REPUBLIC OF KENYA

KENYA NATIONAL ASSEMBLY

TENTH PARLIAMENT – FOURTH SESSION

PARLIAMENTARY SELECT COMMITTEE ON COST OF LIVING

THE STATE OF OUR NATION

Report of the Parliamentary Select Committee on Cost of Living

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Tuesday, October 18, 2011

Clerk's Chambers
Parliament Buildings
Nairobi

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1.0 BACKGROUND

1.1 Introduction

This is the final report of the Parliamentary Select Committee on Cost of Living, following a preliminary emergency report dated 7th June, 2011 already presented to Government by the Committee (see annex 1). The content of that preliminary report, including the twenty (21) recommendations therein, should be considered as constituting an integral part of this final report.

The Select Committee was formed vide a resolution of the August House on 11^{th} May, 2011 following a Motion by the Member for Budalang'i, Hon Ababu Namwamba, in response to widespread public outcry over the unprecedented spiral in inflation on the back of a sharp rise in the cost of fuel and foodstuff in the country. Its primary mandate was to inquire into the factors inflaming this and table in Parliament a comprehensive report with substantive recommendations on both immediate and long-term remedial measures. The Committee held its first meeting on 12^{th} May, 2011 where members unanimously elected Hon. Ababu Namwamba and Hon. Shakila Abdalla the Chairperson and the Vice-Chairperson, respectively.

The Committee had an initial thirty-day mandate, which was expected to end on Saturday 11^{th} June, 2011. Within this period, the Committee undertook a whirlwind of inquiries, culminating in the preliminary report aforesaid which was adopted on June 7th, 2011. However, that preliminary inquiry also revealed that this matter posed such a massive challenge that it required deeper interrogation and substantive remedial measures that would include concrete proposals for specially targeted legislation. The Committee accordingly sought extension of its time twice, on 9^{th} June and on 4^{th} August, 2011 to conclude the longer term aspects of its mandate. This report has effectively responded to that need for deeper inquiry, and includes specific legislative proposals.

The extension was further necessitated by the fact that the mandate of this committee coincided with the very tight legislative schedule of Parliament for enacting key Constitution implementation Bills. By some coincidence, a majority of the members of this Committee, including the Chairman, also serve on the Constitution Implementation Oversight Committee, which has been deeply immersed in reviewing the Bills as well as vetting nominees to the various constitutional offices.

The Committee has therefore taken a total of five months to fully conclude its work and table this report in the House. After its first round of engagement with various stakeholders in the oil and grain sectors, and public hearings in several parts of the country, the Committee strongly felt that there were certain issues that were so urgent that they could not wait for this final report and therefore required immediate action. This is what primarily motivated the Committee to prepare the preliminary report with twenty one recommendations that it asked Government to address on emergency basis. The Committee submitted that report to Government through the Head of Public Service and Secretary to the Cabinet, Ambassador Francis Muthaura at a special session in Parliament Buildings on 17^{th} June, 2011. That meeting was attended by Permanent Secretaries from all the line ministries targeted by the Committee for this exercise. The Committee notes that some of the recommendations in that preliminary report have since been implemented by Government, while others remain pending

1.2 Committee Membership

The Committee comprised of the following members:-

1.2.1	Hon. Ababu Namwamba, MP	Chairperson
1.2.2	Hon. Shakila Abdalla, MP	Vice-Chairperson
1.2.3	Hon. Martha Karua, MP	
1.2.4	Hon. Elias Mbau, MP	
1.2.5	Hon. Rachel Shebesh, MP	
1.2.6	Hon. Charles Kilonzo, MP	
1.2.7	Hon. John Mbadi, MP	
1.2.8	Hon. (Dr.) Eseli Simiyu, MP	
1.2.9	Hon. (Dr.) Joyce Laboso, MP	
1.2.10	Hon. Nkoidilla Ole Lankas, MP	
1.2.11	Hon. Mohamed Gabow, MP	

Hon. Mohamed Gabow, MP was subsequently appointed Assistant Minister for Special Programmes in August, 2011 before the Committee concluded its mandate, thus reducing this membership to ten. There was no time to replace him.

1.3 Committee Terms of Reference

The Committee subsequent to its formation adopted the following Terms of Reference:

1.3.1 Investigate factors responsible for the rapid rise in inflation, from 3.8% in November 2010 to 12.93% in May 2011, and the high cost of living in the country and propose both short and long term remedial measures.

1.3.2 Establish the effect of the current inflation and high cost of energy on producers, manufacturers and consumers and the impact of this on the economy.

1.3.3 Establish the factors causing the ever rising cost of energy with a focus on fossil fuel and how the Government can get a lasting solution to the problem. Also establish the status of preparedness of the country to handle any interruptions in supply of fuel.

1.3.4 Interrogate existing policies on food security in the country and examine any measures in place meant to ensure the country produces enough food to feed the whole population.

1.3.5 Track the cereal production and supply chain and determine how this contributes to the cost of food, with specific emphasis on land tenure, farm preparation, timely availability and pricing of seeds and other farm inputs, harvesting, storage and post harvest management.

1.3.6 Examine the supply chain of oil, from importation through clearance, transportation, distribution and consumption with a view to detecting factors in the chain which might be responsible for inflaming the sharp rise in pump prices.

1.3.7 Interrogate the cost of staple food crops in the country, the ability of Kenyans, especially the underprivileged, to afford basic foodstuff and any existing measures to ensure all people have access to food.

1.3.8 Establish the country's state of preparedness to handle severe food shortages caused by, among others, famine and disruptions in the production and supply chain.

1.3.9 Quantify the cost of running government and the savings expected from any austerity measures that may be considered to reduce avoidable state expenditure.

1.3.10 Establish the relationship between unemployment, the wage levels and the living standards of Kenyans.

1.3.11 Examine institutional capacities and synergies for shielding Kenyans from vagaries like fluctuations in international oil prices, drought and interruptions in the food and oil supply chains.

1.3.12 Explore legal and policy options necessary to address the challenges identified, including the cost of energy, cost of food, public expenditure as well as institutional capacities and synergies.

1.4 Committee meetings and Hearings

1.4.1 The Committee has during its tenure held 50 sittings, within and outside the precincts of Parliament to establish the factors causing the high cost of living. Internal meetings were held in Parliament with government officials from relevant line ministries, public policy research bodies and experts in various fields. The Committee also visited various parts of Kenya on fact finding missions and to conduct hearings with members of the public targeting communities, groups and players in specific areas of socio-economic concern. The meetings were meant to enable the Committee get area and sector specific first hand information in order to understand how each one of them was uniquely contributing to or affected by the rising inflation and high cost of living.

1.4.2 Overall, the Committee met stakeholders from all the key sectors of the country's economy and especially those directly relevant to the wider mandate of the Committee. The Committee specifically held Meetings with the following persons, institutions and companies:

1. Minister for Energy
2. Permanent Secretary, Ministry of Energy
3. Director General, Energy Regulatory Commission (ERC)
4. Managing Director, Kenya Petroleum Refineries Limited (KPRL)
5. Managing Director, National Oil Corporation of Kenya (NOCK)
6. Managing Director, Kenya Pipeline Corporation (KPC)
7. Governor, Central Bank of Kenya (CBK)
8. Commissioner-General, Kenya Revenue Authority (KRA)
9. Top Management of oil marketers, including Kenol-Kobil, Shell, OiLibya and Gulf Oil.
10. Chief Executive Officer, Petroleum Institute of East Africa (PIEA)
11. Managing Director, National Cereals and Produce Board (NCPB)

12. Management of the Kenya Seed Company Limited
13. Mayor and Deputy Mayor, Kitale Municipal Council
14. Provincial Commissioner, Nyanza and the Regional Commissioner of Central Nyanza
15. Regional Commissioner, North Rift
16. Branch Manager, Unga Limited, Eldoret
17. Managing Director, United Millers, Kisumu
18. Chief Executive Officer, Institute of Economic Affairs (IEA);
19. Chairman, Secretary and Chief Executive Officer of the Consumer Federation of Kenya (COFEK)
20. Board of Directors, Mombasa Maize Millers
21. Chairman and trustees of the Kenya Transport Association (KTA)
22. The Managing Director of KIPPRA
23. Minister for Agriculture on wide ranging issues related to food security
24. Minister for Finance
25. Secretary to the Cabinet and Head of Public Service
26. Permanent Secretary, Office of the Prime Minister
27. Clerk of the Kenya National Assembly
28. Permanent Secretary, Ministry of Planning, National Development and Vision 2030
29. Minister for Medical Services
30. Permanent Secretary, Ministry of Public Health and Sanitation
31. Permanent Secretary, Ministry of Public Service
32. Management of Mumias, Nzoia, Sony and Muhoroni Sugar Companies

1.4.3 The Committee also conducted on-site fact finding missions to the following places:

1. National Cereals and Produce Board depot in Eldoret
2. Unga Millers, Eldoret
3. Kenya Seed Company Limited, Kitale
4. Private maize traders in Kitale and Kiminini
5. Kenya Petroleum Refineries Limited in Mombasa,
6. Kenya Pipeline Corporation oil jetty in Kipevu, Mombasa
7. Mombasa Maize Millers
8. Grain Bulk Handling Limited (GBHL)
9. Mumias Sugar Company Limited
10. Nzoia Sugar Company Limited
11. Muhoroni Sugar Company Limited
12. Sony Sugar Company Limited

1.4.4 Further, the Committee held public hearings in the following areas:

1. Kibera (Nairobi County) with the general public
2. Eldoret (Uasin Gishu County) with maize farmers and the general public
3. Kitale (Tans Nzoia County) with maize farmers and the general public
4. Kisumu (Kisumu County) with fishermen and the general public, and
5. Ahero (Kisumu County) with rice farmers and the general public
6. Mumias (Kakamega County) with sugarcane farmers and the general public
7. Suba – Tonga and Nyatoto (Homabay County) with fishermen, grain farmers and livestock farmers

8. Bomet (Bomet County) with maize farmers, dairy farmers and the general public
9. Narok (Narok County) with wheat and maize farmers, livestock farmers and the general public
10. Nyeri (Nyeri County) with tea and coffee farmers and the general public
11. Embu (Embu County) with the general public
12. Meru (Meru County) with farmers, traders and the general public
13. Lodwar (Turkana County) with pastoralists and the general public
14. Lokichar (Turkana County) with pastoralists and the general public
15. Kitui (Kitui County) with the general public
16. Lango Baya in Malindi (Kilifi County) with the general public and
17. Lamu (Lamu County) with the general public

1.4.5 The Committee had planned to hold similar public hearings in the following areas but was unable to do so due to unforeseen constraints:

1. Mwingi (Kitui County)
2. Isiolo (Isiolo County)
3. Garissa (Garissa County)
4. Mwea (Kirinyaga County)

1.4.6 The Committee is confident that it heard a representative voice of Kenyans and its report thus reflects sentiments of the people of Kenya.

1.5 Acknowledgement

The Committee is grateful to the Offices of the Speaker and the Clerk of the National Assembly for the support it received to discharge its mandate.

The Committee further commends Government agencies and departments that it met for the openness and cooperation they accorded it while conducting its business. The Committee is especially grateful to the Provincial Administration for the support they accorded the Committee in organizing public hearings in different parts of the country.

The Committee appreciates the technical advice it received after consultations with various stakeholders and the findings and recommendations contained in this report try to address all the issues it established.

Special thanks also go to the staff of the Parliamentary Service Commission who served under the Committee: Edward Libendi, James Ginono, Nocodemus Odongo, Fandah Ngasura and Linda Kiriinya.

Finally, Mr. Speaker, the Committee extends special gratitude to the Honourable Members of the Committee who worked extremely hard, sometimes under extraneous circumstances. The following Members need special mention: Hon. John Mbadi, Hon. Rachel Shebesh, Hon. Nkoidila Ole Lankas, Hon. (Dr) Eseli Simiyu, Hon. Shakila Abdalla, and Hon. (Dr) Joyce Laboso.

This report was adopted unanimously and the recommendations herein were arrived at after thorough consultations with all the targeted stakeholders.

Mr. Speaker, it is my pleasure to commend and commit this report to the Honourable House for adoption.

Signed ....

THE HON. ABABU NAMWAMBA, MP
CHAIRMAN, SELECT COMMITTEE ON COST OF LIVING

Date: 18 | 10 | 2011

2.0 FINDINGS

It is important to note right here at the beginning that in all the places where the Committee has interacted with Kenyans through open public hearings, one strong message has been consistent: the citizens of this country are literally panting under the unbearable burden of the cost of essentials of life that has spiraled well beyond their reach. The rapid increase in inflation without a corresponding rise in incomes has seriously eroded purchasing power, even for the middle class.

The sharp rise in fuel has inflamed the cost of transport, with the result that what has been touted as a "working" nation has fast become a "walking" nation as many Kenyans, especially in low income urban neighborhoods like Kibera, have been left with no choice but to trek to places where they struggle to eke a living.

Prices of basic staple foodstuff like maize flour, rice and sugar have similarly ripped through the roof, making it impossible for many families to manage even a single meal a day. The cost of a 2kg packet of unga has shot up by over 100% in six months - from an average of Kshs 60 last December to over Kshs 120 by June 2011. Meanwhile, income levels have remained static for those fortunate to have some work, while the unemployment rate is only getting worse.

And Kenyans are laying their tribulations squarely in the lap of the country's leaders, who they believe are insensitive, unresponsive and obsessed with games of political brinkmanship as hunger pangs ravage children, women and men across the length and breadth of the country. Kenyans feel neglected and shunned by a leadership that is insulated from their grim reality. Farmers feel abandoned to the mercy of brutal profiteers, while transporters are exposed to merciless wheeler-dealing cartels in the energy sector. There indeed is widespread concern about cartels and corruption networks that have infested all spheres.

The people further feel frustrated by the dysfunctional nature of government operations, with stark evidence of lack of coherence in policies and basic functions of government. Ordinary Kenyans cannot understand, for instance, how any government would announce "emergency" tax relief measures to bring down the cost of pump prices of fuel, then simply sit back and fail to implement the measures! There is also serious concern about inefficiencies in key institutions like National Cereals and Produce Board (NCPB), Kenya Seed Company, Kenya Petroleum Refineries (KPRL), Kenya Ports Authority (KPA), Kenya Pipeline Corporation (KPC), National Oil Corporation of Kenya (NOCK), Kenya Revenue Authority (KRA), which inefficiencies cost the citizen dearly by reason of mediocre services and steep costs that are routinely loaded onto already heavily burdened consumers. The ministries of Agriculture, Energy and Finance, under which these agencies fall, stand indicted.

There are strong calls for government to move swiftly and revive collapsed producer institutions like the Kenya Farmers Association (KFA) and National Milling Corporation (NMC), which would cushion farmers while offering them a stronger voice, and further stabilize markets in moments such as what the country is confronted with today.

This cocktail of issues is steadily fomenting a potent sense of desperation and anger, with the very real risk of a devastating social implosion - if government and parliament remains impervious to cries of pain coming from the people.

3.0 FINDINGS FROM IDENTIFIED STAKEHOLDERS

3.1 The Oil Sub-Sector

The Committee met with oil sector stakeholders on 26th May 2011. The objective of the meeting was to establish the players in the energy sector and the factors causing the ever rising cost of energy, specifically petroleum products, and how the Government could get a lasting solution to the problem. The Committee was also interested in establishing the status of preparedness of the country to handle any interruptions in supply of fuel.

Specifically, the Committee was interested in the following issues which were considered major contributors of the high cost of fuel:

a) Whether cartels exist in the oil sector
b) Main causes of the skyrocketing cost of fuel in Kenya
c) The percentage cost of taxes in the high cost of fuel
d) The effect of price regulation introduced by the Ministry of Energy in December 2010 and managed by the Energy Regulatory Commission on the cost of fuel
e) The relationship existing between the percentage increase in international oil market prices and the pump price in Kenya
f) The role of the National Oil Corporation in stabilization of fuel prices
g) The real cause of the fuel shortage in early May, 2011
h) The fundamentals that inform the changes in fuel prices and especially what informed the sudden reduction of the diesel price by Kshs. 3 per litre by NOCK.
i) Whether there are players in the oil sector who are also regulators in government hence a conflict of interest
j) Whether there are consultations in Government before major policy announcements are made like the announcement by the Prime Minister in the House on removal of taxes on kerosene.

Several issues emerged from the discussion with oil sector players. The Permanent Secretary(PS in the Ministry of Energy, Mr. Patrick Nyoike briefed the Committee on causes of increasin petroleum prices and the measures the Ministry was putting in place to cushion the country. Th PS attributed the high cost of fuel on the rising international crude oil prices, the weak value o the Kenyan currency to the dollar and the turmoil in the Middle East.

It also emerged from the Ministry of Energy officials that the Government had reduced excis taxes on kerosene by 30% which was effected on 28th April, 2011 and that the Ministry c Finance would introduce a Bill in Parliament to waive excise taxes on kerosene. The Minister fo Energy explained that there were sufficient consultations between the President, the Prin Minister and the Ministries of Energy and Finance before any policy changes are announced ar specifically the policy announced by the Prime Minister that the Government would redu excise duty on kerosene and diesel.

The Ministry of Energy also explained other factors which had contributed to the sharp rise in prices as follows:

a) Continued existence of piracy activities in the Indian Ocean being responsible f increased freight cost of petroleum products together with Mombasa port demurra incurred by ships waiting to discharge the commodities at the port

b) Clogging of the pipeline system by oil marketers who have no adequate storage facilities.

