking sector remains largely profitable with capital adequacy and liquidity ratios above the recommended thresholds, thus giving assurance to Kenyans that their money is in safe hands. Over the last one and a half years, some commercial banks experienced challenges and were put either under statutory management or liquidation. Following this and the emergence of new financial risks in the sector, the Central Bank of Kenya (CBK) adopted abroad surveillance strategy to stabilise the sector around three pillars:

- (i) Increasing transparency on shareholding;
- (ii) Strengthening banks corporate governance; and
- (iii) Ensuring banks adopt effective business models that will ensure resilience.

Further, the CBK has continued to strengthen its supervision of the industry by:

- (i) Increasing its supervisory staff component;
- (ii) Working closely with international partners to enhance supervisory staff capacity; and
- (iii) Rolling out onsite risk-based Anti-Money Laundering and Combating Financing of Terrorism inspections for commercial banks and micro-finance banks.

Hon. Speaker, the implementation of the Banking (Amendment) Act 2016, on capping interest rates has reduced the bank lending rates, and increased deposit rates offered to savers. The maximum lending rate now stands at 14 percent while interest earning deposits are now remunerated at 7 percent. To progressively reduce the interest rate spread, we shall continue to implement reforms in this sector that were adopted under the Committee on Cost of Credit that I chaired in 2014.

Together with the Kenya Bankers Association and the CBK, we are undertaking a comprehensive assessment of the impact of the interest rate capping law, to assess its impact on credit expansion to the private sector which has slowed down from double digit levels a year ago to single digit levels, and the perceived impact on economic growth. The assessment will inform any intervention measures to be taken to ensure credit availability to the consumers.

The Government remains committed to address the high cost of credit and expand access to credit in the economy. To this end, the Movable Property Security Rights Bill, 2016, recently approved by the National Assembly, should facilitate lower lending rates as it provides for borrowing using movable assets.

The Nairobi International Financial Centre Bill was approved by the Cabinet in December, 2016, and has been submitted to the National Assembly for approval. The enactment of this bill will kick start the establishment of the Nairobi International Financial Centre to position Nairobi as an international financial hub. The Financial Services Authority (FSA) Bill, which proposes to merge all non-bank financial sector regulators, is currently undergoing legal drafting, and I will soon be submitting it to this House for approval.

Islamic financing arrangement is becoming a major source of funding development expenditures worldwide. This financial arrangement is getting integrated within the global financial system and has the potential to boost prosperity and raise the standard of living of our people. Kenya intends to maximise its comparative advantage and position itself as a regional hub for Islamic financial products, in order to attract foreign direct investment. I will, therefore, propose legislative amendments to the Capital Markets Act, the Cooperatives Societies Act and Sacco Societies Act to facilitate shariah-compliant financial products.

In addition, I intend to amend the Public Finance Management Act to provide for issuance of Sukuk bond as an alternative source of financing our development projects. I also intend to amend the tax statutes to provide for equivalent tax treatment of these new financial

products with the conventional financial products. In addition, I shall shortly be issuing regulations to facilitate development of Takaful Retirement Benefits Schemes in Kenya.

The insurance industry in Kenya is restructuring into groups to enhance their capital base as well as take advantage of economies of scale and maximise on the expertise which is scarce. Currently, there are more than ten such insurance groups operating in Kenya, and there is no sufficient legal and regulatory framework to ensure effective supervision. This implies that their inter-related risks are not monitored. In this regard, I propose to amend the Insurance Act to enhance supervision of insurance groups in Kenya and ensure financial stability in the sector.

Annual licensing of financial institutions is time consuming and is no longer necessary in this era of risk-based supervision. Accordingly, the Government amended the Banking Act in 2015 to provide for perpetual licensing. In 2016, the same was extended to institutions licensed by the Retirement Benefits Authority.

In this regard, I propose to amend the Insurance Act to further provide for perpetual licensing of insurers. However, the intermediaries such as insurance brokers and loss assessors, among others will continue to be issued with annual licensing.

With our economy increasingly becoming dynamic, some employers are opting to operate under a common umbrella retirement benefits scheme that provides retirement benefits to their employees unlike the current standalone retirement benefit schemes provided by employers for their own employees. A scheme covering employees from several employers has unique features that differ from ordinary occupational schemes and therefore needs a proper legal framework to regulate its operations. In this regard, the Umbrella Retirement Benefits Scheme Regulations have been prepared to govern the operations of these types of schemes.

Hon. Speaker, Kenya is widely known for innovation in financial inclusion. Indeed, last year, Mr. Mark Zuckerberg, the CEO and co-financier of the social networking site Facebook visited Kenya to meet with entrepreneurs and developers and learn how our M-Pesa works, and how it has transformed the lives of ordinary Kenyans. Well, we have done it again!

Last week, I launched a special limited offer of the M-Akiba bond worth Kshs150 million. This is a retail bond issued by the Government of Kenya and can be bought and sold via the mobile phone platform. The tax-free M-Akiba bond aims at promoting a savings and investment culture by Kenyans with a minimum investment amount of Kshs3,000 and a maximum investment amount of Kshs140,000 per day. Now “Wanjiku” will be able to invest her Kshs3,000 or above, with no risk to her money and at higher interest rates than those offered by banks.

I, therefore, invite all Kenyans to invest in the bond, whose money will be used to fund infrastructure projects to further develop our country and move towards achieving our Vision 2030 development goals.

Hon. Speaker, allow me to report that as of this morning a total of 68,399 Kenyans had registered with total buys of Kshs79 million. This is more than half of the figure on offer of Kshs150 million within just one week of the launch. So, for those who have not registered and are yet to buy, hurry up. Registering and investing is as simple as dialling *889#.

This new savings innovation is the first of its kind in the world, and to give it the full weight it deserves, His Excellency the President will launch the main M-Akiba bond with an offer of Kshs4.85 billion in June, this year. I invite all of you to attend this historic occasion.

(Applause)

Hon. Speaker, over the last four years we have initiated a number infrastructure projects some of which have been completed, while others are nearing completion. We are targeting to complete all ongoing projects so that Kenyans can realise the benefits of the expanded infrastructure facilities. Work is being done to construct and maintain roads in order to ensure that Kenyans can move across the country with ease. Since 2013, the Government has constructed 1,950 kilometres of new roads, and another 7,000 kilometres are under different phases of construction.