Oil sector marketers and other oil stakeholders raised the following additional issues affecting the industry and thereby contributing to the high retail pump price of fuel:-

- Having only one Jetty at the port of Mombasa in which oil products are discharged
- Lack of strategic oil reserves
- Inefficiencies at the Kenya Petroleum Refineries Limited which marketers alleged contributed an additional 5 to 8 shillings to the litre.
- Infrastructural constraints particularly the Kenya Pipeline Kipevu jetty and the need for establishment of a Common Storage facility in Nairobi
- Marketers using the pipeline as a storage facility thus clogging the system and denying importers a chance to discharge their products in the pipeline.

The Ministry of Energy officials led by the PS confirmed that the Kenya Petroleum Refineries Limited (KPRL) could only remain viable if it stuck to the proposed timelines of modernization or else it should be shut down.

The Oil marketers also committed themselves to abide by the resolutions they made at the oil stakeholders forum held on 21st May, 2011 at the KICC and the Ministry agreed to enforce the regulations developed especially regarding storage of oil products in the pipeline strictly. The stakeholders concluded that modernization of the KPRL should either be completed by 2015 and the other projects like development of a power plant by December 2011 and conversion into a merchant refinery by January 2011 be finalized within the indicated timelines failure to which the Government should shut down the refinery as in the current state, it is a liability to the tax payer.

Discussions with the oil sector stakeholders identified the following measures that would help reduce the cost of fuel and ensure consistency in supply both in the short term and long term:

a) Introduction of and enforcement of stiff penalties for storing oil products in the pipeline for a longer duration than 14 days for domestic fuel and 30 days for transit fuel respectively.
b) Establishment of strategic oil reserve urgently to cushion the country against fluctuations in the supply chain.
c) Sharing of Ullage (space allocated in the pipeline) by oil marketers based on throughput.
d) The KRA and KPA clearing systems should be made more efficient.
e) There is need to amend the Energy Act in order to convert the KPRL into a Merchant Refinery

In concluding, the Petroleum Institute of East Africa (PIEA) was categorical that cartels did not exist in the oil industry as is presumed by many since the Competition Act prohibited such acts.

3.2 National Cereals and Produce Board Management (NCPB)

The Committee met with the National Cereals and Produce Board Management (NCPB) in Eldoret on the 27th May 2011. The objective of the meeting was to get insight into cereals production and supply chain and to determine how this contributes to the cost of food, with specific emphasis on land tenure, farm preparation, timely availability and pricing of seeds and other farm inputs, harvesting, storage and post harvest management.

The following specific issues were sought by the Committee from the NCPB management

- The probable reasons for the high shelf price of maize flour
- The cost at which NCPB purchases maize from farmers
- Whether farmers still had maize as alleged by the Minister for Agriculture in mid May 2011
- The percentage of maize NCPB sells to millers and at what cost
- Whether the NCPB deals with importation of cereals
- Whether NCPB had any plans to ensure Kenyans have access to the staple food at a subsidized cost
- Whether farmers are motivated to grow maize
- How much maize the NCPB has in its stores and how long that stock could last the country
- Whether some players (i.e. farmers, traders, millers or NCPB) in the supply chain were hoarding maize.
- Whether there was political interference in the maize sector
- Whether it was justified for the price of 2 kilogram Unga to be sold at more than Kshs 100
- Whether it was justified for the price of 2 kilogram Unga to be sold at more than Kshs 100
- Any long term measures the NCPB had put in place to reduce the cost of flour.

The Managing Director of NCPB informed the Committee that their mandate includes the Buying and Maintaining grain, distribution of farm inputs to farmers and market intervention on behalf of the Government. NCPB deals with maize, wheat, rice, pulses, Fertilizers (planting & top dressing), Agro- Chemicals and seeds. They also offer Warehousing, leasing of storage facility, pest control, grain grading & aflatoxin testing, clearing and forwarding, grain drying, bagging and weighing services.

The Committee was further informed that the NCPB can store up to 21 million bags of maize in their stores countrywide. As at 27th May 2011, NCPB had the following stocks:

- Maize- 3,256,902*90Kgs(2.5 m is SGR reserve and 300,000 is Famine relief) bags which could only last 1 Month if released to the market as the country consumes 36Million bags annually,
- Beans – 9,429*90Kgs bags,
- Paddy rice 5,092*24kg bales, paddy rice 42,837*75Kgs Bags,
- Wheat- nil,
- Fertilizers() Assorted- 259,239* 50kgs bags,
- Seed- (off-season) – Nil

Issues that emerged from the discussion with NCPB management were that the NCPB did no
have sufficient funds to mop up surplus maize as the Government releases funds late and th
funds are released in batches, the NCPB did not sell any maize to Millers commercially in 2011
that due to liberalization maize millers can buy and usually do so from maize farmers directly an
hence exploit the farmers. That the Government fixes the price at which the NCPB buys or sell
maize to farmers which discourages farmers from selling their maize to the NCPB especially i
the prices are low and that grain shortage is expected in 2011 as rains had been erratic at th
planting season of March/April 2011.

Discussions with the NCPB identified the following measures that would help stabilize cerea supply and price, particularly for maize.

a) Establish Grain Regulation Commission by law to help stabilize the cereal sub-sector.
b) Enhance the work of an Inter-ministerial Committee working on legislation to establish a Commodities Exchange similar to the Tea Auction in Mombasa to give the farmers best price.
c) Allow the private sector to import maize at zero rated cost
d) Review land policies to prevent subdivision of agricultural land to non-viable sizes and establish land banks
e) Establish dams in the grain growing areas to stop dependence on rain
f) The Agricultural Finance Corporation should reduce interest rate of lending to farmers to between 5% to 8%
g) Enhance the Strategic Grain Reserve from 3 million bags to 8 million bags

3.3. Kenya Seed Company Limited

The Committee met with the Kenya Seed Company management in Kitale on 28th May 2011. The objective of the meeting was to get insight into seeds production and supply chain and to determine how this contributes to the cost of cereals, with specific emphasis on timely availability and pricing of seeds as an important farm input considering that most farmers had complained of unavailability of certified seeds.

The Committee sought to know the following from the Kenya Seed Company Limited;

a) Whether the country has enough seeds
b) The position of the Kenya Seed Company on GMO food
c) Whether the Kenya Seed Company develops seed varieties which can grow in hardship areas whether in fact it has capacity to do so.
d) The problems that contribute to the lack of Seeds in the Country and whether Kenya Seed is timely in providing seeds to farmers
e) Whether farmers are given the correct seeds and how they determine what kind of seeds should be given to farmers
f) The challenges faced by Kenya Seed Company Limited in discharge of its mandate.
g) How easy it is to distribute seeds and whether the revival of Kenya Farmers Association (KFA) could help to facilitate the distribution and improve farmer productivity
h) How Kenya Seed Company is financed
i) Whether maize farming in Kenya is expanding or shrinking

Emerging issues from the discussion were that: the company did not have adequate seeds in 2011 and this was going to affect the production of farmers as they supplied only around 85% of the market. Kenya Seed had a poor strategic plan by the Management who recommended to the Board to cut down on seed production in the last 3 years of 2008, 2009 and 2010 thus causing the shortage. The Committee also heard that the government sets the prices that the company pays farmers for seed while the other entities in the market set their own prices and the government price has been on the decline discouraging farmers from growing maize for seeds. That over 70% of the company's production is meant for the highlands, that the Company produces parental seeds which are given to contractual growers who multiply it then return to Kenya seed for production and the company only produces around 10% of the total seed supplied in the country.

The Committee was informed that the seed company faces various challenges which were affecting seed production including the reduction in seed production area and continued land sub-division

Discussions with the Kenya Seed Company identified the following measures that would help stabilize production, supply and price, particularly for maize:

a) Streamlining the pricing mechanisms for cereal seeds to enable the majority of farmers utilize the certified seeds for high yield.
b) Consider establishing strategic seed reserve in the Country to cushion against unexpected shocks.
c) Expansion of irrigation to cover the highland areas to enable farmers in the highlands to plant two seasons rather than the current one.
d) Expand the acreage for seed production. The Corporation requires 3,000 extra acres of land for domestic use and 15,000 acres for general use, thus the Ministry of Agriculture should give authority to the Corporation to purchase Gatatha Farm which is 1,800 acres.
e) The Government to invest on a pool of machinery to be used by farmers.
f) Consider enhancing subsidy to farmers especially on farm inputs like seeds and fertilizer to increase production.

3.3. United Millers, Kisumu.

The Committee met with the management of Kisumu United Millers on 30th May 2011. The objective of the meeting was to determine the amount of maize held by millers as well as the data on the quantity of maize being consumed by the Kenyan market and also establish the source of the maize being used by Kenyans given the existing shortage in May 2011. The Committee was further concerned about the looming maize shortage crisis.

The Committee was informed that there was a shortage of maize globallly and that there was need to subsidize local farmers by giving them Kshs. 45 million worth of Seeds and a further Kshs. 50 Million Worth of fertilizers for free to spur production.

According to the United Millers, there was rampant corruption in the NCPB from the weighing of the maize down the supply chain to the final person writing a cheque and there was need to eliminate and minimize the malpractice in the organization. They also proposed lifting of import duties on imported maize and all other materials associated with maize production to facilitate importation to cover for the shortage in supply.

3.4 Central Bank of Kenya (CBK) and Kenya Revenue Authority (KRA)

The Committee met with the Governor of Central Bank of Kenya (CBK) and Commissioner General of Kenya Revenue Authority at County Hall, Parliament Buildings on 2nd June 2011. The objective of the meeting was to understand the causes of the runaway inflation, the depreciation in value of the Kenyan currency and the general high cost of living including the monetary policies and taxation policies of the country and their implications on the economy.

The Committee was concerned with the high inflation in the country which had risen from 3.8% in November 2011 to 12.95% in May 2011 and the fall in the value of the Kenya shilling against the main foreign currencies. The Committee sought clarifications on the following specific issues:

1. How the tax system could benefit Kenyans and how quickly the proposed excise tax waiver on oil products such as paraffin and diesel could be effected.
2. How the government could deal with any possible existing cartels in the maize sector

3. How the CBK and KRA were dealing with the issues of climate change if any.
4. The effect of the depreciating Kenya shilling against the major World Currencies on the cost of living in Kenya and the general economy.
5. In depth information on why the inflation is on steady increase beyond 5% and how this could be managed.
6. Tax measures that the KRA could propose to help manage the rising cost of living
7. What CBK was doing to address the fear of excess liquidity in the economy
8. Why the banking sector in Kenya is not helping the citizens to borrow.
9. What KRA was doing to curb tax evasion and to encourage compliance as there are loopholes which need to be tightened
10. What the government was doing to reduce the huge amounts of expenditure of public funds e.g. travelling a lot on first class and spending too much on non essentials services
11. Why collection of taxes are not proportional in all sectors e.g. oil is taxed too much while real estate is not adequately taxed
12. What the government was doing about the rapid population growth and consumption rate in the country
13. Any professional advice the two institutions could give the government concerning the oil prices given that it was not known when the problem in the Middle East and North Africa would end.
14. What the government was doing about infrastructural imbalance, and whether the equalization fund could help sort out the infrastructure imbalance.
15. The Government priorities in terms of spending
16. Why there was poor absorption rates leading to many ministries returning money to Treasury due to institutional failures e.g. kazi kwa vijana.

The Governor of the Central Bank indicated that economic growth was showing a strong recovery partly due to good performance in agriculture. Financial growth also remained strong.

The discussions identified the following cross cutting measures that would help stabilize the macroeconomic environment and other areas of concern to the Kenyan economy:

a) That there should be oil reserves in the country to cushion against external oil shocks
b) That there should be domestic supply buffers of essential commodities; which should be separate from the strategic reserves.
c) That incentives for food prices should be based on market prices and further that the government should establish institutions that will buy surplus commodities from Farmers.
d) That monetary policy should not be used to fix prices as it has limitations on controlling inflation.

The Commissioner General of Kenya Revenue Authority informed the committee that certain direct taxes have impacts on inflation e.g. excise taxes. He however clarified that there had been no increase in taxes on fuel for the past two years and therefore the argument that the high taxes in fuel were causing inflation was not true. Tax rate had remained the same overtime, thus taxes had not contributed to price increase in oil products. He also cautioned against the Government plan to reduce taxes on certain types of fuel as a social safety measure arguing that upto 85% of Kenya's budget is financed through taxation with donor support only covering around 3-5%. The neighboring countries such as Uganda and Tanzania get almost 50% of budgetary donor support

He concluded that reducing taxes would not be the most viable option as it would mean reducing on certain government expenditure which are critical for the economy

It further emerged that eliminating tax on paraffin could result in adulterating other costly oil products by traders to make more profit as well as the fear of selling the same product at higher prices outside the country. It was the Commissioner General's view that price controls distort the market and therefore supply and demand should be allowed to determine the commodity prices. From the discussions, it also emerged that if all constitutional office holders were to pay PAYE taxes on all their income, then Treasury would get an additional kshs 670million. He stated that Kenya should be commended as it has the highest tax effort of between 22-24% in the region compared to the neighboring countries of Uganda 11% and Rwanda 17%

He clarified that the real property industry in Kenya is fully covered by necessary tax laws and regulations but the only problem is enforcement and compliance. Clarification was also made that the problem in the oil sector was about supply constrains and not taxes. The issues of piracy are also responsible for high cost of oil because of increased transportation and insurance expenses.

The resolutions from the discussion were that, in the short run, money should be provided for safety nets. This would however lead to increase in taxation or reduction in public expenditure to save some money for the emerging issues. Full taxation of constitutional office holders would also send a good signal to the economy and may help bolster compliance with tax laws.

The Committee was informed by the Commissioner General that KRA is using taxpayer education to encourage people to pay taxes. Kenya has joined OECD to get information on Kenyans who are saving money outside the country and not paying taxes.

Finally, the Governor of Central Bank of Kenya observed that the objective of the monetary policy of the CBK is to supply the money consistent with the economic activities in the country. It was revealed that the current problems contributing to the high cost of living are mainly supply side constraints and not as a result of taxation and that there was need for strict application and enforcement of rules of the game by all concerned institutions to restore sanity in the economic environment

The discussions agreed that a law should be enacted explaining how the oil reserve will work and clearly define the role of every actor to help stabilize oil shocks.

3.5 Institute of Economic Affairs

The Committee met with the Chief Executive Officer of the Institute of Economic Affairs on 2nd June 2011 with a view to getting their professional views regarding the skyrocketing cost of living. It emerged that the main drivers on the cost of living are oil and food prices. The CEO explained that the high costs were also as a result of the Kenyan Pipeline being very old and too small to meet the country's oil demand and its neighbors, strategic Reserves must be maintained. He however cautioned against price controls saying that fixing priced would only benefit the big traders rather than small ones

The IEA management expressed views to the effect that existence of any cartels in the oil industry needs to be investigated since this would be dangerous to both the poor and rich people. However, they advised that the government should confine its intervention measures to factors that are within the control of the country. Other proposals were that the Government should introduce electric trains which use thermal power which is cheaper than hydro power. Also, the Government should allow for temporary importation of maize to close the existing demand and supply gap to avoid the looming food crisis. The importation should however not be an open check that would lead to the market being flooded by cheap imports to the detriment of the Kenyan producers.

3.6 Consumer Federation of Kenya

The Committee met with the Consumer Federation of Kenya on 2nd June 2011 to seek their views on the skyrocketing cost of living. The committee heard that the biggest challenge of food security in Kenya is water. It further emerged that extension workers in the ministry of agriculture are virtually absent at the grass roots thus some drastic measures need to be taken to revitalize agriculture. They observed that since biogas is underdeveloped in Kenya, a lot of pressure is on petroleum. The committee learnt that CoFEK has sued the government due to its inaction to curtail the rising cost of living.

CoFEK also observed that NOCK cannot stabilize oil prices considering that it had only 7% presence in the market and in their view, the organization had been set up to fail. Finally, they noted that most causes of the current high cost of living were governance issues mostly as a result of conflict of interest. For example, people in government charged with housing are developers of real property so they cannot support a government low cost housing policy.

3.7 Mombasa Maize Millers

The Committee met with top management of Mombasa Maize Millers in Mombasa on 3rd June 2011 and obtained the following information:

a) That a 2Kg tin of maize in Mombasa was trading at Ksh.105 while a 2 kilogram packet of unga was selling at Ksh.114.
b) Mombasa millers have a big market share of about 10% in the country and at the moment was operating below capacity (at 30%) because of the maize shortage in the country. That if urgent action is not taken, the country would have no unga very soon.
c) That the Director is also a director of NCPB since there are heads of millers who sit in the board. They are therefore in constant touch with NCPB in terms of knowing the situation on the ground and therefore his information was factual.
d) That Tanzania always has crop harvests in June and July season and has always helped fill the Kenyan deficit over the years but this time they closed their borders against maize exports because they also did not produce enough maize to export and so now millers in Mombasa were mainly depending on the little maize that was trickling in from Dodoma through 'informal routes'.
e) That the millers were not receiving any maize coming from local farmers. A bag of maize in Mombasa was selling at an unprecedented high of Ksh.3600 so it would be impossible for farmers to still be holding maize
f) That the expected harvest for this year (2011) would be low at between 1.5million to 2million bags because of the adverse weather.

g) That the country's consumption of maize has been increasing and is now at 3.5 to 4million bags a month up from 2.5million bags before yet supply has dwindled

h) That as on that day, they only had 2days worth of stock. The milling is done as the little maize keeps trickling in and that is what they are selling in the market. This has been the situation since January.

i) That they had written to all relevant ministries including the Ministry of Special Programs about the anticipated shortage advising on what actions the government could do to avert the situation but no response had been forthcoming.

j) That Kenyans in urban and peri urban areas are yet to realize that there is a shortage because they buy from supermarkets who are always the first to be supplied so they will always have some flour on the shelves. Meanwhile the small scale millers and posho mills are even shutting down because of lack of maize to mill.

k) They laid a paper on the prices from January to May which indicated that price of unga had gone up by 100% and price of maize had gone up 105% and this has not factored in fuel and electricity cost.

l) Prices have been stable for five years but the problems started in 2008 when NCPB stocks were depleted and the government allowed in imports which brought down prices a little hence discouraging farmers who felt the returns were inadequate.

m) There is need for drastic measures to avert the looming crisis which had been brought about by poor planning, and forecasting on the part of government.

n) That the maize shortage is affecting livestock feeds because maize is a raw material, therefore the problem is very extensive.

The discussions revealed a number of issues and the following measures were proposed to solve the existing problems.

a) That government should consider importing maize to cover the present shortage. There is sufficient maize in Malawi and Zambia but the shipping logistics are difficult. There is maize in South Africa which is most likely GM maize and the government had to make a decision on whether they would import GMO maize and needed to consult the public before deciding this.

b) The government should check the yield of farmers to establish how they could produce more crop yield per acre like move from 10 bags to 30 bags per acre.

c) Farmer education through extension officers on farming methods and drying to avoid post harvest losses was necessary

d) That there should be better interaction between Ministry of Agriculture, Millers and all food sector trustees including farmers, millers, consumers, Ministries of Finance, Agriculture, and Special Programs to be able to address the pertinent issues in the agriculture sector.

e) Production in the country needs to be significantly increased to match the ever increasing consumption rate due to population increase.

f) The fuel cost per kg is 2shillings for transportation and so fuel costs were not the major cost driver in the prices of flour and maize, it's the maize itself. The cost of inputs should therefore be subsidized and made available to farmers in order to reduce the price of the maize

3.8. Kenya Transporters Association

The Committee met Kenya Transporters Association in Mombasa on 3rd June 2011 and sought to know from them the situation in the transport industry since it is one majorly dependent on fuel which has increased in the country significantly. The committee also sought to know how transport affects the cost of food. The Committee heard the following from the KTA;

a) That the association has over 380 members.
b) That 96% of all cargo coming at the port is transported by road and only 4% by rail
c) KTA serves not only Kenya but the region and 60% of transit cargo goes to Uganda and when road expansion is complete they would be serving Ethiopia.
d) The average retail price of diesel in January was Ksh.73, by February it was Ksh. 88 and at end of May, it was Ksh.110/= all this in a span of 5 months. These prices have caused transporters to go out of business as the profit margins had significantly reduced. This is because 60% of the fees charged for transporting goods goes to fuel. Yet as commodity prices go up, transport prices have remained relatively the same thus driving members of KTA out of business.
e) That bank is also affected because of default on loans by creditors. Banks have been forced to repossess trucks and transit vehicles and also financing to buy transport vehicles has been halted because the industry is doing badly.
f) Transporters were laying off turn boys to reduce wage cost. That usually a normal transporter would have a fleet of 100 vehicles on average totaling to 100 people laid off. Turn boys are always the first casualties, then mechanics and ultimately the drivers when transport is stopped.
g) That drivers make the fuel situation worse by siphoning fuel from the vehicles and sell it on the way and then resort to driving on free gear which results in an increase in road accidents caused by careless driving.
h) That overloading was also a big problem because the transporters are illegally allowed to load up to 60,000 to 100,000 tonnes while the allowed maximum is 28,000 tones and this is what has contributed to destruction of the roads.
i) That the KRA, have a good clearing system (Simba) but staff seem to sabotage the process causing people to incur high overhead costs, e.g. demurrage which add to cost of goods. Simba system is an electronic way of lodging entries where there is no human and paper interaction which process should ideally take a day. But the KRA officers usually make the process difficult. In the past 2 weeks Simba system at the port had been down 80% of the time which had caused massive losses to transporters. That this is an integrated system from Times towers which works well all along the chain and then it fails at the gate of exit at the port which is the last level. This financial loss is passed on to hapless Kenyans. That the system failure makes clearance of goods to be turned to manual which facilitates clearance of contra band goods and illegal activities like tax evasion and bribery, etc.
j) That Customs and Excise Act, Cap 472, restricts the use of transit vehicles from carrying any goods on return from delivery of cargo abroad. Transit vehicles will take the goods and comeback empty then another truck has to be commissioned to bring in the goods which results in wastage of fuel and unnecessary costs which are then passed on to the consumer.
k) That there is big problem of lack of adequate storage and warehousing facilities at the port. A matter that the KTA has met and discussed with industry stakeholders and Ministry of Transport officials yet no action has been taken.

l) That the Cost of fuel to revenue is 52% in Kenya, while in South Africa it is 26%, internationally it is 22-25%. Direct cost is 68%. This is too high compared to other countries.

m) The 4 major oil companies are controlling the sector and are fixing oil prices at very high rates on pretext of high international oil prices yet when fuel prices come down internationally none of them reduces their prices.

The KTA board urged the Committee to follow up on the following recommendations with government:

a) That the government should instead of building another port in Lamu, first of all make the current one more efficient to attract business.
b) That Corruption especially at weighbridges is a big thing and if this could be stopped, then roads would last a bit longer and the cost of transportation would be manageable.
c) That government should build a dual carriage way between Mombasa and Malaba to allow for faster and safer transportation of cargo and also invest in the standard gauge railway line between the two destinations to reduce cargo from the roads.
d) Inefficiencies of government agencies in handling logistics at the port and clearing of goods are very costly and if systems would work and be more efficient, this would save the consumer more than 30% on cost.
e) That Parliament should amend the law that requires trucks carrying transit cargo not to carry any goods while coming back to Kenya thus resulting in high transport costs as transporters have to compensate for the fuel utilized by trucks when they are not carrying any cargo.

3.9 Grain Bulk Handlers, Mombasa

The Committee met with the Grain Bulk Handlers (GBH) Limited in Mombasa on 3rd June 2011 with the aim of getting information concerning the availability of cereals in the country and the cost at which the same were being imported. The Committee was informed that;

- The GBH Company only handles grains for importers and it does not import itself and that it has not handled maize imports in the last 2 years since the last Japanese Aid Consignment.
- That there was a predominant shortage of white maize both in the country and internationally and what they were handling then was majorly wheat.
- There has been rapid urbanization in the last 10 years thus causing consumption rate tc skyrocket
- That a big percentage of the Maize industry is controlled by cartels
- That there is lack of adequate grain reserves to cushion the country against acute shortag of the staple and essential food
- That the cost of farm inputs is very expensive and not available to farmers.
- That there is need for a seed and fertilizer supplier in the country at subsidized prices t cushion farmers and reduce their cost of production.
- That any serious country should have adequate strategic reserves of both oil and th staple food
- That there should be strict management of production lines and Institutions like Natior Cereals and Produce Board in order to ensure efficiency

- That liberalized markets should be governed by forces of demand and supply and not price controls which have adverse effects
- That Most millers have shut down and reduced production due to lack of Maize

The meeting concluded as follows:

- That there should be sufficient Strategic reserves which should be well managed and resources should be allocated to beef it up in order to help curb grain shortages in the country
- That the Government should support farmers in irrigation process by protecting water towers and water management and further to provide farm inputs at subsidized prices.
- That the Government should revive the defunct National Milling Corporation (which will help to regulate the industry and eliminate cartels as the corporation will mill relief maize from strategic reserves for government to distribute to schools and drought stricken areas)

3.10 Kenya Petroleum Refineries Limited

The Committee met with the management of the Kenya Petroleum Refineries Limited on 4th June 2011 at the KPRL Offices in Mombasa. The object of the meeting was to establish the physical status of the KPRL, any measures it had commenced in order to become economically viable and to establish whether or not the much touted inefficiencies that were contributing to the high cost of petroleum products existed. The Committee was informed as follows:

a) That KPRL is a state corporation licensed by the ERC under the Energy Act and has 300 permanent and Pensionable staff.
b) That KPRL produces 38.9% of the national demand of Fuel
c) That since 1974 there has not been any investment channeled to the refinery by the government hence the aged plant and machinery.
d) That Crude oil is imported through the open tender system (OTS) which is managed by the Ministry of Energy.
e) That difficulties experienced in the refinery's Utilities include;
    i. Power-reliance on national grid which has frequent power blackouts/power failure.
    ii. Water supplies disruption
    iii. Large number of power upsets annually resulting in interruptions in product supply in the market especially petrol and damage to equipment
f) That the refinery has a Limited sulphur removal capability for diesel and therefore diesel from the KPRL does not meet low sulphur specifications in line with international standards.
g) That Essar Ltd, the strategic partner has honored its obligations by putting in USD 3Million which is 50% of the amount required for modernization.
h) That Politics is affecting the refurbishment and development of the refinery
i) That the Government needs to be involved in the refinery's improvement and to put resources in its refurbishment and modernization.

The following Interventions measures were identified;

a) That there is need for changes in the commercial arrangement between KPRL and oil marketing companies and that there are proposals for KPRL to import its own crude oil for refining and further that there is need for market protection to make KPRL remain afloat

b) That Investments should be made to improve KPRL performance in the medium term by;
   - Building a 9.2 mw captive power plant. Estimated to cost USD 13million.
   - Civil works and Commissioning of fuel tanks should be done in December 2011.
   - Completing and Commissioning a Desalination plant expected in mid 2012 which has a capacity of 1500 tons/day. Estimated to cost USD 1 million.
   - Detailed feasibility study of the refinery modernization project should be completed and commissioning is expected in mid 2015.

c) There is need for a jetty design that would facilitate simultaneous berthing of two tankers and a high tech hydrocarbon jetty - Suitable to handle Crude Oil, Products including LPG (Liquefied Petroleum Gas), inland depots, pipelines and strategic reserves.

d) Government to develop alternative sources of energy from Bio-fuels, wind and Solar

3.11 Kenya Pipeline Company

The Committee met with the Regional manager of Kenya Pipeline Corporation on 4th June 2011 at the Kipevu Oil Storage Facility (KOSF). The objective of the tour was to establish the status of the pipeline, the efficiency of the same and the challenges the pipeline was facing. The Committee established the following from the KPC management;

- That KPC was incorporated in 1973 under Companies Act cap 486 laws of Kenya and it is 100% government owned.
- That the facility has a total Storage capacity of 612,233,000 litres and is not sufficient to service the fuel requirement of the local and foreign market.
- That the facility can transfer 10,000,000 litres per day and it receives products from Kenya Petroleum Refineries Ltd (which produces regular petrol) and KOSF;
- That there is an Ullage committee chaired by the Ministry of Energy whose membership comprises all Oil Companies which have the responsibility of allocating Ullage according to throughput.
- That Clearance of products at KOSF is done by Kenya Revenue Authority or by a financier.
- Kenol Kobil and other major Oil Companies are not adhering to transport and Ullage agreements reached in their own Ullage Committees
- That Price regulation is not good for it causes market distortions. The solution to the rising cost of living would be to level the playing field and let market forces determine the price of the products.
- That KPC should have a common loading facility in Mombasa and Nairobi
- There is need to fast track installation of custody transfer meters at all the OMC's depots in Nairobi

Upon interrogating the KPC Coast regional Manager and the Depot Manager, the Committee made the following observations;

- That poor planning is a major problem in KPC
- There is no synchrony between Open Tender System and Ullage allocation

3.13 Government Ministries

The Committee met with the Permanent Secretaries; (Permanent Secretary, Office of The President, PS-Office of the Prime Minister, Ps-Ministry of Planning, Ps-Ministry of Agriculture, and PS-Ministry of Public Service) in Committee Room 7, Main Parliament Buildings on 17th June 2011. The object of the meeting was first of all to share the Preliminary report of the Committee with the government officers so that the issues that required urgent attention are taken up, secondly to understand the impact if any of the size of the government on the cost of living and the institutional inefficiencies and lack of synergy among government institutions and what could be done to address these issues.

Specifically, the committee sought to know the following:

a) Existence of any Government policies to deal with the rising cost of living and particularly the runaway inflation.
b) Why there is lack of coherence between different arms of Government, for example between research arms of government and policy making and implementing organs citing lack of coordination between Kenya Agricultural Research Institute (KARI), Kenya Seed and the NCPB all under the Ministry of Agriculture and establishment of oil price regulation by ERC without consultations with the CBK, KIPPRA or KRA.
c) The amount of money spent in running the Government particularly the cost of running the large Government and whether the size of the coalition government had a significant impact on the cost of living.
d) The reasons for the depreciation of the Kenya shilling against other major currencies where the shilling had fallen from a high of 80 to a low of between 87 and 90 against the dollar from the Month of April and any measures the Government was taking to stabilize the shilling.
e) What measures the Government was taking to establish a strategic grain reserve and a strategic oil reserve to cushion the country in times of limited supplies.
f) Whether the Government could consider taking austerity measures in its expenditure by for example ensuring that all government officers travel using economy class and not business class as was the norm which would result in some savings.
g) The measures the Government was taking to exploit alternative energy sources like bio fuels, wind, solar and geothermal energy.
h) Any measures the government was taking to increase acreage of land under irrigation in order to ensure food security. The Committee was concerned that the Government was allocating more funds for importation of maize and food instead of focusing on ensuring that the country is self sustainable in food production by investing in new farming technologies and irrigation agriculture.
i) That the Kazi Kwa Vijana (KKV) program was not yielding its intended results and yet more money had been allocated to the program in the current budget. That the Government was misapplying its resources by giving University graduates jobs of digging trenches which would not add value to their skills and that the Government should consider abolishing the program all together as it had failed.
j) Why Government officers were speaking at cross purposes with the Minister for Agriculture and the Prime Minister saying there was enough maize in the country and that millers could be hoarding it, while the management of the NCPB claimed there was an

acute shortage of maize in the country. The Committee wanted to know whether the
Government had knowledge of the real situation.
k) What role the Ministry of planning, National Development and Vision 2030 was playing
especially on food security and how the work of the Ministry was feeding into the work of
other ministries for example, the Ministries of Special Programmes, Water and
Agriculture.
l) How viable it is for the Government to retain the Kenya Petroleum Refineries Limited
(KPRL) yet the Refinery was contributing to the high cost of fuel in the country.
m) Whether the Treasury was aware that the KRA Simba system which is meant to ensure
efficiency in clearing of cargo at the Port of Mombasa is down most of the time and
especially during weekends and whether this is an act of sabotage by KRA workers in
order to facilitate corrupt practices.
n) Whether it was still possible for the youth to get jobs in Government and whether the
Government had any policies or structured system of providing internships and
attachments for the new graduates.
o) The role of the grain in the Strategic Gran Reserve and if it was meant for the poor and
vulnerable, why the Government was not distributing it to this population to ease their
suffering.
p) Why the sizes of most Government delegations especially those accompanying the
President, Prime Minister and Vice President are large and what actions the Government
can take to cut down the size of these delegations in order to reduce costs of foreign
travel.
q) Whether the Government has taken any measures to provide for those people in Kenya
living below the poverty line including the urban poor.
r) The reasons for the rising levels of foreign debt
s) The high level of corruption in government which results in wastage of resources and
high cost of living.
t) Whether the Government could consider cancelling the debt owed by Kenya Farmers
Association to the National Bank of Kenya in order to facilitate revival of KFA.
u) Whether the Government could consider reviving the National Milling Corporation in
order to stabilize the cost of flour.
v) The Measures being undertaken by the Government to eliminate cartels in the major
sectors of the economy resulting in collusions in price setting hence high cost of basic
commodities.
w) The crisis in boarding schools as a result of the high cost of food and fuel where mos
schools budgeted when maize was Ksh.1, 800 yet the prices in May and June were almos
triple (Ksh. 4,000) which would lead schools to close early while others would seek t
increase fees for third term. The Committee requested the Government to direct th
NCPB to open its stores for boarding schools to buy maize from it at a price of Ksh
1,800 or the Government to sell the maize that is expected as a grant from Brazil to th
schools at the above price in order to cushion the schools from the high cost of living

The Permanent Secretaries who attended the meeting responded as follows:

i) Ambassador Francis Muthaura (Head of Public Service and Secretary to Cabinet)

The Head of Public Service tabled a report detailing the impact of the cost of running t
coalition government on the rising cost of living and explained as follows

1. That the cost of running the coalition government does not have any effect on the rising cost of living as the total number of employees in the civil service had not changed, only the number of Ministers and Assistant Ministers had increased. He however stated that the wage cost had been improved to try and match that paid in the private sector in order to retain the best brains. That from January to October 2010, the inflation rate had been as low as 3% even with the coalition Government in existence.

2. That the civil service had been reduced from 2002 when the NARC Government came to power and so the Government is much smaller apart from the top e.g. Permanent Secretaries, Ministers and Assistant Ministers and that increase in ministries had not led to increase in the civil servants as a majority were just re-deployed.

3. That the country received erratic rainfall in the last season resulting in poor harvests contributing to the shortage of maize.

4. That the rising inflation was a global phenomenon affecting most countries of the world and not just Kenya which he illustrated with a table from the IMF Database online.

5. That the Government had a shortfall in the civil service specifically in the police force, nurses and teachers, which had arisen mainly due to the Structural Adjustment Program of the 1990s but that the Government was working towards filling the shortage.

6. On the issue of employment, he stated that entry into the public service is through a competitive recruitment process by the Public Service Commission and age limit was not a factor for most of the jobs and that young people were now being recruited for senior management jobs so long as they were successful in the interview.

7. That the Government was focusing on sectors that would grow the economy and hence create jobs and a key Government strategy since 2003 has been on building infrastructure (roads, electricity, water, etc) to spur growth. That in 2002 before the NARC government came to power, only Kshs. 18 billion was spent on development of infrastructure but today, Kshs. 221 billion is allocated for infrastructure development.

8. That the Government was now focused on establishment of special economic zones, e.g. Konza Techno Park to create jobs for the youth and improve ICT. The Government would also establish economic zones in Lamu, Kisumu and Mombasa to create up to 100,000 jobs.