Construction of the Outer Ring Road in Nairobi and the dualling of Ngong Road are progressing well. To further enhance movement of Kenyans, ease transportation of goods, and reduce congestion on our roads, I have allocated a total of Kshs134.9 billion, which includes Kshs63.6 billion for on-going road construction; Kshs44.3 billion for foreign financed roads; and Kshs27 billion for low volume seal roads. Further, I have allocated Kshs49.3 billion for road maintenance from the Road Maintenance Levy.

Hon. Speaker, we know that once completed the Standard Gauge Railway (SGR) will help to integrate domestic markets, link special industrial zones and bring global export markets closer home. That is why we have started construction works for the Second Phase (Nairobi – Naivasha). The construction of the First Phase is nearing completion and Kenyans will soon enjoy a decent ride from Mombasa to Nairobi starting 1st June, 2017.

In this Budget, Mr. Speaker, I have allocated Kshs75.6 billion for the SGR, of which Kshs15.5 billion will go to the completion of Phase I, Kshs59.7 billion to the construction of Phase II, and Kshs400 million for the relocation of people along railway line.

The First Phase of the second container terminal at the Port of Mombasa is complete. This will improve cargo handling service at the Port and strengthen Mombasa as a preferred port of call in East Africa.

To enhance services delivery in our ports, the Government will continue to develop several commercial ports, including the Lamu Port, Kisumu Port as well as other smaller ports along the coastline.

In this budget, we have allocated Kshs10 billion for the LAPSSET Project; Kshs3.6 billion from our development partners for the Mombasa Port Development Project; and Kshs200 million for the maintenance of ferries.

To further scale up the on-going airports expansion and modernisation, I have allocated Kshs2.6 billion for the upgrading of Malindi, Isiolo and Lokichogio airports, and Suneka Airstrip. Going forward, the Government plans to commence the expansion of the Eldoret International Airport to enable large cargo planes to land and position it as a transport hub.

Hon. Speaker, Kenyans are now paying less for their electricity owing to increased power generation. Today more than 2,282 Megawatts of power are available on the national grid compared to 1,664 Megawatts available three years ago. With this additional power, Kenyan households and firms now have access to power, enabling them to conduct their businesses smoothly.

In this Budget, I have allocated Kshs16.4 billion to support exploitation of geothermal, wind and solar resources that Kenya is endowed with. These resources are expected to increase the clean energy mix, cementing Kenya's position as a world leader in renewable energy.

Hon. Speaker, as promised by the Jubilee Government, the number of households connected to electricity has increased due to the reduction of both the connection time and cost. To date, more than 5 million households have been connected to power.

An additional 14,045 primary schools have been connected to the power grid since 2013 to facilitate the Digital Literacy Programme, and 810 public institutions have been connected to alternative (solar) power.

To support electricity transmission and connection in the country, in this Budget I have allocated Kshs9.7 billion for the Last Mile Connectivity; Kshs7.3 billion for electrification of public facilities; Kshs3 billion for installation of transformers in constituencies; Kshs3.1 billion for the National Street Lightning Programme; Kshs1.3 billion for connectivity subsidy; and Kshs1.53 billion for installation of solar lanterns.

Hon. Speaker, the Government continues to support the exploration and distribution of oil and gas in the country. Accordingly, in this Budget, I have allocated Kshs3.84 billion for exploration and distribution of oil and gas.

The Government will continue to target high priority infrastructure projects that maximise the welfare of Kenyans. Some of these projects will be funded by donors or under the Public Private Partnership (PPP) arrangement. Although we continue to allocate significant resources in the Budget for infrastructure development, the funds are never enough to finance infrastructure development. The PPP arrangement, as well as the donors, will help to cover the existing infrastructure funding gap in energy generation, road expansion, and construction of hostels for various training institutions, construction of affordable housing in urban centres and management of our solid waste.

Hon. Speaker, as earlier indicated, the theme for this year's Budget is "*Creating Jobs, Delivering a Better Life for all Kenyans*". Under this Budget, we intend to provide incentives that will create more jobs for our youth. In the past few years, manufacturing as a share of GDP has stagnated at between 10 and 11 percent. We target to position manufacturing to become a key driver of our economy as envisioned in Vision 2030.

Hon. Speaker, over the last four years, we have laid down a solid foundation for industrialisation with our economic transformation agenda. We firmly believe that it is the right time for Kenya to solidly move to middle income status. Therefore, some of the incentives I will be pronouncing today are aimed at revamping certain industries, encouraging establishment of new ones and scaling up production in others.

Additionally, on the path towards industrialisation, we will continue to support the leather, textile and apparels, the pharmaceutical and extractive industries in a manner that leverages the labour absorbing characteristics of these sectors.

Hon. Speaker, to further promote the development of industries, I have allocated a total of Kshs1.6 billion for the leather industrial park development and textile development. To support the revival of our industries, I have set aside Kshs450 million for modernisation of RIVATEX.

In addition, we are finalising an export credit facility from India of US\$30 million to further equip RIVATEX. India Exim Bank has also provided a line of credit to Industrial Development Bank (IDB) for on lending to SME activities. We have also provided Kshs250 million for modernisation of New KCC to make it a strategic milk processor.

Hon. Speaker, with the Special Economic Zone (SEZ) Authority fully operational, the Government has started rolling out Special Economic Zones (SEZs) in key urban areas, including Mombasa, Lamu and Kisumu as part of the Vision 2030 goal to diversify manufacturing activities, create employment and boost Kenya's investment profile.

Under the SEZs, the Government will provide a host of incentives for industries to operate in and boost creation of modern urban centres. These incentives include exemption on

VAT, reduced corporate tax rates for a defined period, access to quality infrastructure, and one stop shops for licenses.

Once operational, the SEZs will further facilitate importation of necessary raw materials and exportation of finished goods, thriving of agro-industrial activities, and allow for access to regional markets.

To add value to our agricultural produce, the Government will focus on the agro-processing industry that will brand our tea, coffee, floriculture, horticulture, dairy and fruit products and textile. This will not only create jobs, but will ensure our exports remain competitive in the global market. Furthermore, Kenya will increase her low-cost manufacture of basic industries and textiles for export to the region to exploit the opportunities within the AGOA initiative, as well as focus on new markets in Africa, Asia, Europe and Latin America.