9. That there is rural electrification going on whose target is to have power in all rural market areas and hence transform these centers into economic zones and thus spur rural industrialization.

10. That there is a program of distributing 100,000 bags of maize and 30,000 bags of rice to the hungry in the country and the president had directed that this quantity be doubled in the hunger stricken areas. This was being undertaken under food relief system.

11 That the Government was keen on eradicating corruption and that the war on corruption had been boosted by the enactment of the new constitution which had seen initiation of institutional reforms among them judicial reforms and police reforms.

12. That Public service reforms would make the Government transparent and accountable in the use of public resources e.g. through e-government and performance contracting

13. That the Government would not participate in importation of maize because the last time it did so, there arose numerous concerns about corrupt practices in the distribution of the imported maize.

14 That the NCPB is allowed currently to distribute maize to schools especially in the famine hit areas under the food relief program.

The following officers who were in the company of the Head of Public Service and Secretary to the Cabinet had this to say:

ii) **Prof. Michael Chege (Advisor, Ministry of Planning, National Development & Vision 2030)**

1. That the Government had put in place plans especially under the Vision 2030 flagship projects which if implemented according to the plan, would ease the challenge of unemployment in the long run.
2. That in order to cushion poor Kenyans, the elderly and the vulnerable, the Government had in the financial year 2011/2012, set aside Kshs.1billion for cash transfers to be implemented by the Ministry of Gender and Social Services and the Ministry of Special Programmes.

iii) **Prof. Gideon Misoi (National Cereals and Produce Board)**

1. That as at that date of June, there were about 3 million bags of maize in NCPB stores as the Government had released about 200,000 bags for famine relief since May when the Committee visited its stores in Eldoret.
2. That the Strategic Grain Reserve could not sustain the shortage of maize as the maize in the stores could only be used by Government for relief purposes. That however millers had been allowed to import at zero rate.
3. That there was approximately 5000 metric tons of maize imported by millers which had arrived at the port of Mombasa from Malawi but had failed the Kenyan standard of coloration thus could not be allowed into the market. The maize had a colour level of 4 yet the required level was 1. That government was still analyzing the maize for any infection or impurities before making a final decision on what to do with it.
4. That the NCPB did not have any commercial stocks of maize to sell to schools but that some schools fell under the Government school feeding program.
5. That there was a consignment of 300,000 bags of maize expected as a grant from Japa which is normally sold commercially to the public to recover the FoB cost. Th Committee strongly recommended that this maize be sold to boarding schools at subsidized price in order to cushion them from the high cost of food which the Head c Public Service agreed to.

iv) Dr. Edward Sambili (PS, Ministry of Planning, National Development and Vision 2030)

1. He explained that the runaway inflation had largely been caused by the high cost of food and fuel which cost of fuel had arisen partly because of the high demand for the commodity on the international market. That the cost of food commodities had shot up after the 2008 post election violence where a lot of food crops were destroyed in farms and farmers displaced from their farms.
2. That in 2009-2010 there was good rainfall, plenty of food and inflation was low and fuel cost was also low, then in October 2010 after the world economies started to pick up after the recession of 2009, fuel and food commodity prices started to increase hence the rising inflation. This is compounded by the fact that in Kenya, 36% of the total household expenditure is on food.

v) Dr. Romano Kiome (PS Ministry of Agriculture)

1. The PS tabled a presentation on the causes of the shortage and high cost of maize and food commodities in the country. He explained that this year(2011), we had the lowest amount of grain stocks in the country in 30 years which was caused by among other reasons, the high demand of bio fuel in South America leading to competition with food.
2. That grain stocks were being used globally by the big multinationals for speculation purposes thus the shortage and high prices of the same.
3. That this was the first time in the history of the country that it was more expensive to import than to buy locally. That even with the zero rating of the commodity, imported maize would not be lower than Ksh.4,000 thus no respite to consumers in the short term.
4. He emphasized the need for the country to move from rainfall dependence, to irrigation agriculture stating that the Government had allocated Ksh. 10 billion for irrigation purposes for the year 2011/2012 in order to ensure the country is food secure.
5. That there was a possibility that maize had leaked to the regional market from Kenya as the Government team charged with tabulating the quantity of maize had established that in May, the National Stock had been 13 million bags of maize yet in June, there were allegations of very little maize stock.
6. That the Government had considered the need to increase supply of maize in the market through imports and had zero rated maize imports to allow private sector to import the same at an affordable rate.
7. That there was effort towards reviving KFA but that it was the duty of Treasury to consider waiving or writing off the debt owed by KFA to National Bank of Kenya.
8. On the issue of revival of the National Milling Corporation, the PS sated that the country has adequate milling capacity in private sector and that the Government did not want to compete with private sector in the milling business.
9. That the Government would continue to focus on subsidy of farm inputs but would try to avail the same promptly so as to reduce the cost of production.
10. That Extension services had been affected as there was no recruitment between 1999 and 2004 but from 2006, the Government had been recruiting 800 Extension Officers per year and now the number had risen to about 7000 officers. That further, a new National Agricultural Sector Extension Policy had been developed that would ensure extension services are effectively delivered.

vi) Dr. Mohamed Isahakia (PS, Office of the Prime Minster)

1. That the Kazi Kwa vijana program was not intended to provide permanent employment but to engage the youth in productive activities and also enable them earn some money to deal with the harsh economic times. That the program had been substituted with the much improved Kenya Youth Empowerment program which was being done in partnership between the government and the private sector.
2. That the Government could not provide employment to all the unemployed in Kenya thus the need to support private sector to create jobs for the youth which the Government had embarked on by investing in infrastructure development.
3. That the Prime Minister had established an Inter-ministerial Committee to look into the maize shortage and propose short term solutions and the Committee was scheduled to meet the following week and he extended an invitation to the Select Committee to join the meeting and help come up with solutions.

vii) Mr. Joseph Kinyua (PS, Treasury)

1. That the Government was committed to reviving Kenya Farmers Association (KFA) in order to reach as many farmers as possible with farm subsidies so as to reduce the cost of production.
2. That the Ministry was aware of possible interference with the Simba system by KRA staff and was seeking for permanent solutions to the issue in order to ensure continued efficiency at the port of Mombasa.
3. That the wage bill has increased but not necessarily because of the coalition government but because of improvement of the terms of service of civil servants to make them competitive. That the wage bill relative to GDP remained at between 7 to 8%.
4. That the proposal to reduce taxes on commodities like fuel were not the best incentive of bringing down the prices of the commodities as tax breaks only work in a system of strict price controls. That the government was focusing on putting in place safety nets rather than tax breaks to cushion poor Kenyans.
5. On the viability of running the KPRL, the PS stated that discussions were ongoing between the Ministry of Energy and the Strategic partner ESSAR to establish if it should restructure KPRL or convert it into a purchasing/merchant refinery only.

viii) Mr. Titus Ndambuki (PS, Ministry of State for Public Service)

1. On the huge sums spent on foreign delegations, the PS intimated that Parliament was contributing to the high expenditure on foreign travel as the Parliamentary Service Commission PSC) had in April, 2011 sent a circular to the PSs indicating an increase in the rates of foreign travel allowances for MPs which had led to Ministers demanding to be paid the same increased rate when on assignment abroad. He requested that the yet to be established Salaries and Remuneration Commission review these allowances with a view to harmonizing it for all public servants.
2. That the Public Service Commission was an Equal Opportunity Employer and did not discriminate against anyone including based on the age factor except the requirements of the Schemes of Service that one have worked for about three years in order to be promoted.
3. On whether the Government could offer internships/attachments to graduates to enable them gain job experience, the PS stated that there was an administrative arrangement within ministries for students in universities and colleges to undertake attachments in government but that there was no structured system for the same and the Government was now developing an Internship Policy which would structure the program.

ix) Mr. Samuel Mwale (Principle Administrative Secretary, Office of the President)
That the Government was now concentrating on establishment of industries and providing incentives to private sector to set up industries in order to create employment and also realize Vision 2030. This would begin with Value adding companies in the agricultural sector to energy industries for example coal exploration.

3.14 Pamoja Trust

The Chairman of Pamoja Trust explained that Pamoja Trust is a local Non Governmental Organization (NGO) whose main objective is to mobilize the urban poor (low income people) to be able to access basic services. They give capacity to these urban poor and enable them have decent shelter and access to clean water.

The Pamoja Trust has a federation of slum dwellers called Muungano wa Wanavijiji which was started in 1996 as a network of slums in Nairobi and Athi River. Muungano represents over 100,000 members spanning over 300 informal settlements across Kenya. The movement champions for acquisition of secure tenure for residents of informal settlements, while at the same time, agitating for provision of better services and amenities within the settlements. Muungano organizes its members through a process of daily savings which has so far enabled communities in Huruma to initiate house-upgrading schemes that has benefitted over 250 residents among other projects.

The Chairman stated that in view of the escalating cost of living, and given that the last few months have seen a dramatic increase in the cost of food items such as maize flour, vegetables and other commodities such as diesel and kerosene, the urban poor have been most affected, particularly by inflationary forces even as the income per household continues to drop.

The Group requested the Committee to consider visiting some of their projects in Kosovo and Huruma before its tenure ends. They finally proposed the following measures as a probable solution to the rising cost of living:

a) That the Government should mainstream urban agriculture as a viable option for food security. This will serve the purpose of supplementing diets and reducing the amount of money spent on buying food from the markets.
b) The Government should urgently review the Building Code to allow building of houses using low cost materials.
c) The Government should provide better services and amenities in the slum areas.

3.15 Kenya Institute for Public Policy Research and Analysis (KIPPRA)

The Committee met with top management of KIPPRA on 21st July 2011 with a view to getting their professional opinion of the mixture of issues that could be the major contributors to the rising cost of living.

The Director of KIPPRA focused his presentation on the disadvantages and challenges of introducing price controls in the economy by stating as follows:

a) That price controls are extremely difficult to enforce and would involve a lot of administrative costs by government hence turn out to be more expensive.
b) That regulators of most sectors do not always have perfect market information to know at which point to cap prices of commodities.
c) That the best thing for the economy and even the poor people would be to allow the market to determine the price of commodities and that the Government could cushion the poor by developing short term measures which are targeted to assist the poor like the meal voucher system but for accountability, the targeted population should be monitored.
d) That in the long term, the government should address issues affecting supplies constraints
e) In the energy sector, the Government should increase the capacity of National Oil Corporation of Kenya (NOCK) to enable it be able to stabilize the market and ensure that the performance contract of NOCK has a social aspect in it. This is because even the price capping of petroleum products has not helped bring down prices.
f) That price of commodities in Kenya is largely influenced by global prices which have been rising faster than the Per capita income of the Kenyans. The Government should therefore ensure that the per capita income increases to be able to be at par with rise in costs of the essential commodities.
g) For the high prices of sugar, maize and wheat, the explanation is that production is much lower than the demand and that the prices of these commodities have been increasing since the year 2007. The government has been bridging this demand gap by imports which lead to increased inflation.
h) That the market structure of essential goods like sugar and maize flour is also skewed in that afew companies control a large percentage of the market for example Mumias Sugar controls over 45% of the sugar supply in Kenya while maize flour market is controlled largely by three companies' hence increasing likelihood of cartels and price fixing.
i) That another reason for the high consumer prices is the high cost of production caused by use of outdated technology, inefficient practices and expensive inputs which the producers pass onto the consumer.
j) That Kenyans heavily rely on maize for food and yet maize production is heavily reliant on rain which has been erratic this year. Lack of storage facilities also leads to farmers selling their grains immediately after harvesting at lower prices.
k) Competition for land has seen a decrease in the size of arable land and farmers are increasingly subdividing their land for other purposes thus reducing productivity and reduced supply.
l) Other countries which Kenya competes with provide agricultural subsidies to their farmers thus reducing their cost of production hence the prices of their commodities is cheaper than that of Kenyan produce.
m) There is increased population hence increased consumption but there has not been increase in production.

Price controls

The Director of KIPPRA then turned his focus on price controls explaining that they have both merits and demerits but that the demerits outweigh the merits thus they strongly advised against the country reintroducing price controls. The merits and demerits are discussed below

Merits of Price Controls

a) They ensure political stability- For example there will be no food related riots
b) If properly implemented, they protect consumers from exploitation by monopolists.

Demerits

a) Price controls distort market forces of demand and supply.
b) It is a ground for corruption.
c) It brings about increased administration costs.
d) Price controls lead to producers leaving the controlled sectors thus reduction in supply.

An example was given of the mobile telephony sector where the government has not interfered in the sector with price controls and yet through market forces and competition, the calling charges went down to competitive levels.

Short-Term Policy Interventions

KIPPRA proposed the following as measures the government should develop and implement in the short term to cushion the most vulnerable sections of the population:

a) The Government should implement targeted social benefits e.g. meal vouchers and cash transfers.
b) The Government should provide emergency food aid in crisis situations.
c) The Government should reduce tariffs and other taxes on essential commodities.
d) The Government should use goods and consumer subsidies to increase supply.
e) The Government should implement the Competition Act and establish a strong and independent Competition Authority to eliminate cartels and ensure competition is sustained in the essential goods market. The occupiers of the office should be people of high integrity and recruited through a transparent and competitive process.
f) The Government should increase its buffer stock of essentials which can be used in times of shortage.

Long term measures:

a) The relevant ministries should take measures to increase production. For example develop measures to increase acreage under irrigation like Malawi has done in the maize sector and provide extension services to farmers.
b) Introduce measures to reduce production costs. These could include input subsidies and mechanization.
c) Invest in continuous research to develop superior seeds and ensure coherence in ministries to benefit from each other's work and to reduce wastage and duplication.

3.16 Electricity Producers

The Committee met with top management of the electricity companies from KENGEN, Geothermal Development Corporation (GDC), Kenya Power (KPLC) on 2nd August, 2011 in Committee room 7, Main Parliament Buildings. This was on the backdrop of an announcement by the Kenya Power that it would commence power rationing due to the low water quantity in the Masinga dam, the main source of hydro-electric power. The cost of power had also skyrocketed impacting on the cost of products and the committee wanted to establish the reasons for this.

The Managing Director of KENGEN made a presentation highlighting the following:
He gave a presentation which KENGEN had jointly prepared with Kenya Power highlighting the following:

i) That the total installed capacity of electricity in the country is very small at 1,611 MW only, compared to a country like South Africa with a capacity of 4,500 MW
ii) That 48% (781 MW) of Kenya's installed capacity is hydro generated power
iii) That Masinga is the single biggest reservoir for hydro energy generation but since 2007 when it was last full, the rains had not been good thus the need for the current power rationing
iv) That as at the month of August, 2011, the country had resorted to generating most of the electricity from Thermal power which was very expensive considering that fuel costs had also risen thus the high cost of power.
v) That another factor resulting in the high cost of power was the Forex cost complicated by the fall of the Kenya shilling against major currencies like the U.S dollar and the Japanese yen as the electricity generating companies had huge debts owed to Japan and America, a cost that eventually was passed to the consumer.
vi) That the highest contributor of the high cost of electricity per unit was the cost of fuel accounting for 46% of the cost per unit followed by the Energy cost accounting for 38% of the cost.

The Managing Director explained that the electricity companies were doing the following to reduce the cost of electricity both in the short term and long term:

i) That the country had in 2005 made deliberate efforts to expand geothermal power production as it was a cheaper source of electricity and Kenya had huge potential for the same. He however emphasized that the upfront costs of production of geothermal power are very high particularly cost of drilling but they were trying to reduce the drilling costs by using Kenyans who drilled at almost half the price charged by foreigners. He stated that the GDC had completed the first well in Menengai and that they were about to sign a contract for 200 MW at Olkaria.
ii) That the power companies would diversify their products since a huge percentage of the by product of power generation is water which is clean and can be utilized for other meaningful purposes like irrigation and livestock development.
iii) That Geothermal power production was a long term project and could not be used to reduce the cost of power at the moment.

The Members requested the power companies to explain the following:
i) What short term measures could be effected to ease the burden of the high cost of power o the common person
ii) What arrangements KPLC had with Independent Power Producers and whether this wa contributing to the high cost of electricity
iii) Why it takes so long for GDC to drill wells

iv) To list the names of the IPPs and explain whether they had any influence on government policies on energy

v) Whether Sondu Miriu and Turkwell projects contribute anything to the national grid and whether the two projects are economically viable

vi) Why GDC was duplicating the work of KENGEN in development of geothermal power and whether this was contributing to the high cost of electricity

vii) Who in the energy sector was benefiting from the carbon credits and whether they were passing the benefits of these credits to the Kenyans

viii) Why the people of Turkana who live around the Turkwell Gorge were not receiving electricity from the resource

ix) Whether there were any deliberate measures by the Government to invest in alternative sources of energy like wind and solar like developing and implementing policies which require that any new buildings have solar panels.

The Electric power stakeholders responded as follows:

i) That as a short term measure to cut down on the cost of electricity, the Government was optimizing on capacity of the power plants to get more MWs from each power plant and benefit from economies of scale.

ii) That some of the Independent Power Producers include Tsavo Power, IBEA Africa, Westmond Mombasa, Rabai Power some of which were thermal generators thus the high cost. However, the ERC controls the cost at which IPPs sell power to the Government thus preventing exploitation.

iii) That the Turkwel and Sondu Miriu projects were economically viable with Turkwell having two units that were established in 1991 each providing 53 MW but as at August, 2011, one unit was down as it was under maintenance, a process that takes two months. However that Sondu Miriu was designed to operate during the rainy season as it is a run of the river and not dammed.

iv) That KENGEN has a budget for irrigation this year in Turkana down the river Turkwel which would ensure food security in the area.

v) That the GDC was established in 2009 as an off shoot of KENGEN and focused purely on geothermal development which is a cheaper source of power but its benefits would be felt in the long run and it was not contributing to the high cost of power. That the GDC was complementing the work of KENGEN as it was now digging the wells to produce the steam while KENGEN puts up the power plants.

vi) That GDC's plan is to have 250 MW of electricity online each year upto the year 2030 thus increasing the installed capacity by 17000 MW more than the 15,000 MW envisaged in Vision 2030.

vii) That the power sector is a capital intensive sector and KENGEN is looking for private sector partnerships to do power plants under Public Private Partnerships (BOOT)

viii) The management of KPLC conceded that the quality of power it distributed was not the best as there were frequent interruptions and power outages but that it was putting in place measures to improve the quality.

3.17 Ministries of Medical Services and Public Health and Sanitation

The Committee met with the Ministries of Medical Services and Public Health and Sanitation on 10th August 2011 in the Parliament Buildings, Nairobi. The Committee had after attending public hearings in various parts of the country received information that health care in Kenya was expensive and beyond the reach of many Kenyans. The Committee therefore sought information regarding the following:

i) Why cost of accessing treatment in many government hospitals is high and beyond the reach of many Kenyans
ii) Availability of enough ambulances in key centres in the country for emergency transfer of patients
iii) Availability of adequate equipment in the government hospitals to reduce the burden of the cost of travel to the main referral hospitals by patients seeking medical care.
iv) Availability of qualified medical personnel in all parts of the country
v) The status and viability of the Social Health Insurance Fund Scheme as a mechanism of making medical care accessible to all Kenyans
vi) The reasons for the lack of essential medicines in government hospitals
vii) Why Reproductive Health issues especially Family Planning had been abandoned by the Government to the Development partners only
viii) Why the Ministry allowed medical personnel employed by the Government to establish and run private practice near the Government hospitals thus encouraging them to ignore the Government work and in some cases divert facilities from the government to their clinics and pharmacies.
ix) Why it had taken the Government very long to implement the National Social Insurance Scheme yet it looked like a solution to most of the problems in the health sector and what difference the new health scheme had with the Bill that had been introduced earlier by Hon. Charity Ngilu when she was Minister for Health.
x) What actions the Government was taking to improve governance at the NHIF as management of funds by the NHIF trustees was one of the fears Kenyans had with it managing a larger medical scheme.
xi) Why a number of insurance companies were opposed to development and implementation of the social health insurance scheme.

The Minister for Medical Services made a presentation prepared jointly with the Ministry of Public Health explaining as follows:

He explained that the health sector in Kenya is faced with numerous challenges which contributed to the high cost of medical care some of which are listed below:

a) Infant mortality

- That infant mortality in Kenya was still high in some areas and there were plans to ensure hospitals engage with and incorporate Traditional Birth Attendants in their facilities so that they use the hospital facilities during deliveries to enable doctors to assist during emergencies and hence reduce maternal mortalities.

b) Health Financing

- That the Ministry was underfunded by the Treasury as the Abuja declaration requires that a minimum of 15% of the national budget be channeled to the health sector as compared to the current state where only 7% was channeled to the health sector.

- That as a result of the underfunding, diagnostic facilities and equipment are not adequate in government hospitals resulting in diagnosis of illnesses being undertaken late hence increased cost of treatment.

- That though the Government had introduced cost sharing in its hospitals, the costs are still high due to in-hospital costs like laboratory, x-ray etc.

- That the Ministry had developed a Social Insurance Scheme which would have seen all Kenyans accessing medical care and was in the process of rolling it out through NHIF when COTU and FKE sought an injunction in court restraining the Ministry from implementing it.

c) **Remuneration of health workers and distribution in the country**

- That the salaries and wages of government medical personnel were not as competitive as that paid by the private sector hence lack of motivation to do government work and the brain drain by dissatisfied personnel to other countries like Botswana, the US and Europe.
- The low wages are largely due to the fact that the Permanent Salaries Review Board was insensitive to the needs of the medical personnel especially those who are transferred to work outside Nairobi and have their house allowances reduced by over Kshs. 10,000 yet some usually have undertaken some commitments.

d) **Infrastructure development**

- There are inadequate facilities in hospitals and even those that have been upgraded have not been equipped with the requisite facilities to go with it. This makes many Kenyans seeking treatment to travel long distances to the few hospitals in the country which are well equipped thus incurring more expenses.

e) **Negative impact of Non-Communicable diseases**

- The country had concentrated so much on HIV/Aids, Tuberculosis and malaria at the expense of the non-communicable diseases like cancer, diabetes and heart diseases which were now accounting for over 50% of the deaths in the country at the moment.
- That as at the month of July, 50% of the bed capacity in hospitals was occupied by patients with non-communicable diseases which take longer to heal and require much more resources to diagnose and treat. There was therefore need for massive investment in the non communicable diseases especially in diagnostic and treatment equipment and in preventive care.

Proposed Solutions

The following were proposed by the Minister as solutions the Ministries were working on to address some of the above issues:

a) That the Ministry of Medical Services had prepared a cabinet memo detailing urgent measures that are required to improve quality of health care and would soon table it in cabinet for adoption. These measures include improving the remuneration of medical personnel.
b) That the Ministries had proposed establishment of a National Ambulatory and Emergency Services which would be implemented in partnership with the Kenya Red Cross, a facility that would ensure every health facility in the country has access to an ambulance.
c) That the Ministry of Public Health had developed and rolled out on a pilot basis a Health Voucher system for the underprivileged beginning with Kilifi County.
d) That the Government was concentrating on capitalization of KEMSA to enhance efficiency in the supply of drugs.
e) That the Government had decided to employ non medics with management skills to head medical institutions beginning with Kenyatta National Hospital so as to allow doctors to concentrate on their core duties and it was proposing to work with institutions of higher learning to develop training programs for hospital management.

From the discussions that arose between the Committee and the Ministry officials, the following emerged:

a) That there was poor communication to the public by the Ministry on what measures the Government was undertaking to ease the burden of the high cost of medical care.
b) That there was need for close collaboration between MPs and the Ministries especially in the establishment of hospitals/medical facilities using Constituency Development Funds.
c) That the Parliamentary budget Committee had in the budget for 2011/2012 made some allocations to the Health sector for recruitment of medical personnel and for purchase of cancer machines and sunscreens for people with albinism.

The Minister for Medical Services concluded by stating the following:

a) Recommended that Social Health Insurance was the most viable solution to making medical care accessible to all Kenyans and the Committee should lobby for its introduction.
b) Parliament could demand that the budget of the health sector be doubled, a factor that could raise the budget to 12% which would aid in employment of additional medical personnel and in purchase of equipment and therefore assist the Government to meet the requirements of the Abuja declaration where 15% of the budget should be set aside for health services,
c) That since, Reproductive Health was now a Constitutional right, the Government would increase its investment in the systems and programs for Reproductive Health.
d) That there was need for comprehensive development plans as MPs develop hospitals using CDF so that the Ministry and the MPs can know in advance who will provide what services or facilities.
e) That the Government Medical facilities had stopped waiving fees for bodies that the owners could not pay mortuary fees and for the sick who could not afford hospital fees because the Treasury had stopped reimbursing the hospitals the money waived.
f) That an actuarial study undertaken by Alexander Forbes on the state of NHIF had indicated that the NHIF was the only insurer with the infrastructure to implement the social health insurance countrywide and that it had undertaken major reforms which had enabled it be the most efficient insurer in reimbursing service providers. That it would take a person to contribute only Kshs. 12,000 annually to NHIF to get comprehensive insurance as compared to a minimum of Ksh. 87,000 by private insurance companies hence viability of the scheme.

3.18 The United States Embassy Officials, in Nairobi

On 8th September 2011 in County Hall Parliament buildings, the Committee met a delegation from the US Embassy in Nairobi. The objective of the meeting was to establish how the United States Government had implemented the following issues which the Committee intended to recommend for Kenya in their report:

a) Strategic Oil Reserves
b) Social Welfare program for the poor
c) Disaster Risk management
d) How to deal with cartels that may exist in provision of essential commodities
e) Guaranteed Minimum Returns for farmers.

The Committee wanted to understand whether the United States of America had legislations effecting some of these proposals or if it was just by an Executive order or a matter of policy to establish if the same could be replicated here.

The Committee was interested in understanding the following issues from the officials from the US embassy:

a) How the USA deals with overlapping mandates across ministries or departments e.g. Ministry of Special Programmes, And Lands, Internal Security and Agriculture.
b) How the USA manages risks to reduce the number of casualties during disasters.
c) How the USA deals with cartels in the essential goods and major sectors of the economy and especially cartels, who are among the elite and linked to the political class.
d) How the US government has implemented Economic stimulus programs to spur the economy.
e) How the US government had established its strategic oil reserve and the manner in which it is managed
f) The manner in which the US government assists its farmers to ensure the country is food secure

Response by the US Embassy Officials

i) Strategic Oil Reserves

a) The strategic oil reserves in the USA was established in 1975 and anchored in the Energy Policy and Conservation Act (EPCA) with the aim of countering severe oil supply interruptions which arose after the 1973/4 fuel embargo.
b) That currently, the USA held the world's largest emergency supply of crude petroleum and fuel facilities in five different locations including in the Gulf of Mexico underground salt dams beneath the surface of the earth where petroleum is stored under careful conditions and the pressure of the earth makes it leak-free and the natural temperature gradient.
c) That these reserves provide a 34 day fuel supply to the US during emergency in case of severe disruptions of supply in the world market. The reserves are however not used to mitigate the fuel prices.
d) That the Kenya Government could deal with the challenges in the oil sector by reviewing the entire supply chain of petroleum products. It needs to do an analysis of the energy sector from the tendering for bulk imports to the price at pump in order to identify where

the constraints might be e.g. the single pipeline from Mombasa to Nairobi which is a constraint and limits capacity especially when it is closed for repairs and maintenance.

e) To study the entire supply chain to identify the vulnerabilities and places where the highest cost is being added to the fuel so as to address the same.

ii) Social Welfare Program to cater for the poor and most vulnerable

a) On social welfare program, the Ministry of Gender has signed an MOU with OXFAM and JICA that was working well. Government should identify vulnerable urban impoverished people who cannot manage to put a meal on the table and offer cash transfers which are more humane than food aid rations so that the families can decide how to budget for their needs as research had shown that the cash transfers are used for food and health care and hardly ever for luxury.

b) That the Government could also consider introducing a feeding program for lactating mothers and infants for nutritional supplements.

c) Government can also establish food stamps under income based mechanisms. These are in form of vouchers which can be presented in grocery stores and other shops in exchange for food

d) In Ethiopia there is a safety net program targeting 8 million vulnerable rural poor with monthly cash and food transfers. This is a multi NGO funded program.

iii) Disaster Risk Reduction

a) That in the USA, there exists a Federal Emergency Management Agency which deals with disaster management. Most of these deal with community farming, marginal agricultural regions, and livestock farming under Disaster Risk Reduction.

b) That the US Government has mitigation measures which are deemed safe options in case of disaster strikes. These include the use of Public Relations through the media to disseminate information and interact with the public on issues of emergencies and early warning signs of eventualities. That there disaster management revolves around Planning, Preparedness and Mitigation in case the disaster strikes which is basically what Disaster Risk Reduction is all about.

c) In order to avoid various Government departments replicating projects, the related departments should always work in liaison with each other in order to keep up to speed with each other's undertakings.

iv) Guaranteed Minimum Returns for farmers to incentivize production

a) The Government should develop an agriculture insurance policy which would be vital to take care of the Guaranteed Minimum Returns for farmers.

b) Additionally on GMR, the Government together with other donor agencies could partner with Kenya Agricultural Research Institute (KARI) to come up with drought resistant seeds, and seed multiplication of the various resistant varieties.

c) The Government must also put serious measures to curb against post harvest losses which are very high in Kenya. Storage facilities must be provided in accessible areas for farmers to store their produce and also markets be availed to ensure farmers gain from their activities

d) Government of US offers its farmers subsidies and provides them with education and training on modern farming techniques and market prices in order for them to be well informed of their trade. It is therefore essential for the Kenyan Government to offer its farmers extension services.

e) With the EA integration and good regional planning, cereal crops should be able to move freely across the region. Liberalization should be able to benefit all stakeholders instead of exploiting local producers.

f) That Land sub division poses a big challenge to farming in Kenya unlike in the USA where farming is done on large scale and hence it is more profitable. Land policy should be put in place to ensure protection of mechanized and sustainable farming in Kenya.

v) Dealing with Cartels and Monopoly

a) That the issues of monopolies and oligarchies can be traced to the kind of regulation in terms of policies and laws that are in place to govern the same. In a capitalist state, there are mechanisms to bring equity in markets. The more the producers and service providers, the better for the consumer for example the mobile telephone industry transactions whose costs have gone down drastically with the entry of many players to the market. The US particularly discourages monopolies in the economy in a bid to protect the consumer.

b) They named OPEC as an example of cartels in the USA, considering that OPEC has few players who control the big oil business. However, today the USA is focused on diversifying to alternative sources of fuel to avoid over reliance on fossil fuel.

c) The US Embassy officials concluded by stating that the USA Government uses the value chain approach right from production to consumption to curtail cartels and monopolies considering that it is able to make every part efficient and effective cartels and high costs will be rid out. The Leader of the delegation, Mr. Whitaker promised to forward to the Committee a copy of their Energy Policy and Conservation Act (EPCA) to enable the Kenyans to borrow best practice from it.

3.19 The Management of Sugar Companies in Western Kenya

The Committee on Cost of Living toured the sugar companies in the former Western and Nyanza provinces respectively. The visit came on the back drop of increase in prices of sugar almost three fold and the shortage of the commodity in the market. The Committee wanted to establish the reasons for the biting shortage of the commodity in the market, the high costs of the same, the distribution network of the commodity and the price at which the millers were selling the product to the distributors and marketers who purchased the same. The Committee held meetings with Sony Sugar Company, Muhoroni Sugar Company, Mumias Sugar Company and Nzoia Sugar Company Limited in order to undertake a comparative study of the four companies.

3.19.1 Sony Sugar Company Limited

The Committee met the management of Sony Sugar Company On Friday 9th September 2011 at 12 noon. The Committee was told the following by the management of the company:

a) That Annual demand for sugar in Kenya is 800,000 tons but the total production is 570,000 tons, creating a deficit of 230,000 tons thus Kenya is a net importer of sugar.

a) That the Company had been making losses over the years. The cumulative loss for 2010/2011 was Ksh.816.8 million which was a reduction from previous years and this is likely to go down even further as management were focused on turning the company round to profitability.

b) Turnover has also grown steadily; in 2010/2011 it was Ksh.6 million and 2011/2012 could be at Ksh.8 million.
c) The Company crushes 2000 tons of cane per day. 85% cane comes from farmer's land and 15% comes from Sony's nucleus estates.
d) Cane hectares under nucleus estates is 2,080.99 and under out growers is 14,482.79 adding up to a total to a total of 16,564.
e) That the company was selling sugar to distributors at Ksh.6,500 for a 50kg bag which roughly translated to Ksh.130 for a kilogram and yet the same was being sold by supermarket chains at Ksh.210 –215 per kg. This is despite the fact that Sony delivers sugar to its wholesale distributors' warehouses which costs like Ksh.2 per kilo so there are no transport costs for buyers.
f) Wholesalers cannot justify the huge price hikes of sugar.
g) That 63% of cane price is used to pay farmers.
h) SONY supplies directly to schools and learning institutions as a way of cusshioning them from the inflated market prices.

Challenges

a) The factory machinery is old and milling technology used is also old and inefficient but plans are underway to upgrade using optimization to increase crushing capacity to 3000tons.
b) Competition with other licensed millers for raw material that Sony Sugar has developed even by millers from Nyando and Western.
c) The Sugar Act is flawed and archaic and does not serve to protect or even benefit the farmer.
d) Farmers have no access to credit and unless the Government promotes 80% of production for farmers (company financing), there would be no hope for sustainable cane production. Currently from offering these services Sony holds Ksh.500,000 in loans to farmers.
e) There is cane shortage in the western belt and this situation is moving to the Nyanza Belt. This has been caused by licensing of a number of sugar companies like Kibos in the Nyando belt and Butali in Malava without the companies having developed sufficient cane to mill. Sony Sugar Company for example, has sufficient cane for milling but this could only be in the short run as about three companies have been licensed in the region which have not developed their cane namely Trans Mara, Ndhiwa and Sukari
f) The issue of zoning is also a big challenge because Millers' raw material is not protected by the Act.
g) COMESA region is also experiencing sugar shortages.
h) Land subdivision has affected cane farming in the region as people were dividing their lands for settlement purposes affecting productivity of their farms.
i) That Sony supplies only 20% of the Kenyan market with sugar while Mumias Sugar serves 50% of the market thus, the shortage could be attributed to the closure of Mumias Sugar Company for maintenance. It is therefore paramount for the Kenya Sugar Board (KSB) to ensure Mumias Sugar Company has enough cane at all times

j) KSB has not done its job of securing the borders to monitor what comes in and what goes out to curb illegal imports and exports. As a result, sugar illegally comes into the Country and leaves the Country through our porous borders.

Proposed solutions

The management of Sony Sugar Company Limited proposed that the Committee takes up the following to ensure the stability of the sugar industry in Kenya:

a) KSB must ensure they give licenses to millers who have developed enough sugarcane to mill only.
b) There is need to review the Sugar Act and especially the role of the KSB to ensure they play their proper regulatory role and restore stability in the sector.
c) KSB needs to look at the value chain of sugar production and identify gaps and put mitigation measures.