Hon. Speaker, as a result of the measures implemented in the recent past, Kenya has seen the return of investors into the automotive industry. These include Volkswagen, Peugeot, Toyota and others. Indeed, the establishment of technical training and technology transfer mechanisms as part of the re-invigoration of the sector is a key building block. We do not want to lose the momentum gained.

In this regard, the Government, in close engagement with stakeholders, will complete the development of the Comprehensive Automotive Industry Development Policy for Kenya and finalise an actionable 10-year Automotive Industry Development Plan. With these interventions, the Government will be setting the automobile industry on a firm footing in order to enable it grow and create employment opportunities for the youth in Kenya and in the region at large.

Hon. Speaker, the importance of agriculture in contributing to the growth of the economy and generation of jobs and income cannot be overstated. The Government also recognises that without a strong, vibrant agricultural sector, a critical component of our industrialisation strategy, namely, agro-processing, will not be achieved. Since 2013, the Jubilee Government has been initiating measures to cushion the agricultural sector, mechanise it and ensure it contributes to food security for all Kenyans.

Hon. Speaker, to reduce the dependency on rain-fed agriculture and ensure food security, the Government has rehabilitated and expanded national irrigation schemes by more than 27,000 acres between 2013 and 2016.

To further support the on-going irrigation projects countrywide, I have allocated a total of Kshs6.3 billion for that purpose. This includes Kshs0.9 billion towards Bura Irrigation Project, Kshs2.1 billion for the Mwea Irrigation Project, Kshs0.6 billion for Galana/Kulalu Irrigation Project; Kshs2.2 billion for the National Expanded Irrigation Programme; Kshs0.2 billion for Smallholder Irrigation Programme; and Kshs0.3 billion for community based irrigation projects.

Hon. Speaker, to help our farmers' hedge against adverse weather conditions, last year the Government piloted insurance schemes for crops and livestock in various counties. Indeed, thousands of farmers in those counties benefitted from the premium subsidy at a total cost of Kshs452 million. In addition, many livestock farmers received compensation under the scheme after their herds were depleted by the drought. To support the crop and livestock insurance schemes, I have allocated Kshs0.7 billion in this Budget.

Our farmers now have access to fertilisers and other inputs at affordable rates. Since 2013, the Government has distributed more than half a million tonnes of subsidised fertilisers to our farmers, cutting prices and improving productivity. Two fertiliser-blending plants have been established with an annual capacity of 300,000 tonnes.

Hon. Speaker, in order to improve yield and further reduce cost of inputs for our farmers, I have set aside Kshs 4.1 billion to subsidise fertiliser.

Hon. Speaker, to enable the country maintain adequate food reserves and ensure productivity of our lands, I have allocated Kshs1.3 billion for the strategic grain reserves, and Kshs100 million for mechanisation of agriculture. To diversify our agriculture, I have allocated Kshs100 million for the revival of the pyrethrum sector, and for the Miraa farmers, I have set aside Kshs1 billion. To enhance service delivery in the lands subsector, I have set aside Kshs1.6 billion for issuance of title deeds, and Kshs900 million for digitisation of land registries.

Hon. Speaker, the tourism sector has picked up with significant rise in conference activities and foreign tourist arrivals. To further realise the multiple benefits of a robust tourism sector, the Government working with key stakeholders in the industry will continue to promote and develop new areas of tourism including sports, beach and medical tourism. The Tourism Regulatory Authority (TRA) has also been established to ensure proper conduct of tourism service providers and bring order to the industry.

Hon. Speaker, to further support this sector, I have allocated Kshs1 billion for tourism recovery, Kshs1 billion for sustaining new markets and sitting booths, Kshs600 million for capital lending to hoteliers and Kshs100 million for restoration of Fort Jesus.

Hon. Speaker, recognising the importance of aviation to the economy, Foreign Direct Investments (FDI), tourism and other linkages, the Government is keen to keep the positive trajectory that has been achieved at Kenya Airways (KQ) and is working with other stakeholders to ensure that the ongoing efforts to restructure the KQ balance sheet and place the company on a long-term sound financial footing is achieved.

In this regard, the Government will play a critical role in providing the necessary support and bringing other key stakeholders together to achieve a successful turnaround.

Hon. Speaker, the mining sector is a key driver for jobs creation. Thousands of jobs have been created during the exploration and processing of minerals, with more indirect jobs created for offsite suppliers and services. With the additional 20 other minerals identified, and the endorsement of the new Mining Act 2016, the sector is poised to immensely contribute to the development of industries, wealth and job creation.

Hon. Speaker, to harness the potential of this sector, I have set aside Kshs200 million for geological mapping and mineral exploitation, Kshs150 million for geological databank, Kshs103 million for mineral certification laboratory and Kshs140 million for mineral audit support and a further Kshs 140 million for acquisition of survey equipment. We expect a further Kshs6 billion support from China for geo-mapping once discussions are concluded.

Hon. Speaker, the early oil exploitation from Turkana oil fields will be started soon. This would be transported via road as plans are finalised to construct an oil pipeline from Lodwar to Lamu. Very soon, Kenya will join the league of oil exporting Nations.

(Applause)

Hon. Speaker, we are aware of the potential of the blue economy. To facilitate the development of the blue economy, the Government has commissioned construction of offshore patrol boats to deter illegal fishing activities along the shores of our waters which deny the country an estimated Kshs10 billion annually.

Plans are also underway to develop designated fish ports at the coast to facilitate the landing of the catch by deep sea fishing vessels. Hon. Speaker, Kshs400 million has been set

aside for this purpose. To further support the development of the blue economy, I have allocated Kshs300 million for aquaculture technology development and innovation transfers.

Hon. Speaker, Kenya has great potential to leverage its marine resources for purposes of creating wealth and employment. In this effort, the Government proposes a Coastal Fisheries Revival Package to facilitate primary, secondary and ancillary marine fisheries processing and production.

This package will include strengthened enforcement measures to curb illegal, unreported and unregulated fishing in Kenya's Exclusive Economic Zone and support for a robust National Eat More Fish Campaign. I will later propose tax incentives to support the blue economy.

Hon. Speaker, the Jubilee Government promised to connect every county to Fibre Optic Technology and improve service delivery through the use of Information Communication and Technology (ICT), in order to ease access to information by all Kenyans. Today, every county headquarters is connected to the fibre optic network, raising the number of internet users. As a result, Kenyans access Government services through Huduma Centres and other digital platforms with ease and at a reduced cost.

Hon. Speaker, to further enhance service delivery by Government agencies, I have set aside Kshs300 million for Single Window Support Project; and Kshs0.15 billion for continued roll out of Integrated Financial Management Information Systems (IFMIS) to counties.

Hon. Speaker, Kenya is set to benefit from the establishment of the Kenya Advanced Institute of Science and Technology (KAIST) at Konza Technopolis with the support of South Korea. The establishment in Kenya of this world class Science and Technology Research University will enhance the quality of higher learning while nurturing a technologically advanced population producing creative young talents. Accordingly, Hon. Speaker, I have allocated Kshs600 million to development at Konza Technopolis.

Hon. Speaker, Kenya remains a water-scarce country, with water coverage of 58 percent, sewerage of 25 percent and less than 1,000 cubic metres per capita of renewable freshwater resources.

Hon. Speaker, to bridge the water gap, several water supply projects were completed in the last financial year among them Narok, Masinga Kitui, Maua Phase I, Kisumu, Mombasa Lot I, Nyahururu, Othaya, Mukurweini and Lamu Island, further giving access to clean water to 950,000 people. On water storage, the Government has completed Kiserian dam while the construction of Itare dam, targeted to serve Nakuru County is on-going.

Hon. Speaker, to further enhance and sustain measures to control floods, harvest rain and store water, I have allocated a total of Kshs36.7 billion for Water Resource Management; Water and Sewerage Infrastructure Development; Dam Construction; National Water Harvesting and Ground Water Exploitation; and Kshs500 million for Water for Schools.

Hon. Speaker, in recent times, Kenyans in many parts of the country have faced severe drought resulting in crop failure and water shortages. The Government has released funds to relevant implementing Ministries to undertake drought mitigation measures. Specifically, the national Government has disbursed a total of Kshs7.3 billion while county governments have provided Kshs2 billion to cater for a doubling of food rations, cash transfers, scaling up of water trucking and storage for people, livestock and wildlife, distribution of water bowsers, repair and rehabilitation of boreholes and fuel subsidy for the boreholes.

Hon. Speaker, the plan to develop 20,000 new housing units for the police is underway. I have allocated Kshs1.4 billion for construction of 1,500 housing units for police and Kenya Prisons in Nairobi. Under an initial phase involving the private sector using alternative

building material, we intend to scale this up with the funding support from African Development Bank (ADB) in collaboration with other partners.

Further, in the last budget statement, I introduced corporate tax incentive to encourage investors to enter into the housing sector by reducing the corporate tax rate for developers who construct at least 400 units per year. This was meant to provide more decent low cost housing for the fast-growing demand for houses in urban areas. I call upon investors to take up this incentive and construct the much-needed houses for our people. Meanwhile, we will shortly be unveiling a comprehensive housing package that will incentivize the private sector to investing in low-cost housing. Meanwhile, we will shortly be unveiling a comprehensive housing package that will incentivize the private sector to investing in low cost housing. Hon. Speaker, to ensure civil servants acquire decent houses, I have allocated Kshs1.5 billion for the Civil Servant Housing Scheme Fund.

Hon. Speaker, the Government remains committed to mitigate the impact of climate change, having signed the Protocol on Climate Change following the adoption of the Paris Agreement. The Government will continue to mainstream climate change measures into all its projects and programmes.

Hon. Speaker, through the Gazette Notice dated 14th March, 2017, the Government banned the use, manufacture and importation of all plastic bags for commercial and household packaging beginning September, 2017. As you are aware, plastic paper bags have been categorised as the leading cause of poor drainage and environmental degradation. With this ban, we aim to address these challenges and preserve our environment.

In this Budget, Hon. Speaker, to further support environmental conservation, I have allocated Kshs3.8 billion for Environment Management and Protection and Kshs2.2 billion for Meteorological Services.

Hon. Speaker, the Government continues to enhance enrolment and increase capitation for free primary and secondary education. As directed by His Excellency the President when receiving the results of the 2016 KCSE exams, and in an effort to enhance efficiency in the utilisation of resources, the Government is speeding up the implementation of the Education Information Management System to ensure that education data in the country is accurate, up-to-date and available.

Further, Hon. Speaker, as from this year, the Kenya National Examinations Council (KNEC) as directed by the President, will cease the use of index numbers and instead ensure all registered examination candidates have Unique Personal Identifiers (UPIs) in Student Registration Numbers (SRNs) that they will use throughout their education life.

Hon. Speaker, to further support these initiatives, we have provided Kshs4 billion for examinations fee waiver for all Class Eight and Form Four candidates who will be sitting for the KNEC exams.

(Applause)

Hon. Speaker, the Jubilee Government promised to provide both the free primary and free day secondary education to all our children. To further support these programmes, I have allocated Kshs14 billion for the Free Primary Education Programme and Kshs33 billion for the Free Day Secondary Education Programme.

In order to minimise absenteeism of students from schools which affects their academic performance, particularly in the arid and semi-arid areas, I have set aside Kshs2.5 billion for the

School Feeding Programme. Additionally, I have allocated Kshs0.5 billion to support the provision for sanitary towels to our girls in schools.

To further increase the ratio of teacher to student, I have set aside Kshs2 billion for the recruitment of additional teachers. Hon. Speaker, all these interventions in the education sector also have a significant and direct impact on the cost of living for many Kenyans.

Hon. Speaker, as promised by the Jubilee administration, the Government has rolled out the Digital Literacy Programme to public primary schools across the country. The Government targets to finish distributing the remaining ones before the end of this year. To further entrench digital literacy among our children, and cover the remainder of the pupils across the county, I have allocated Kshs13.4 billion for deployment of digital devices to schools. Hon. Speaker, to further support the development in our secondary schools, I have allocated Kshs0.3 billion for the upgrading of national schools.

Hon. Speaker, Kenya's education system is highly ranked regionally and globally. This means, Kenya has strength in its talent pool and could leverage to attract investors as well as become a strong exporter of talent in the region. Indeed, the ongoing curriculum review effort which shifts to a competency based framework is an essential part of the drive for retaining Kenya's competitive human resource advantage.

Towards this end, the Government will concentrate on improving the technical, vocational training and university quality, attracting and retaining the best talent, producing job market ready talent domestically and for the world.

In this regard, Hon. Speaker, 60 Technical and Vocational Colleges (TVCs) have been constructed with an additional 70 TVCs still under construction and expected to be completed by June, 2017.