3.19.2 Muhoroni Sugar Company

a) The Committee toured Muhoroni Sugar Company on Friday 9th September, and held a meeting with its management on the Board room from 4.00 pm. The Committee heard the following regarding the issues it had raised which are listed above:
b) That Muhoroni Sugar Company was incorporated in 1964 and started operations in 1966.
c) The Company was put under receivership in the year 2000 after a debt owed to NBK.
d) The Company covers around 10,000 farmers and four districts, Nyando, Nandi South, Kericho and Kisumu.
e) The current management is the 2nd group of receiver managers who came into office in 2005.
f) The ratio of tones of cane milled to tons of sugar produced is high because of operational inefficiencies and poor sugar varieties hence the high cost of the sugar.
g) From April to August, the factory had been operating losses and was operating at 20% capacity then.
h) That Muhoroni only had a market share of 6.8% of the country

Distribution

The following are some of the distributors who buy sugar from Muhoroni and all of them usually come for the sugar themselves from the factory saving the company of transportation costs: Nakumatt, Uchumi, Naivas, Yatin, Ukwala, Gilanis, Eldo supermarket, Shivling, BN kotecha, Pramukh and Kipchimchim enterprises among others.

Why the current shortage?

a) Shortage of cane
b) Commissioning new sugar mills in Western Kenya (Butali) and Nyando Sugar Belt (Kibos) without adequate cane development
c) Absence of legislation on zoning thus allowing new millers to poach cane

d) As a result, the factory is receiving about 400 tons of cane only in a day yet it has a capacity to process 2,000 tons a day making it to work about two to 3 days a week only.
e) Unethical competition from certain companies which increase cane prices to non-viable levels yet they do not have any major investments like cane development. Some companies had increased the price paid per ton from 2,850 shillings in July, 2010 to 4,000 in August, 2011 without any fundamentals informing the increase.
f) That new companies are shying away from development of cane because it costs about 140,000 to develop an hectare of cane which is an expensive
g) The companies are now harvesting and crushing cane before its maturity e.g. upto 13 months old cane thus harvesting more cane to crush the same sucrose content
h) The company supports the farmers with inputs to grow cane but the farmers sell the cane to other companies hence losses to the government.
i) That the Company had decided to be accumulating cane and only milling for two days in a week hence resorting to laying off casual workers because of reduced workload since April 2011 and contributing to unemployment in the area.
j) That the Company had applied for a loan from the KSB for development of cane in the Miwani zone after collapse of Miwani Sugar Company.
k) That the main contributor to the high price of sugar was the cane shortage in the country coupled with closure of companies for annual maintenance especially closure of Mumias Sugar company which had the largest share of the market.
l) That the company further had inefficient and aging equipment thus contributing to the high cost of production
m) That Kibos Sugar Company was established in 2007 and developed a weighbridge in the Muhoroni zone in 2008 against which Muhoroni protested. It was given a license for milling 500-800 tons a day but were now milling up to 1500 tons a day yet it does not have cane.

The management of Muhoroni proposed the following as some recommendations that the Committee could take up:

a) Mandatory closure of all the mills in the Nyando zone for three months to allow cane to grow and mature. During this period, the mills and KSB should device and implement comprehensive cane development plans and KSB through the Sugar Development Levy should cover the costs of maintaining the closed factory
b) Zoning so that whoever is interested in crushing cane develops the cane himself
c) Introduction of suitable cane varieties in the Nyando belt by Kenya Sugar Research Foundation (KESREF)
d) Review the draft Sugar regulations and gazette them to enforce zoning and licensing of new factories.
e) Accelerate privatization of Government owned sugar mills in order to get new capital and technology to support capacity expansion, modernization and diversification
f) Promote and provide for irrigation in the Nyando sugar belt.
g) The condition for a license must be enforced strictly so that before a license is issued, the companies should have a comprehensive program of cane development.

The Committee Members sought clarifications on the following:

i) What other cost cutting measures if any, the Company had put in place?

ii) Whether or not they had knowledge of existence of cartels in the sugar sector and if so who these cartels were and whether this was a cyclical problem coming only before elections.

Response by Management of Muhoroni

i) That indeed, there were sugar shortages in 2007 which resulted in the government fixing price of sugar sold by government millers.
ii) That there were some forward purchases where if companies have a feeling that sugar price will decrease, it negotiates with a distributor to sell to it sugar which it intends to produce for a while.
iii) That the endgame of the few millers setting up plants without cane development is to ensure that the companies collapse and they purchase them cheaply after which farmers will be held at ransom as they will not have a place/factory to deliver their cane and thus cane price will be at a very low price.

3.19.3 Mumias Sugar Company

On Saturday, 10th September 2011, the Committee held a meeting with the management of Mumias Sugar Company in the Company's Board Room. The Committee was informed as follows:

i) That the factory has a capacity of 79,000 metric tons and can crash 8,700 tons per day, the factory has a Product capacity of 300 tons per day and its ideal acreage would be 67,000 hectares.
ii) That sugar imports have gradually increased over the years.
iii) That this year, due to high international prices, there had been a shortage of 140,000 tons of the expected imports.
iv) There had also been a shortage of sugar worldwide of up to 7million tons because most of the cane was converted into ethanol due to the high fuel costs triggered by the Middle Eastern unrest which caused imports deficit.
v) That Kenya Sugar Board has been licensing Sugar Millers who do not have enough or have not developed any cane of their own.
vi) Harvesting of younger cane also contributes to the shortage as there is less recovery during processing (less sucrose content from younger cane)
vii) That the Company lost 10,000 hectares to maize farming and other purposes which were more lucrative and fetching more money for the farmers.
viii) Land sub divisions in Kenya continue to rob industries of land that can be used for mechanized farming. There is a policy, the world over on land for cash crops where large trucks of land are set aside for cash crop farming and this allows for economies of scale which should be implemented in Kenya.
ix) There is need for repeal of the Sugar Act and also for substantive consultative meeting with all the industry stakeholders to map out new legislation to govern the sugar industry.
x) KSB should be managed by professionals with expertise. The current board needs to be reconstituted and replaced as many lack expertise in sugar matters.
xi) Zoning should be done on all the sugar plantations and regions and should be identified by the size of plantations.

xii) Privatization of state owned corporations could help cut out and manage the issue of cartels.

xiii) There is need for establishment of light railway throughout the sugar plantations to cut out the high cost of transportation of cane.

xiv) That the Company had diversified its products and previously, it used to process 100,000 metric tons of molasses and sell to organizations but it had now developed their own plant.

xv) A feasibility study conducted showed that the soils are too acidic hence low productivity. To reverse this, the Company had embarked on a grand project of about 3 billion to purchase dairy cattle for farmers whose manure could be used in the farms to reduce acidity and at the same time dairy farming to substitute farmer's income.

xvi) That the Company has 245 total customers and 30 of them account for 90% of the turnover. The price at which Mumias was selling sugar to distributors was Ksh 6,250 for a 50kg bag amounting to Ksh. 125 per kilogram.

xvii) That Mumias Sugar Company had embarked on a program of selling sugar to farmers in the zone directly at Ksh. 120 per kilogram thus cushioning them against exploitation by retailers.

3.19.4 Nzoia Sugar Company

On 10th September 2011 in the afteroon, the Committee met the management of Nzoia Sugar Co. Ltd in Nzoia Sugar Board Room. The Committee heard the following from the management:

i) That the company was closed for annual maintenance during which the company sought to invest Ksh.800 million to improve its efficiency.

ii) That the Company was highly liquid and had paid all its farmers except its outstanding debt to Kenya Sugar Board which they were now repaying.

iii) The Company has an Installed capacity of 3,000 tons per day however it has not been able to operate at optimal level because of inefficiencies only managing 2,700 tons a day.

iv) The company produces an average of 600,000 tons of cane a year and 65,000 tons of sugar a year and has a Nucleus of 20% and Out-grower base of 80% and further that mature cane when it re-opens (end of October), will be approximately 180,000 tones.

The Committee heard that the Challenges facing the sector are;

- Failure by regulator to control the sector.
- Lack of zoning in the sugar belts.
- Licensing of new sugar companies in an arbitrary manner. A feasibility study was not done to establish the adequacy of raw materials. This has led to poaching of cane by the new companies leading to unhealthy competition in the sector.
- The Cost of production is high because inputs which are imported are expensive thus high import costs which has been exacerbated by the falling value of the Kenya shilling leading to huge forex losses.
- Non-availability of sugar within the COMESA region and deficit of the commodity in the main world sugar producers like India and Brazil
- Aging machinery and equipment. The company wishes to rehabilitate the milling machines which started its operations in 1978 but have deteriorated due to age.

- The Committee further heard that in January 2011there was enough sugar in the market because of competition for raw materials as sugar was retailing at Kshs. 3,500 per bag but by September 2011sugar prices had risen to Kshs. 6,000 and some companies sold Sugar at Ksh.8, 500 for a 50kg bag

The Committee established that;

- The Company has a section on Out-grower institutions that are supposed to support farmers in growing of cane and cane development.-The out-grower institutions are operating like trade unions and are collecting fees
- The weighing of cane at farm gates is not viable especially with small scale farmers.
- The Act provides for a 40 km radius on zoning between one factory and another factory but this has been interpreted to mean the maximum distance, thus the minimum is not defined allowing companies to sprout.
- A condition of licensing that a miller must have adequate cane before it is licensed is not being followed to the latter resulting into the lack of adequate raw material. Some millers obtain milling licenses through fraud by pretending they require to mill 500 tons a day but end up milling over 1,500 tons a day like Kibos Sugar factory.
- Some millers are encouraging farmers to use organic fertilizer like manure and filter mart in place of inorganic fertilizer.
- There is no pre-buying of sugar from the factory by suppliers and the company only sells what it produces.

It was recommended that;

- If the government is to get value for money from the factories it intends to privatize, then action should be taken to protect the catchment areas – where cane is produced and privatization of the Company be expedited.

4.0 FINDINGS FROM PUBLIC HEARINGS

The Committee held a total 20 public hearings around the Country and made varied discoveries and findings that are contributing to the high cost of living. Below is a summary of the findings from each of the places the Committee visited.

4.0.1 Kibera Public Hearing

The Committee held the first public hearing in Kibera AIC Church on 25th May 2011. A total of 34 people who comprised of slum dwellers, Jua kali artisans, small scale traders, unemployed youths, retirees, food vendors, representatives from Non Governmental Organizations, and employees who work in the industries situated in the Nairobi Industrial area gave their views on what they felt was the cause of the rising inflation and high cost of living. The Committee encouraged the participants to offer recommendations as they advanced the problems.

The committee heard that:

i. Salaries and wages of a majority of the slum dwellers was very low (up-to less than a dollar per day) which was not commensurate with their productivity.
ii. The cost of education is still high despite free primary and secondary education and parents were not able afford to take their children to school resulting in high school dropouts in Kibera and hence to the cycle of poverty.
iii. The cost of health is high and not accessible to a majority of the slum dwellers including in government hospitals like Kenyatta National Hospital.
iv. The prices of basic commodities especially food and kerosene have continued to skyrocket coupled with the high unemployment rate among the youth.
v. The large cabinet was contributing to the high cost of living and the salaries paid to Members of Parliament(MPs) were very high and further that a lot of government revenues is used by MPs and cabinet ministers in unnecessary foreign travel.
vi. A tight criteria is used for qualification of both the youth and, women and disabled persons to access the Youth Enterprise Fund, Women Funds and other funds set aside to support them resulting to most of the needy people failing to secure the funds. And further that Kazi Kwa Vijana programme is not beneficial to the youth as a majority of them are never paid.
vii. The Country lacks a comprehensive food security policy.
viii. Corruption and nepotism is rife in organizations especially on employment hence so many qualified youths are jobless.
ix. Public procurement is favoring the rich as purchasing of tender documents is expensive and the fees is normally non-refundable this is meant to be a detractor to would be tenderers'.
x. Transport costs and electricity cost is high thus discouraging youth and women from doing business and consistent price fluctuations of commodities and the lack of market for locally made products are the factors discouraging young people from venturing into business.
xi. That most industries in the Nairobi industrial area *(mostly owned by Indians)* where most of the Kibera people worked as casuals exploited them and they had no means of recourse. For example, some companies were not providing the workers with protective clothing exposing them to substances that were injurious to health. That many people had as a result suffered strange diseases and some even died in the industries but no action was

taken by the Government or COTU that represents the workers even when the relevant bodies are notified.

From the discussions, the following suggestions were proposed by the public; that

i. The Government should establish polytechnics in urban slum areas to train school drop outs on vocational skills
ii. The Government should introduce social safety nets to cushion the poor from the high cost of living by removing taxes on kerosene
iii. The Government should develop dams in dry areas and use the water for irrigation so as to ensure food security
iv. The Government should subsidize farmers with seeds and fertilizers to ensure farmers produce enough for the entire country
v. The cabinet should be trimmed to 24 ministries to reduce cost of running government and the salaries of MPs should be reduced by at least 50% and they should pay taxes on their salaries and allowances to help the exchequer deal with the high level of inflation. Further that parliament should minimize and reduce foreign travel by MPs and cabinet ministers.
vi. Government should establish oil reserves to cushion the consumers and reduce the prices of basic Commodities like flour and sugar by half or facilitate traders to sell the commodities at a subsidized price to the urban poor.
vii. Relax conditions on Women and Youth Funds to enable the targeted groups to benefit from the funds
viii. Review the Procurement laws to enable the poor to participate in tenders below a certain amount
ix. Introduction of a subsidized public transport system to reduce cost of transportation.
x. Introduction of price controls on basic commodities to cushion the poor against the rising cost of living.
xi. There is need to review the country's entire regime of Labour laws in order to protect the low cadre employees especially casuals from exploitation by employers.

4.0.2 Eldoret Public Hearing

The Committee held a public hearing in Eldoret on Friday, 27th May, 2011 at the Municipal Council Hall from 12 noon. The Committee was targeting grain farmers in order to understand why the cost of maize and maize flour had gone so high. The Committee sought to know the following from the people of Eldoret.

j) Whether the farmers had enough maize which they could be hoarding to create artificial shortages
k) At what price the farmers were selling their maize
l) Availability of farm inputs in time for farming and whether the government was doing enough for the farmers in this area
m) Whether the farmers had incentives to grow maize
n) The implications of the high cost of living on other sectors other than farming
o) The challenges the people were facing in their daily life activities
p) The probable measures the government can take to reduce the burden of the high cost of living on the people

The participants raised the following issues as among those affecting them which the Committee should bring to the attention of Government:

a) Existence of cartels in the grain sector which were contributing to the shortage of fertilizer and seeds during planting time and even at the NCPB where some farmers could not sell their maize to the NCPB on grounds of high moisture
b) Lack of maize. The farmers insisted that they do not have any extra maize in Eldoret which could be sold on a commercial basis as whatever they had was for domestic consumption.
c) Inefficiencies at the Kenya Seed Company Limited which led to unavailability of seeds during planting season and the supplied seeds being those of low quality and a breed farmers were not used to thus farmers shunned them
d) Inefficiencies and probable corruption at the NCPB in the supply of fertilizer where farmers could not access the subsidized fertilizer in time even after paying for it
e) Poor planning by the Ministry of Agriculture and its parastatals such that the Ministry could not project how much maize is required in a year and what quantity should be produced locally so as to make certain key policy decisions like how much seeds should be produced and how much should be given to NCPB to purchase maize from farmers during harvest.
f) Lack of Extension services leading to farmers learning from experience
g) Lack of support after harvest time so that farmers ended up selling their maize very cheaply and later on buying it for consumption at a very high price
h) Discouragement from storing maize at NCPB stores by the Warehouse receipting System thus increasing post harvest losses
i) The cost of maize in Eldoret was so high and was now retailing at Ksh. 105 for the two kilogram tin thus beyond the reach of many Kenyans
j) The cost of transportation was so high yet NCPB demanded that farmers transport their produce to its depot
k) Members of Parliament are not paying taxes on their salaries
l) Poor political leadership contributing to the high cost of living

The following were proposed as some of the measures that should be implemented to ease this burden:

a) Sufficiently fund the NCPB to be able to supply all the farmers with subsidized fertilizer before the planting season and with enough money to buy excess maize from farmers at harvest time to cushion the farmers from losses that may arise.
b) Review the Warehouse Receipting System introduced by the NCPB as it was not beneficial to the small scale farmer
c) Introduce NCPB buying centers as was the case before to save the farmers the high transportation costs
d) Establish dams in Uasin Gishu County and the other grain growing areas to avoid reliance on irrigation agriculture
e) The Kenya Seed company should plan properly so as to have sufficient seeds of a good quality for the whole country
f) The Government should develop a Guaranteed Minimum Return scheme to ensure that farmers are certain on the amount of money they will get from their produce
g) The Government should introduce Extension services to educate and sensitize farmers on appropriate agricultural practices to maximize productivity of land

h) The NCPB should assist farmers after harvest by availing their drying bays for farmers to dry their produce at a subsidized cost
i) The Government should give some autonomy to the NCPB to determine the prices it sets for grains so as to ensure that it effectively competes with commercial traders so as to protect the farmers from exploitation
j) The Government should support reviving of the Kenya Farmers Association as it played a great role in the business of farming.
k) The Government should cancel the loans owed by the farmers who lost their crops during post election violence to the Agricultural Finance Corporation (AFC).

4.0.3 Kitale Public Hearing

On 28th May 2011 the Committee held a public hearing in Kitale Municipal Hall where it had an opportunity to interact with farmers from the North Rift and western regions. A total of approximately 200 farmers attended the hearing.

The committee heard the following:

a) The number of disabled people in the town had increased due to high cost of living. What were the policies to protect the disabled people against hardships;
b) The Government extension officers are not working and are not carrying out their mandate of advising farmers.
c) Farmers planted earlier in the season with a promise of purchasing fertilizer from the National Cereals and Produce Board (NCPD) however upon reaching the critical stage the Board failed to provide the fertilizer to farmers despite them having paid for the fertilizer.
d) NCPB no longer has buying centers and yet small scale farmers cannot afford to transport maize to the NCPB Stores.
e) There are cartels from the ministry of agriculture and NCPB who are colluding with middlemen to buy maize from farmers at lower prices then selling to the NCPB; the NCPB has introduced very strict conditions for buying maize from small scale farmers and yet the conditions are less tight to middlemen on the same maize. Further that Asians are exploiting the common people; For instance, P.H. Turner Ltd a trader in Kitale buys fertilizer from the NCPB, re-packages it and sells to farmers expensively; MEA Ltd is also doing the same thing;
f) People have land but cannot qualify for loans because they do not have title deeds
g) Paraffin is very expensive yet it is the most commonly used source of fuel
h) Insecurity is rampant due to poverty, causing rise in crime and expansion of slum dwellers
i) Equity bank is practicing discrimination when disbursing loans to small farmers by favoring one Community
j) Leaders are using planes and helicopters when travelling around the country while people are starving
k) Fertilizer and other farm inputs are expensive and not easily available to farmers
l) Ministry of Special Programmes is rampant with corruption and files of post election violence victims have disappeared to ensure affected people don't get justice
m) Poor leadership and corruption at Kitale County Council in the tendering system which never benefits the locals
n) Poor road network because of lack of accountability from people commissioned to develop infrastructure in the area
o) Lack of a land policy and sub division of land is affecting food production

The plenary discussions resulted in suggestions that,

a) That the Government should be able to regulate the price of essential commodities.
b) Banks should treat all people equal and afford them loan services against their farm produce
c) There is need to establish a Factory to manufacture Fertilizers and manure locally to reduce cost of production
d) There needs to be communication and inclusion of stakeholders in government decisions especially farmers
e) Re-introduce buying centres for NCPB to collect harvests from farmers at the farms
f) NCPB should offer post harvest services to farmers even at a cost e.g. drying of grain.
g) Government should intervene to protect farmers from cartels in the industry including sugar industry.
h) The land policy should be implemented.

4.0.4 Kisumu Public Hearing

The Committee held a public hearing in Kisumu at the Municipal Hall on 30th May 2011 where a number of Kisumu residents comprising of traders, farmers, fishermen and the unemployed youth from the participants gave their views on what they felt was the cause of the rising inflation and high cost of living. The Committee encouraged the participants to offer recommendations as they advanced the problems and the following was discussed:

The committee heard that:

a) The cost of transport and essential commodities are high and coupled with the high poverty rate, this has caused high rates of divorce, suicide, prostitution and school drop outs cases.
b) The Government should consider reducing prices of essential food commodities (subsidize essential food) during the hard times to help the common man.
c) The problem of hyacinth has denied the locals in Kisumu a source of living for a long time since it has made fishing which is the main economic activity impossible.
d) That cotton production was destroyed in Nyanza to deny the locals from having a cash crop.
e) Members of Parliament should consider reducing their salaries or allow all their incomes to be paid.
f) Minimum wage for workers is too low and the ministry of labour has failed to intervene
g) The famine has aggravated the situation of the HIV infected people to the extent that they do not take ARVs as they cannot afford good food to accompany the drugs.
h) Taxes are generally very high and that small scale traders feel exploited by this.

Upon deliberations the following recommendations were proposed:

a) That Government should provide farmers with seeds and other farm inputs to make them self sufficient and encourage farming.
b) That Government should re-introduce extension officers to educate farmers on farming methods to increase output.
c) That government should be able to prioritize needs of the people e.g. instead of giving mosquito nets, people should be given food.
d) That Government should address the issue of IDPs in Kisumu and resettle them like they are doing everywhere else in Kenya.
e) That National Milling Corporation should be revived to ensure affordable flour products are available to the common persons. This will protect consumers from exploitation by private millers

f) That government should put in place alternative measures like irrigation as there is no consistent rainfall in the country
g) That Government funds should be made available to the locals without such stringent measures.
h) That government should build infrastructure especially access roads to enable food reach arid areas.

4.0.5 Ahero Public Hearing

The committee held a public hearing in Ahero Trading Center on 30th May 2011 and met with rice farmers, maize farmers, small scale traders, unemployed youth and the general public The Committee had targeted rice farmers to establish the status of rice production and the cost of the same. The committee heard that;

a) Prices of the basic commodities are caused by poor government policies.
b) The issue of food needs very serious attention to avoid total collapse of food system in a month's time.
c) The essential medicine in government hospital is perpetually inadequate thus private hospitals are exploiting the poor Kenyans.
d) National Irrigation Boards charging farmers Kshs. 3,500/- acre and rice sold to government at low prices. Water needs to be pumped to Siany Board to expand rice production since the area has capacity.
e) The shortage of agricultural inputs such as seeds is a major contributor of maize shortage. Cereal seeds (maize and rice) should have their prices regulated. Therefore, the Government should put up seed shops in all strategic parts of the country to make seed inputs available to farmers.
f) The government should come up with a proper irrigation field policy so that the rice fields should be used to plant other crops ahead of the next rice planting season . This will avoid the lands lying idle
g) The proposed sugar industry privatization of Muhoroni and Chemelil sugar factories is taking too long and prices keep on varying. Government should move with speed to privatize and keep prices standard.
h) Land subdivision leading to poor agricultural practices and low yields due to inability to mechanize.
i) Generators should be given to farmers to be able to pump water for irrigation so as to grow vegetables, tomatoes, and other crops such as maize to evade the perpetual crop failure due to drought.
j) The government should investigate, by use of experts, prices and implement regulation of prices and possibly form price control Regulation Commission.
k) The government should shield the aged people from the rising cost of living by giving them food and welfare upkeep
l) The government should consider removing tuition money for school going children to help the poor Kenyan retain their children in school. In addition, school feeding programme should be started to help children in school, to avoid mass drop outs.
m) The government should give subsidies to rice farmers and help support them to purchase farm inputs
n) The Government should put up a warehouse to store rice when there is a bumper harvest to curb losses to farmers.

o) CDF bursary is abused. The monies should better be channeled through schools who know the needy students.
p) Government should train women and youth on the best ways to use Women and Youth Fund to avoid misuse
q) There is a problem of lack of markets for rice during harvesting the season. Government should ensure that farmers get adequate market to avoid such losses.
r) Many farmers do not have title deeds. Lack of title deeds is hindering farmers from taking bank loans using their land as security. Title deeds should be issued immediately
s) Lack of coordination in government thus causing confusion to the public on issues e.g. food and oil prices.

4.0.6 Nyeri public hearing

On 24th June 2011, the committee held a public hearing in Nyeri at the Provincial Headquarters and a total of 250 people who comprised of business traders, coffee and tea farmers, youths, retirees, civil servants and others attended the meeting. The meeting coincided with the budget hearings that the Parliamentary Budget Committee was undertaking in compliance with Article 221 of the Constitution of Kenya, 2010

The Committee heard the following;

a) That according to the Maputo declaration, the Government should ensure that at least 15% of its National budget goes to support agricultural services. This should be done to avoid dependence on food imports.
b) That there was no dialysis equipment in the county hospitals yet machines only cost 3-4million. Hospitals were not well equipped so sick people have to travel far to seek medical attention. That in addition, health care was expensive and government should reduce costs in government hospitals.
c) That the cost of flour had risen so high and was trading at Ksh.150 which was unprecedented.
d) That fuel prices especially that of diesel had also gone up yet there was no provision of input subsidy for farmers.
e) The government should increase budget allocation to agriculture and especially focus on irrigation schemes and dams as there was need to irrigate the region.
f) Corruption was rampant as suppliers of services fleece the Government as they charge too high. For example, construction of 1km of road costs 80million instead of 26million as in other countries.
g) There was no clear move by Government to move to green energy e.g. solar, wind and lowering fossil fuel consumption.
h) That zero rating grains did not assist the poor, it only helped the cartels because it did not help protect the local farmer from cheap imports.
i) That there were cartels in the sugar industry which were fueling the high cost of sugar
j) That high cost of inputs results in high output costs. Rwanda for example zero rated cost of tractors, yet in Kenya there has been no lowering of input costs.
k) On shareholding of cooperative societies, farmers were not the big shareholders, so the farmers have no say in the decisions of these cooperatives, e.g. KPCU, KCC, Cooperative Bank etc
l) There was often late release of funds to ministries by the Treasury such that ministries end up returning the money because it is dispatched late

m) There was no allocation to youth projects such as sports. Sports stadiums which can be used by youth in sports are in dilapidated condition. The youth have not been engaged enough and trainers have no people to train in sports.

n) The Government should establish coffee processing plants in Nyeri county so that farmers can stop taking their coffee far to get market.

o) Land has been sub divided too much and arable land converted for real estate development instead of farming on large scale farms.

p) Illicit alcohol in central region has affected the young people so much that in a few years to come, most young men in the region will have died of the illicit brew.

q) Marketing of tourism for the area has not been done. Promotion is only done centrally in Nairobi.

r) That the Economic Stimulus Package should not be shared equally because some constituencies have more people, allocation should be done according to the population.

s) That there were a lot of informal settlements that have come up especially after the Post Election Violence (PEV) and funds should be set aside for slum improvement.

t) Industries should be built in the area for example packaging industries, for production of bottled water and other things that can be produced in the area in order to create employment opportunities for the youth.

u) That transport costs are very high and the Government should put a price cap on public transport fares.

v) The low cost maize from NCPB is no longer there. This maize should be brought back and sold widely now that there is a shortage. Government must build National Grain Reserves to feed the country when there are shortages.

w) The Government policy to increase the retirement age of civil servants has increased the lack of employment of the youth. The age should be reduced to 55 as was the case before and then pension be paid for the vulnerable and aged.

x) There was a street children menace in the area. They should be removed from the towns and rehabilitated.

The following were proposed as some solutions for the challenges raised above:

a) That instead of giving tax cuts to importers; these should be given as incentives on inputs to farmers to produce their own food.

b) Budget should allocate majorly to energy, infrastructure, health, and education sectors in order to improve the country's economy.

c) The Government should explore alternative energy for example bio fuels, geothermal and wind, etc.

d) NCPB should undergo major overhaul to be more efficient to the needs of the Kenyans and farmers. To buy sufficient stocks during surplus and store well and to always have sufficient Strategic Grain Reserves.

e) Putting in place administrative measures to streamline KRA and sealing all loopholes to net everyone within the tax margins. This will bring in more revenue. Local collection should be more than the foreign lending which helps in going towards self reliance. KRA should improve on the rate of domestic tax collection.

f) Absorptive rates/capacity: Late allocation to Ministries. Next year parliament through fiscal management Act will interrogate the budget allocations to ensure Ministers and accounting officers become accountable. This shall also be used to gauge ministries that are or not utilizing their funds and slash some and add to other ministries who are more efficient.

g) More cash districts have been created to ensure money is given for the aged.
h) Establish Guaranteed Minimum Returns for farmers to ensure that the farmer is guaranteed an irreducible amount against all odds for their crops.
i) Government needs to protect its farmers from international imports. This for all types of farmers especially in crops with comparative advantage to Kenya.
j) Illicit beers should be taxed so that they can be more expensive and not very affordable to the youth.
k) Young people should take personal responsibility and take decisions that are not harmful to them.

4.0.7 Embu Public Hearing

The committee held a public hearing in Embu County Council Hall on Saturday, 25th June 2011 from 10 am. A total of 100 people who comprised of business traders, youths, civil servants, opinion leaders and the general public gave their views on what they felt was the cause of the rising inflation and high cost of living. The participants raised the following issues:

a) That coffee farming in the area was affected by lack of milling factories in the county.
b) That there was a problem of human-wildlife conflict especially near Mt. Kenya and Njukiri forest areas whereby wildlife especially monkeys had invaded / destroyed farmers' crops. There only exists compensation for human deaths and injuries but the Wildlife Act does not cover crops destroyed by wildlife. There needs to be a policy framework to deal with crop damage.
c) That the exchange of the Kenya shilling against the US dollar was very weak making prices of products very high. This had caused a rise in the cost of living.
d) That through the economic stimulus programme (ESP) fish farming was established in the area but the problem was lack of water storage tanks and fish feed manufacturing plants. There was also need to construct cold storage facilities and provide markets for the farmers to sell their fish.
e) That Embu District faces a challenge of hosting one of the largest slums in the Country. The Ministry of Special Programmes had not acted on requests to supply relief food to the poor-urban slum dwellers.
f) That land sub-division and conversion of agricultural land to real estate and commercial use without due regard to agricultural production was also a problem contributing to food insecurity.
g) That there was a big gap between the rich and the poor and the people were challenging the research that named Embu the richest County thus reducing the devolved funds allocated to the region.
h) That youth unemployment was a big problem because such youths have lost hope and confidence in Government.
i) That there was lack of facilities for grain storage especially maize which results in post harvest losses through aflatoxins. There was need for warehouses / NCPB depots to be established in Runyenjes especially at Ugweri areas.
j) That the rise in fuel prices had caused the prices of commodities to also skyrocket.
k) That there was enough food harvest but there were no ready markets for farmers to sell their produce.
l) That all MPs and constitutional office holders must pay their taxes. The salaries of MPs need to be slashed as it was too much.
m) That the cost of electricity in the Country was too high and should be reduced.

n) That there was need for an agricultural policy to have 10% of agricultural land be put under tree planting.
o) That people in the rural areas were so poor, families have no lands to farm and engage in illicit alcohol brewing, and engaging in careless sex and end up contracting HIV/AIDS, and unwanted pregnancies.
p) That the Country was experiencing shortages in rainfall and therefore Government should establish irrigation projects to ensure sustainable farming and also to build strategic food reserves to cover supply shortages.
q) That issuance of farm inputs was often delayed leading to low yields, and so this should be improved so that farmers get inputs on time and at subsidized prices.
r) That there was no Government cash transfer program in the area for the elderly and this should therefore be introduced.
s) That Government should regulate the prices of basic commodities including fuel.
t) That the cost of healthcare was very high in the area and the cost of drugs and card fees (Ksh.50) was also high. Government should supply low cost medicine as the privately owned chemists are exploiting consumers.
u) That Government in partnership with KARI should work to develop more resistant strains of seed to beat drought and crop pests.
v) That there were many unemployed youths who were idle in the area and were engaged in alcoholism and drug abuse.

4.0.8 Meru Public Hearing

On that afternoon of 25th June 2011, the Committee conducted a public hearing in Meru County Council Hall and approximately 200 farmers, urban dwellers, retirees, youths, women, small scale traders and the general public attended the event.

The participants informed the Committee as follows; that

1. The Government should have a planning system to support the agricultural sector so that the kind of farming being done in the country can be reinvented into large scale from subsidiary farming so as it becomes beneficial to the economy.
2. The cost of farm inputs e.g. fertilizer, machinery and seeds are high and further that seeds are of poor quality, and there are no storage facilities to support farmers during harvest.
3. There should be investments in irrigation schemes which will go a long way in ensuring high food production all year round
4. That loan facilities to farmers are provided through government funds but no education is done for the borrowers to ensure they are able to manage the money and be able to pay back. That access to the numerous targeted government funds is difficult due to stringent requirements and when it is availed it is too little to help.
5. Pension is too little to benefit the retirees most of who have no any other means of survival.
6. Rise in crime in the area due to rising poverty levels and youth unemployment.
7. There is inadequate rainfall which has inter alia affected the dairy farming as milk production from cattle is down by over 50%
8. The cost of essential commodities is too high. 1kg maize is Ksh.20, Seeds are Ksh.170 per kg, and 1kg unga is Ksh.75. Irregular increase of commodity prices should be checked to stop manufacturers from exploiting consumers; Government systems are not effective, laws are not being followed. Government should regulate the market to ensure the

consumer is not exploited by cartels as liberalized markets were negatively affecting the local producer, farmer and consumer

9. The cost of health care is too high and drugs are also very expensive and not readily available in government hospitals
10. Taxes are high and are charged even to small scale traders and to the very elderly people yet MPs do not pay taxes on all their incomes. In this regard, it should be mandatory for all MPs to pay their taxes like everyone
11. Cost of dairy farming is very high since the feed is expensive and the produce (Milk) is bought at very low prices of Ksh.25 per liter. That repayment of such loans was also difficult due to the high interest rates on loans advanced to farmers and the poor produce and harvest.
12. High cost of fuel and electricity has resulted in high cost of transport due to the high cost of electricity and Government should explore alternative energy sources.
13. School feeding program should be introduced in some schools in the area due to poverty and School bursaries are not benefitting the intended persons e.g. orphans due to corruption in the education sector.
14. There is poor leadership among the leaders in the area hence a disconnect between the people and their leaders.

4.0.9 Mumias Public Hearing

On 22nd July 2011, the Committee held a public hearing in Mumias, at the Bomas Ground. The targeted group was Sugarcane farmers to understand the impact if any of the rising inflation and high cost of fuel and food on their livelihoods. Participants at the meeting included farmers, teachers, youth, women, opinion leaders and the general public. The following issues were raised at the meeting:

a) That the budget was read over the years but little implementation is done and no services are given to people and that is why some regions and sectors keep lagging behind
b) That though Sugar farming has been done in the region since 1970, farmers have not benefitted from it and that Millers were the main beneficiaries of sugarcane farming. Millers exploit farmers and the market is not liberalized as is said. There are no laws in place to govern cane farming.
c) There is a problem with the weigh bridge at the factory and there are allegations that it has been tampered with to give lower weights resulting in losses to farmers.
d) There is also the problem of losses occurring during transportation where a lot of spillage occurs yet no one pays for that loss when it should be followed from behind and collected when it drops and taken to the factory. As a solution, the Government should put in place mechanisms to ensure cane is measured at the farms before transportation to avoid losses and make sure that farmers are paid promptly.
e) The electricity produced from Mumias Sugar Company is not available to the locals as it is distributed outside the area which is very unfair.
f) The Government should set aside large chunks of land where food crops can be planted, harvested and stored to be used during such a time when there is drought.
g) Farm inputs like fertilizer and seeds should be availed to farmers promptly without the usual delays and at a subsidized cost. The Government should consider giving at least one tractor per division to be used for farming and they can find a way to pay back for that service from the farmer's harvests.
h) Lack of agricultural extension officers to advice farmers on farming issues

- To save farmers the agony of losing their agricultural land due to failure to repay debts owed to the AFC on time as a result of crop failure due to the failed rains and the challenges farmers faced, this Committee recommends a waiver of the loans owed by farmers to AFC. The Committee further recommends that the loans advanced to farmers by AFC should stop earning interest immediately the farmer delivers produce to the NCPB.
- The Kenya Seed company should be empowered to produce enough quality seeds in time for planting to avert a situation like the one that occurred in the planting season of 2010/2011 when farmers could not access quality seeds during the planting season.