In addition, Hon. Speaker, the Government is also in the process of equipping the existing institutions with appropriate training equipment. To further support the growth of technical institutions in the country, I have allocated Kshs6 billion for technical, vocational education and training in this Budget. As we forge towards industrialisation, the technical training institutes will become indispensable for developing skills needed in the industrial sector.

Hon. Speaker, enrolment in our universities both public and private has risen, owing to among others, the establishment of the Kenya Universities and Colleges Central Placement Service (KUCCPS) which has ensured equitable placement of learners in both public and private universities, as well as colleges, a departure from the past when central admissions were the preserve of public universities.

Acknowledging the importance of university education, I have provided Kshs83.8 billion for university education. Further, Hon. Speaker, to enable our students finance their university education, I have allocated Kshs10.1 billion to the Higher Education Loans Board (HELB).

Hon. Speaker, the Government continues to implement programmes to ensure Kenyans have access to safe, quality and cost-effective health services. So far, we have witnessed significant reductions in communicable diseases, maternal and infant deaths, and improvement in immunisation coverage as well as increased access to ARVs.

Hon. Speaker, to further improve immunisation coverage and increase access to ARVs, I have allocated Kshs0.7 billion for vaccines and Kshs0.6 billion to the National Aids Control Council.

Hon. Speaker, to bring specialised medical care closer to Kenyans, we have equipped hospitals with specialised medical equipment. We have set aside Kshs5 billion for leasing of more medical equipment. In addition, Hon. Speaker, the National Government in partnership

with county governments has successfully implemented the Free Maternity Healthcare Programme and equipped more than 200 theaters for emergency surgery during delivery.

As a result, the number of women delivering in health facilities has increased from 660,000 to 1.2 million annually. Subsequently, maternal deaths have dropped from 6,000 to 4,000 annually, thus, keeping an additional 2,000 mothers alive to nurture their children and families. Hon. Speaker, to further support the Free Maternal Healthcare Programme, I have allocated Kshs4.3 billion in this Budget.

Hon. Speaker, as a further indication of the Government's commitment to improve health service delivery, I have allocated Kshs2.7 billion for Doctors/Clinical Officers/Nurses Internship Programme; Kshs9 billion for Kenyatta National Hospital; Kshs6.2 billion for Moi Teaching and Referral Hospital; Kshs2 billion for Kenya Medical Research Institute; Kshs0.7 billion for the Cancer Services and Kshs3.9 billion for Kenya Medical Training College (KMTC).

Hon. Speaker, the Jubilee Government promised to expand access to affordable healthcare. Since 2013, the number of Kenyans who access outpatient medical care through the National Hospital Insurance Fund (NHIF) has increased by more than 2 million. To further expand access to affordable healthcare, I have allocated Kshs0.9 billion for Free Primary Healthcare; Kshs0.3 billion for Health Insurance Subsidy Programme (Elderly & Disabled); Kshs1.1 billion for the rollout of universal health coverage.

Hon. Speaker, to alleviate poverty and ensure that the economic growth we are experiencing is shared, thousands of our orphans and vulnerable children, people living with disabilities and the elderly in our society have continued to receive cash transfers through the National Safety Net Programmes.

To further support the plight of the less disadvantaged in society, combat poverty, and promote equity, the social protection safety net has been enhanced as follows: Kshs9.6 billion for Orphans and Vulnerable Children (OVC); Kshs7.9 billion for cash transfers to the elderly persons; Kshs1.2 billion for cash transfers to persons with severe disabilities; and Kshs0.4 billion for National Development Fund for persons with disability.

Hon. Speaker, given the experience of the Cash Transfer Programme to the elderly, the Government has decided to enhance coverage of the Cash Transfer Programme to fully support all old persons above the age of 70 years.

I, therefore, propose that beginning January, 2018, all persons above the age of 70 years will receive a cash transfer in the form of monthly stipend and National Hospital Insurance Fund (NHIF) cover that will be paid by the Government.

(Applause)

Old persons covered under the existing over 65 years targeting people with disability will be continued. This policy is an indication that the Government cares for the Senior Citizens in our society.

In addition, to support the less fortunate families, I have set aside Kshs300 million for the rehabilitation of street families; Kshs500 million for Children Welfare Society; and Kshs400 million for the Presidential Secondary School Bursary Scheme. Further, I have set aside Kshs3.5 billion for the Kenya Hunger Safety Net Programme; Kshs700 million for Emergency Relief; and Kshs7.7 billion for the Equalization Fund.

The Government remains committed to the completion of the on-going Economic Stimulus Projects (ESPs) to support service delivery at the constituency level. Accordingly, I

have set aside Kshs100 million for the completion of ESP; and Ksh250 million for the completion of constituency industrial development centres.

In addition, I have set aside Kshs2.1 billion for Affirmative Action to promote equity and for social development. I have also set aside Kshs30.9 billion for the National Government Constituency Development Fund (NGCDF).

Hon. Speaker, since 2013, over 100,000 community youths have been engaged in various development programmes in the National Youth Service (NYS). Also, over Kshs25 billion has been cumulatively availed through the Uwezo Fund, Women and Youth Enterprise funds. Over Kshs26 billion worth of tenders have been awarded under the Access to Government Procurement Opportunities (AGPO) platform. These interventions demonstrate the commitment to empower our youth for their future prosperity.

Hon. Speaker, to continue supporting our youth and women, I am allocating Kshs18.3 billion towards the youth empowerment programme which will help facilitate mentoring of youth on leadership, national values, and entrepreneurship skills and further entrench digital literacy.

In addition, I am allocating Kshs600 million for the Youth Enterprise Development Fund; Kshs0.7 billion for Youth Employment and Enterprise (Uwezo Fund) and Kshs800 million for Women Enterprise Fund. Going forward, we shall review all the existing distinct funds to ensure there is no duplication and make them more relevant to today's youth requirements.

Hon. Speaker, in order to operationalise the constitutional requirement under Article 227(2)(b), the Public Procurement and Asset Disposal Act, 2015 provided Preference and Reservations clauses that offered the disadvantaged groups an express opportunity to competitively participate in public procurement without discrimination. The Preference and Reservations aims at promoting the local industries and enhancing participation by disadvantaged groups in public procurement.

Mr. Speaker, we are at an advanced stage of establishing the Preference and Reservation Secretariat which will oversee the implementation of Preference and Reservations as provided for in the Public Procurement and Asset Disposal Act 2015 to advance the interests of youth, women, PWDs and other disadvantaged groups in public procurement.

The Secretariat will expand the monitoring and evaluation exercise to cover all procuring entities including county governments. In order to ensure the target groups are benefiting from doing business with the Government, the Secretariat will among other responsibilities, focus on monitoring to ensure that prompt payments are made for duly executed contracts to these disadvantaged groups under the Preference and Reservations.

Hon. Speaker, the Secretariat is expected to link small and medium enterprises owned by the disadvantaged groups with the procuring entities through its mandate. Further, it is expected to ensure that preferences in public procurement are extended to candidates offering goods locally manufactured, assembled, mined, extracted or grown in Kenya. For purposes of ensuring sustainable promotion of local industry, all foreign tenderers participating in international tenders will be expected to source, at least, 40 percent of their supplies from Kenyan citizen contractors. This will enhance the competitiveness of the SMEs, spur economic growth and enhance job creation which will help in addressing the unemployment challenge. This will not only add more jobs to the youth and women, but will also provide further impetus to our objective of industrialisation.

Hon. Speaker, to enhance the implementation of the tax incentive for employers who engage apprentices, last year I proposed to gazette some regulations. Since then, the

Government has developed the regulations for implementation of the incentive. The ongoing youth training and internship programmes will enhance the employability of Kenyan youth and increase income opportunities. This programme targets a total of 70,000 youths aged between 16 to 29 years who are unemployed with up to Form 4 level education, and will avail training and work experience to them in a real workplace.

Hon. Speaker, in order to constructively engage the youth, the Government will focus on creating opportunities for the youth and help them realise their potential through sports, culture and arts. In this respect, there will be sporting activities at counties to identify and nurture talent in sports. The Government will provide opportunities for participation in culture and the artistic talents; and will support the preservation and promotion of our national heritage.

Hon. Speaker, the Government has over the last four years trained and nurtured more than 73,700 talented youths in various sports disciplines, sensitised 694 persons and tested 231 athletes on anti-doping. The Government has further enhanced film monitoring and enforcement by issuing 1,043 film regulatory licenses and conducted 5,753 random inspections to ensure inappropriate content is not distributed to the public.

Hon. Speaker, through the proposed National Sports, Culture and Arts Fund, the Government will further continue to develop sports, arts and preserve our national heritage. The Government will upgrade 5 regional stadia in Kamariny, Chuka, Karatu-Ndarugu, Marsabit and Wote.

In addition, the Government will continue to improve compliance with sports regulations, increase awareness on the fight against doping, and disseminate heritage knowledge. Further, the Government will complete the ultra-modern National Library at Upper Hill in Nairobi, and fully operationalise the Kenya Film School. To further support these initiatives, I have allocated Kshs200 million for construction of Sports Academy and Ksh550 million for completion of the ultra-modern National Library.

Hon. Speaker, let me now turn to the financial projections for the 2017/18 Budget. Implementation of the 2016/17 Budget has progressed well but with challenges. We have had to deal with various challenges such as the ongoing drought, the various strikes, security and preparations of the 2017 general elections and additional expenditures for projects financed by development partners.

In the course of the year, we had to make adjustments in the context of Supplementary I to accommodate these emerging pressures. The result of the additional expenditures was a higher fiscal deficit of 9.0 percent of GDP, financed partly by external financing from development partners.

Hon. Speaker, our fiscal policy for 2017/18 financial year aims to support rapid and inclusive economic growth, while ensuring a sustainable debt position. In this Budget we have taken a deliberate path of fiscal consolidation which reduces the fiscal deficit inclusive of grants from around 9.0 percent of GDP in this current financial year to about 4.0 percent of GDP in the 2019/20 Financial Year.

Hon. Speaker, we will maintain strong revenue efforts by bolstering our tax administration procedures to minimise revenue leakages and leverage on information technology. In the Financial Year 2017/18 Budget, therefore, revenue collection including Appropriation-in-Aid (AIA) is projected at Kshs1.7 trillion equivalent to 19.6 percent of GDP. Of this, ordinary revenue is projected at Kshs1.5 trillion or 17.8 percent of GDP.

On the other hand, total expenditure and net lending in this Budget is projected at Kshs2.287 trillion equivalent to 26.3 percent of GDP. Of this, Recurrent Expenditure will

amount to Kshs1.3 billion equivalent to 15.5 percent of GDP, while Development Expenditure is projected at Kshs640.3 billion equivalent to 7.4 percent of GDP. In addition, Kshs5 billion has been set aside as contingency to cater for unseen expenditures. This means that the fiscal deficit for 2017/2018 will be Kshs524.6 billion equivalent to 6.0 percent of GDP and will be financed through borrowing from both external and domestic sources.

The net external financing will amount to Kshs256 billion (2.9 percent of GDP) and will be mainly on concessional terms. Non-concessional external borrowing will be limited to projects with viable expected returns and the ceilings in the Medium-Term Debt Strategy. The domestic financing of the Budget will, therefore, comprise of Kshs268.6 billion equivalent to 3.1 percent of GDP borrowing.

The rest of my Budget presentation outlines various tax measures I intend to introduce through the Finance Bill 2017 to create jobs and better the lives of Kenyans.

As earlier indicated in this statement, we consulted other partner States in EAC and we agreed Kenya could proceed with an early presentation of the Budget. However, regarding matters relating to customs, we have evaluated various proposals from stakeholders for consideration by the EAC Ministers for Finance during the pre-budget consultations meeting to be held in May, this year. Measures that will be agreed upon by the EAC Ministers for Finance on matters relating to customs will be communicated through the EAC Gazette and implemented from 1st July, this year. Meanwhile, the EAC Common External Tariff which sets out the rates of duty applicable on imported goods is undergoing a comprehensive review and the final outcome will be released once adopted by the EAC Council of Ministers.

The customs proposals contain measures to promote industrialisation, encourage local investments, and create incentives in the agricultural and manufacturing sectors in order to make our products more competitive so as to protect local industries from cheap imports which create unfair competition.

The Government has noted the huge potential for growth in the paint and resin manufacturing industry for matching the high demand in the construction industry. Illuminating kerosene is a critical input in this sector. So as to promote paint and resin manufacturing, I propose to amend the Excise Duty Act to allow refund of excise duty paid on illuminating kerosene used in the manufacturing of paints and resin by registered manufacturers.

The VAT Act, 2013 introduced 16 percent VAT on all imported inputs for pest control products for local processing/formulation while the imported finished products remain zero rated. This treatment has made locally manufactured pesticides more expensive than the imported products. In order to promote local manufacturers and reduce costs of production in agricultural sector, I propose to exempt VAT on all inputs used in the manufacture of pesticides.

(Applause)

The tourism industry has been growing steadily despite adversities experienced in the industry. In order to promote tourism further and make Kenya a tourism hub, I propose to exempt from VAT, locally assembled tourist vehicles. This measure has taken into consideration the current policy of the Government to encourage local motor vehicle assembling. Tourist operators will, therefore, be encouraged to buy tourist vehicles locally.

During the 2016 Budget Speech, I proposed measures to promote the health sector by exempting from VAT taxable goods used for construction of specialised hospitals with accommodation. This was a noble initiative on the part of the Government in order to promote

the health sector. I, however, note that this incentive excluded medical equipment and apparatus making it unattractive to investors.

In order to address the challenges in the health sector, I propose to extend the incentives earlier granted by exempting from VAT medical equipment and apparatus for use in the specialised hospitals.

I have proposed changes in the Capital Markets Act and Public Finance Management Act to accommodate Islamic finance products to enhance financial deepening. Consequently, I further propose to amend the tax statutes to provide for equivalent tax treatment of these products with the conventional financial products.

To support the blue economy, I propose to allow a 150 percent investment deduction allowance for capital expenditures in this sector. I am also proposing to exempt from VAT packaging materials and other inputs intended to support primary, secondary and ancillary marine fisheries and fish processing, and a 50 percent reduction in port charges for fisheries vessels.

On measures to reduce income inequality, last year, I expanded the tax bands by 10 percent and increased the personal relief by 10 percent. This year, I propose to amend the income Tax Act to expand the tax bands by another 10 percent and to increase the relief by another 10 percent. This will increase the number of low income earners exempt from tax by raising the lowest taxable income from Kshs11,135 per month to Kshs13,486. This measure will, to a large extent, increase the take home income of a majority of low income earners. In addition, I wish to confirm that the exemption on bonuses, overtime and retirement benefits paid to the low-income earners will remain.

Kenya is positioning itself as a hub for motor vehicle assembly for the region. In order to enhance this position, I propose to amend the Income Tax Act to reduce the corporate rate of tax for new assemblers from 30 percent to 15 percent for the first five years. This measure will enhance the return for new investors and increase job opportunities for Kenyans.

It is the Government's policy to promote Foreign Direct Investment so as to expand the local economy and increase employment opportunities. To this end, I propose to amend the Income Tax Act to exempt dividends payable to non-residents by enterprises operating in Special Economic Zones (SEZ) in order to ensure that foreign investors get a good return for their investment.

In addition, I propose to reduce the withholding tax on interest payable to non-residents by Special Economic Zones Enterprises from 15 percent to 5 percent.

I also propose to amend the Income Tax act to allow enterprises licenced under SEZ to deduct 100 percent of the investment cost of building and machinery. This will enable such enterprises to recover cost of investment within the first year of utilisation.

Hon. Speaker, I further propose to amend the Miscellaneous Fees and Levies Act to exempt from export duty and Import Declaration Fees respectively on goods exported to and imported by an enterprise licenced under the SEZ Act. These measures are meant to reduce the cost of doing business, inspire foreign direct investment, position Kenya as a premier business hub and increase employment opportunities.

Hon. Speaker, betting and gaming have become widespread in our society in an environment that is inadequately regulated. Its expansion is beginning to have negative social effects, in particular on the youth and vulnerable members of our society. I, therefore, propose to raise taxes for betting, lottery, gaming and competition from the current rates of 7.5 percent, 5

percent, 12 percent and 15 percent respectively to a uniform tax rate of 50 percent for all categories.

(Applause)

All the proceeds of this will be put in a newly created National Sports, Culture and Arts Fund to support development of sports, culture and arts in Kenya.

(Applause)

Following the enactment of the VAT Act 2013, it was important that regulations be adopted to support the smooth implementation of the Act. The VAT regulations have been prepared and subjected to stakeholders' engagement as required. The regulations have been aligned to the Tax Procedures Act, 2015, which consolidated procedures that are common into one legislation. I will, therefore, be publishing the VAT regulations to support the smooth implementation of the VAT Act, 2013.

We have received a number of proposals for consideration during the review of the Income Tax Act. Among the issues received for review include taxation of capital gains, compensating tax, taxation of pensions, taxation of extractive industries and taxation of cross border transactions, among others. We intend to address these issues during the overhaul of the current Income Tax Act, which we have already commenced and we should be completing this in one or two months' time.

Hon. Speaker, the draft Income Tax Act is expected to be published shortly for public input in accordance with the Constitution. Specifically, the new Income Tax Act is expected not only to simplify the administration of the Act, but also to reduce the cost of compliance by taxpayers. The review is also guided by the need to expand the tax base and align the Act with the best practice and ensure certainty in the tax law.

Last year, I introduced tax amnesty for taxpayers willing to reinvest back home provided there was a conducive environment to facilitate such reinvestment. I have noted that there is need to clarify the circumstances under which the amnesty will be granted. Consequently, taxpayers willing to enjoy amnesty should declare the income for year 2016, file return and account for year 2016 by 30th June, 2018 and transfer back to Kenya the funds voluntarily declared under the amnesty. I expect KRA to issue regulations on the same and urge taxpayers to cash in on this amnesty and clean up their records with KRA.

Excisable Goods Management System has applied a uniform cost of stamps irrespective of the cost of the various products. The uniform charge for the stamps has brought challenges in respect of low cost products. In order to enhance tax administration, regulations that provide for differentiated prices based on the cost of the product will be gazetted shortly. Accordingly, the cost of stamps now ranges from Kshs0.50 to Kshs2.5 depending on the cost of the product.

In order to discourage the consumption of illicit drinks, I have proposed 80 percent remission of Excise Duty in respect of locally manufactured beer made from locally produced sorghum, millet or cassava or any other produce, excluding barley.

(Applause)

The consumption of high value spirits has increased tremendously. Accordingly, I also propose to increase the tax rate of spirits from Kshs175 per litre to Kshs200 per litre. While the taxation of beer has not changed, the inflation adjustment that will be effected from 1st July this year will increase government revenue in line with inflation. The KRA will publish the new inflation adjusted tax rate for all excisable goods shortly. This will reflect the inflation factor.

Hon. Speaker, there has been industry concerns on the current taxation of cigarettes in our country. The current single tax structure of Kshs2,500 per mille of cigarette has been inequitable and has adversely affected demand for locally produced low value cigarettes. To cushion the local cigarette manufacturers from the adverse financial effects due to loss in the market, I have proposed a two-tier tax structure of Kshs2,500 per mille for cigarette with filters and Kshs1,800 per mille for plain cigarettes.

(Applause)

This tax measure will ensure equity and fairness in the tobacco industry and prevent job losses in this sector.

Hon. Speaker, as you are aware, our country has faced challenging times as a result of drought. The Government has put in place measures to ensure that the impact of this disaster on the people of Kenya is alleviated. In addition, I propose to amend the Income Tax Act to allow a deduction for expenditure incurred on donations for the alleviation of distress during national disaster as declared by the President. Such donations should be channelled through the Kenya Red Cross, a county government or any other institution responsible for national disaster.

Considering the hardship and the suffering associated with the recently declared national disaster as a result of the widespread drought in the country, white maize will be imported on a tax-free basis for a period of four months.

(Applause)

In addition, in order to support our Muslim brothers, the importation of dates during the period of Ramadhan will be done free of taxes.

(Applause)

Hon. Speaker, ordinary bread and maize flour are VAT exempt, which means they do not benefit from deduction of input tax. Therefore, the input tax is inbuilt into their selling price. In order to make these commodities affordable for the common mwananchi, I propose to zero-rate bread and maize flour to remove VAT altogether.

Manufacturers, wholesalers and retailers who sell such goods will be expected to reduce the prices of these basic commodities, failure to which, I will reverse the policy.

(Laughter)

In addition to further lower the cost to *mwananchi*, the importation of maize during the next four months will be duty-free.

(Applause)

I expect, therefore, to see a reduction of prices for these basic commodities which are enjoyed by majority of our people. It is the Government policy to increase and deepen the country's sources of infrastructure financing. In order to achieve this, there's need for the Government to support effective uptakes of infrastructure financing products through tax neutrality for alternative measures for raising funds for such projects. I propose, therefore, to amend the VAT Act to exempt from VAT the transactions related to transfer of assets into Real Estate Investment Trusts (REITs) and Asset Backed Securities (ABS).

Kenya's economic growth has outperformed the regional average for 8 consecutive years. We rightly deserve to be proud of our economic performance. However, as I said at the beginning of my Statement, we should not be complacent. If anything, now is the time to redouble our efforts to build upon the foundations of success. Looking ahead, these achievements need to be deepened and broadened so that the economy can be more resilient, and the benefits of growth can be more widely shared among all Kenyans.

This Budget will maximise social benefits for all Kenyans. It will support industries, create jobs and improve the quality of life of Kenyans. It will also help us realise a cleaner environment; provide quality social services (health and education), and enhance access to efficient public transport.

In sum, it is a budget that carefully balances on the one hand the need to reduce the cost of living for the poor by enhancing social sector spending while continuing to strengthen the foundation for long-term economic growth, job creation and provision of incentives for rapidly moving towards industrialisation of our economy.

As I conclude, allow me to express my gratitude to His Excellency the President and His Excellency the Deputy President, for their guidance and wise counsel to me in managing the economic affairs of this country since the formation of this Government. I am very grateful to them. I would also like to thank my fellow Cabinet Secretaries and their Principal Secretaries for their support and contributions throughout the budget process.

I am also sincerely grateful to the Speakers of both the National Assembly and Senate and their respective Clerks for overseeing the approval of submissions on the Budget Estimates for the Financial Year 2017/2018. I am also grateful to the Members of the Budget and Appropriations Committee led by the Chairman, Hon Mutava Musyimi and the other Departmental Committees of Parliament for the comprehensive and constructive engagement in reviewing the Budget Estimates for the Financial Year 2017/18.

I am also grateful to the Majority Leader of the National Assembly, Hon Aden Duale for his relentless support to get most of the legislative proposals on finance matters pass through the House. We are also grateful to all Members of the National Assembly and the Senate for their cooperation and support, management and staff of the National Treasury under the able leadership of the Principal Secretary, Dr. Kamau Thugge, who have tirelessly worked long hours, including most weekends to ensure that this Budget and supporting documents meet the legal deadlines. Hon. Speaker, this is a clear demonstration of their selfless service to this country and we appreciate this extra effort by officers of the National Treasury to this exercise.

We are also grateful to the management and staff of the Central Bank of Kenya (CBK) and the Kenya Revenue Authority (KRA) for their contributions; staff from the Attorney-General's Office; staff of the Parliamentary Budget Office for providing support on the Budget process; our bilateral and multilateral development partners as well as our private sector for their contribution to our development agenda through their technical and financial support.

We are also grateful to the media for actively keeping Kenyans informed of the developments in the Financial Year 2017/2018 budget process. My utmost gratitude goes to Kenyans from all walks of life for their contributions, proposals and suggestions received during the finalisation of this Budget.

Finally, Hon. Speaker, allow me once again to thank all Members of Parliament for their support in facilitating legislative proposals in supporting our economic transformation agenda over the last four years. As you go back to the electorate, I wish you well. My only appeal is that the campaign period will be peaceful to ensure that we do not reverse the economic gains we have achieved so far.

I Thank you, and God Bless You. God Bless Kenya

Hon. Speaker: Order Members! Hon. Members, I wish to thank the Cabinet Secretary for having ably made that clear and long pronouncement of the Budget highlights and revenue raising measures for the National Government for the Financial Year 2017/2018 and Medium Term.

I also wish to confirm that in conformity with provisions of Standing Order No.241(2), the Cabinet Secretary has since submitted to my office the proposed Finance Bill, 2017 and other legislative proposals necessary to actualise the revenue measures for the National Government for the Financial Year 2017/2018.

Hon. Members, it is now my pleasure to invite all Hon. Members, the Cabinet Secretary for National Treasury and other Cabinet Secretaries and all the invited guests and other guests to a reception at the Parliament Courtyard here after.

ADJOURNMENT

Hon. Members, the time being 5.10 p.m., the House stands adjourned until Tuesday 4th April, 2017, at 2.30 p.m.

The House rose at 5.10 p.m.