6.1.4 Monetary and General Macroeconomic Sector

The Committee, deeply concerned by the soaring inflation which peaked at 17.32% as at the end of September 2011 and the depreciation of the Kenya shilling to an unprecedented low of Ksh 105 to the dollar on 27th September, recommends as follows.

i.) That the Central Bank of Kenya (CBK), through its Monetary Policy Committee, should take immediate decisive intervention measures to check any further fall of the Kenya shilling. This can no longer be left to the determination of the market forces as the consequences on the economy are dire and supremely burdensome on the already hapless Kenyan. In future, CBK should quickly act to stabilize the value of the shilling to prevent a recurrence of the current scenario of blind fire-fighting.

ii.) CBK in collaboration with the Competition Authority should take stern action against any commercial banks found to have engaged in practices that have led to the depreciation of the Kenya shilling against the major currencies.

iii.) CBK should strictly enforce the Banking Act especially on share ownership to curb unethical practices by banks.

6.1.5 Social Safety Nets for the Most Vulnerable

To cushion the most vulnerable segments of the population most affected by poverty like the urban poor, the aged and the unemployed, the Committee recommends that Government establishes a targeted social welfare program along the following lines:

a) A meal voucher system for the urban poor designed along the food voucher system operated in the United States and the meal voucher model for providing employees with food during working hours operated in France. An agency can be established to implement this program which will involve all the needy people registering with the agency, which would vet them and only issue the vouchers to those who qualify.

b) A cash transfer system like the one being implemented by Oxfam in Turkana South and fashioned along the one implemented by the Ministry for Special Programs where funds are dispatched to people above the age of 65. The transfer of the funds should be to targeted people identified through the local community leaders.

- Government should explore the viability of reviving the National Milling Corporation (NMC) as a strategic national asset to address deliberate market distortions by unscrupulous millers.

- Government through the Ministry of Agriculture should immediately embark on recruitment and deployment of Extension Officers to agricultural areas to educate and sensitize farmers on good farming practices with a view of improving farm productivity. Government should also recruit Livestock Officers and deploy them to the livestock rearing areas of the country to help step up livestock production.

- Government should enact legislation to establish a special Agri-Insurance scheme that compensates farmers for losses incurred as a result of crop and livestock failure due to drought or disease in order to encourage farming.

- Government through the Ministry of Agriculture should urgently develop and implement a farm input subsidy scheme for farmers so as to encourage farming, increase crop yields and reduce cost of production which translates in lower prices of produce. The subsidies should include seeds, fertilizers, chemicals for spraying, tractors for ploughing and diesel for the tractors.

- The country's potential to produce rice and wheat has not been fully exploited. This is one area that requires aggressive involvement of government through agencies like the National Irrigation Board (NIB) and AFC.

- Government should provide incentives to the private sector, including innovative tax breaks, to aggressively invest in agricultural production and agri-based industries.

- As a short-term measure, Government should allow the private sector to import zero-rated maize until supply stabilizes given the anticipated below-par harvest. This, however, must be strictly controlled so as not to hurt local maize farmers. Further, considering that the only maize that was accessible in May and June was from South Africa and was likely to be GMO, the Committee had already recommended that Government would have to decide whether or not to import GMO, and of course duly inform Kenyans of that decision in order for them to make informed choices.

- It is also essential for Kenyans to diversify their dietary choices beyond the traditional ugali, so as to reduce the country's vulnerability to maize shortages. Production and consumption of traditional crops like cassava, arrow-roots, millet, sorghum and sweet potatoes is strongly encouraged.

6.1.3 Strengthen key Agricultural Institutions to ensure food security

- To ensure the farmers have a platform for engagement so as to be able to participate in public policy and decision making and to provide a forum through which farm inputs can be distributed to reach all the farmers and their harvests collected and sold at competitive prices, the Government should revive the Kenya Farmers Association by injecting in it the Ksh 1.3 billion approved by Parliament on 17th August, 2011 following a Motion moved by the Chairman of the Committee on Cost of Living and waiving the debt owed to the NBK

- Ministry of Agriculture should fast-track the enactment of legislation to establish a Commodities Exchange facility for grains similar to the Tea Auction in Mombasa to give the farmers best price for products.

- Government through the Ministries of Lands and Agriculture, respectively, should immediately introduce and implement strict regulations on land subdivision and land use to check land fragmentation and ensure maximum productivity is achieved from agricultural land. Government should also invest in the establishment of land banks in the bread basket regions by purchasing large pieces of land from the farmers who are disposing off theirs to prevent the rampant subdivision of the same. The Ministry of Lands should immediately introduce in parliament the laws required to bring into effect Chapter 5 of the new Constitution concerning land.

- Government should establish dams in the grain growing areas of the country to facilitate irrigated agriculture and ensure food security throughout the year in order to deal with the regular cycle of drought. In addition, Government should preserve a percentage of the more than Ksh 10 billion shillings allocated to irrigation in the 2011/2012 financial year for regions whose mainstay is farming, with special attention to the grain growing areas of the country. It is prudent to strengthen areas where crop production is already a way of life.

- Government should also conduct thorough analysis to determine exactly how much maize is produced in the country, including the quantity produced in each region, and how much is consumed before making a deciding whether imports are necessary, but specifically to assist in planning for the future including the quantity of seeds and other farm inputs required. Government should ensure that in the long term, the country produces food sufficient to feed its people and ceases to be a net importer of food as is the case today.

- Government should enhance the Strategic Grain Reserves from 3 million bags of maize to 8 million bags to cushion the country during periods of supply shortages. Government should in this regard increase the funds allocated to the National Cereals and Produce Board (NCPB) for this purpose.

- NCPB should endeavour to pay farmers promptly, on delivery since pricing and payment delays is a major demoralising factor that has largely diminished production in traditional grain growing areas.

- To reduce the costs incurred by farmers in transportation of grains to NCPB stores and to cut out middlemen who exploit farmers, the NCPB should immediately establish buying centres for grains in the cereal growing areas.

- To reduce post harvest losses to farmers as a result of high moisture content and poor weather during harvest season, the NCPB should avail its stores to farmers for drying their harvest and storage of the same at a minimal fee.

6.1.2 Cereals Sub-Sector

- Cereals, especially maize, is the staple food for the majority of Kenyans, and so any instability in the sub-sector automatically triggers panic in the populace and sends inflation and the cost of living soaring.

- Kenya has the potential to produce sufficient volumes of the main grains - maize, rice and wheat - to feed the nation, but only if government rightly treats agriculture as the backbone of the country's economy and jealously protects the Kenyan farmer as happens elsewhere. For if indeed agriculture still is the backbone of this country's economy and then it is one backbone that has been badly broken by government neglect and cavalier attitude.

- No country has ever developed before fulfilling the food needs of her people. And this is only possible through deliberate policy formulation and actions as demonstrated by the Malawi example in recent times. Unless Kenya walks the talk and fixes her perennial food deficits, Vision 2030 could as well be revised to Dream 3020, for there is little chance of a hungry country ever becoming a mid-level industrial power in a couple of decades.

To ensure that the country produces enough food to feed its population and affordably so, the Committee recommends the following:

- Government must move with expedition to invest in strengthening institutions that anchor agricultural production, especially the Agricultural Finance Corporation (AFC), Kenya Seed Company, National Cereals and Produce Board (NCPB), Kenya Agricultural Research Institute (KARI), Kenya Cooperative Creameries (KCC) and the Kenya Farmers Association (KFA).

- AFC, which has huge potential to bankroll a Kenyan agrarian revolution, is grossly under-capitalised and continues to operate below capacity. The corporation has capacity to facilitate a loan portfolio of up to Kshs 15 billion annually, but is handling only about half of that. Government should channel to AFC a special grant facility to enable the corporation operate at full capacity and provide affordable and easily accessible credit to the agricultural sector.

- At the same time, AFC, which must not operate as a profiteering commercial bank, should revise the interest rate at which it extends credit to farmers to between 5% and 8% to encourage farmers to borrow and finance farming activities countrywide.

- To ensure that farmers have a platform for engagement and through which farm inputs can be distributed to reach all farmers and their harvests marketed at competitive prices, Government should revive the Kenya Farmers Association by injecting in it the Ksh 1.3 billion approved by Parliament on 17th August, 2011 following a Motion moved by the Chairman of the Committee on Cost of Living and waiving the debt owed to the NBK.

- If a decision is made to keep the refinery afloat, government and the strategic partner, ESSAR, should move with speed to roll out the modernization of the KPRL by 2015, including completion of projects that have commenced like development of a power plant by December 2011 and conversion of the refinery into a merchant refinery by January 2012 in order to make the refinery efficient and competitive.

- Further, government should amend the Energy Act in order to convert the KPRL into a Merchant Refinery.

Dealing with Cartels in the Oil industry

- Government should operationalize the Competition Act and establish a strong and independent Competition Authority to address the cartel-like tendencies prevalent in the energy sector. The Authority should develop regulations that restrict what each player can and cannot do so that a single individual does not undertake importation, marketing and operation of retail pump stations to prevent monopolistic tendencies.

Role of National Oil Corporation of Kenya

- The Ministry of Energy should define in clear terms the role of the National Oil Corporation (NOCK) with regard to stabilization of oil prices and either close down this function or ensure that it discharges this role effectively. This is in consideration of the fact that NOCK is a state corporation which is guaranteed by statute (Energy Act) a quota allocation of importation of petroleum products consumed in Kenya in each year and therefore whose focus should be breaking even and not profit making.

- The Ministry should also review the Price Cap policy being implemented by the Energy Regulatory Commission (ERC) and repeal section 102 (w) of the Energy Act to allow the petroleum pump prices to be determined by market forces. However, Government should ensure that the NOCK sells its petroleum products at a cost that is not profit-driven but rather service-oriented.

Review the OTS

- The Ministry of Energy should review with immediate effect the Open Tender System (OTS) of procurement of oil products to facilitate competition in the process and therefore enable Kenyans to get the commodities at the best value from the market.

Increase Investment in Geothermal Power

- To reduce the cost of power in the long run, Government should strongly support Geothermal Development Corporation (GDC) to increase geothermal power production so as to realize the projected capacity of 15,000 MW by the year 2030 as envisioned in Vision 2030. GDC should be given priority in this respect vis-a-vis other players like KENGEN.

Taxes on Kerosene and Diesel

- To cut the burden of high cost of living on low income Kenyans, government should reduce the taxes imposed on diesel and zero-rate kerosene.

6.1.1 The Oil Sub-Sector

- By merely addressing inefficiencies inherent in the various players that constitute the supply chain, and further by guaranteeing a stable and uninterrupted flow in the said supply chain, it is possible to considerably reduce the pump price of all the fuel categories - kerosene, petrol, diesel and jet fuel.

Accordingly, to help rein in the escalating cost of fuel and ensure consistency in supply both in the short and long term, the following measures are recommended:

Kenya Pipeline

- The Ministry of Energy should introduce and enforce stiff penalties for storing products in the pipeline for a longer duration than 14 days and 30 days for fuel meant for the domestic market and the international market, respectively. The Ministry could incorporate these penalties in regulations under the Energy Act and published in the Kenya Gazette.
- The Kenya Pipeline Company should develop rules that ensure Ullage (space in pipeline) is shared between marketers on the basis of throughput.
- The Government through the Ministry of Energy should urgently overhaul line 1 of the Kenya pipeline running from Mombasa to Nairobi as it has outlived its useful life and is now a health hazard.

Strategic Oil Reserve

- Government should urgently put in place measures to establish a strategic oil reserve to cushion the country against fluctuations in the supply chain and external shocks such as experienced during the Maghreb disturbances. The Committee recommends that Government through the Ministry of Energy should enact legislation to establish a minimum oil reserve quantity that must be maintained within the country in a manner similar to the strategic grain reserve.

Efficiency at the Mombasa Port

- The Kenya Revenue Authority (KRA) Simba and the Kenya Ports Authority (KPA) KWATOs systems should relate seamlessly and be made more efficient to reduce the attendant costs that come with their inherent inefficiencies, which load unnecessary additional costs on the final pump price of fuel.

Kenya Petroleum Refineries Limited

- To further reduce costs as a result of extra demurrage due to oil ships waiting for inordinately lengthy periods to discharge at the single jetty available at Kipevu, the Ministries of Energy and Transport should authorise the partner identified by the Kenya Petroleum Refineries Limited (KPRL) to invest in the establishment of a second oil jetty in Mombasa.

- Government has to expeditiously make up its mind and determine whether to retain the Kenya Petroleum Refineries Limited as a strategic national asset or otherwise shut down the refinery because in its current form, KPRL is a liability to the tax payer and further contributes to the high cost of fuel because of gross inherent inefficiencies.

6.0 RECOMMENDATIONS

- It should be noted that the twenty one (21) recommendations made in the preliminary report dated June 7th, 2011 (see Annex 1) constitute part of the Committee's recommendations and should accordingly be considered alongside these recommendations offered here.

- The Committee strongly urges Government to move with expedition and implement those twenty one preliminary recommendations in addition to the following final ones that are based on analysis of the findings of the Committee:

a) **Motion to revive Kenya farmers Association (KFA)**

This Motion moved by the Chairman of the Committee on Cost of Living requested the Government through the Ministry of Agriculture to extend a grant of Ksh. 1.3 billion to KFA. The Motion was discussed and adopted by Parliament on Wednesday, 17th August 2011. The Committee therefore recommends that the Parliamentary Implementation Committee takes over this matter to ensure the Government allocates this money to KFA immediately as resolved by Parliament.

b) **Motion urging the Government to grant the Agricultural finance Corporation (AFC) Ksh. 2 billion to enable it provide appropriate relief to both crop and livestock farmers**

The Committee prepared this Motion after listening to farmers around the Country and establishing that many suffered losses as a result of the prolonged drought that affected many parts of the country early in the year, 2011. AFC was threatening to sell their properties as they were unable to repay the loans as agreed. This Motion which urges the Government to extend to AFC a grant of Ksh. 2 billion was approved by the Speaker and is awaiting discussion and adoption by the House.

c) **Motion urging the Government to stop privatization of the New Kenya Cooperative Creameries (New KCC) until ownership of its assets is settled.**

The Committee established after listening to dairy farmers in various parts of the Country that they had a majority stake in the assets of the original KCC before it was converted to the New KCC and that their shareholding in the new KCC was never conclusively determined and yet the New KCC was in the process of privatization. The Committee through its Chairman therefore prepared this Motion which is pending before Parliament for discussion and adoption.

6.1 Sector Specific Recommendations

After concluding its program of public hearings, meeting various stakeholders and analyzing the information it received, the Committee puts forward the following short term and long term recommendations:

- The Committee was informed that as a result of the consumption of illicit brews, many young people were not bearing children and many nursery schools in the County had closed shop for lack of children to attend them. The Committee therefore urges the government to find out long term ways of addressing this menace as it is caused by a myriad of reasons including poverty and idleness among the youth and greed by the alcohol traders.

5.2.8 Kitui County

- Kitui County with an area of 20,402 square kilometers and over one million people as per the 2009 population census, is one of the counties in Eastern province currently made up of six constituencies; Kitui Central, Kitui South, Kitui West, Mwingi North, Mwingi South and Mutito and is home to the Akamba people.

- The climate of the county is arid and semi arid with very erratic and unreliable rainfall resulting in occasional famine thus making the people in the county to depend on relief food. The vast majority of the economy however is based on subsistence farming, despite the fact that the agriculture is an extremely challenging endeavor given the sporadic rainfall.

- The County is however blessed with a number of minerals many of which have not been commercially exploited including coal, limestone at Mutomo, iron ore at Ikutha and precious stones and there is therefore need for the Ministry of Environment and Mineral Resources and that of Trade and Industrialization to work together to facilitate establishment of factories in the region.

- Another resource found in plenty in Kitui and remains largely unexploited is the sun. The region experiences very high temperatures and would be beneficial if the sun was harnessed and used for electricity generation. This would reduce the cost of energy and enhance the economy of the area.

- The greatest challenge that the people of Kitui face is access to water. The region lacks water and the committee noted that people were buying a 20 litre container of water which would ordinarily cost Ksh.5 at Ksh. 20. The Committee noted that the Ministry of Water and Irrigation had began constructing dams in the larger Ukambani region an example being the Umaa dam which had however stalled due to some reasons. This dam if completed would apart from providing enough water for domestic purposes to the people, could be used for irrigation purposes and therefore make the region food secure.

5.2.9 Nyeri

- Nyeri County with a population of about 693,558 people according to the 2009 population census is one unique County which was home to some of the largest tea and coffee farms in the country. These cash crops have since been uprooted by the local communities due to their non profitability. The County is made up of six constituencies, Nyeri Town, Othaya, Mukurweini, Mathira, Tetu and Kieni. The County hosts the Aribedare National Park and Mt. Kenya hence a key tourist destination.

- The Committee was saddened to learn that many young people in the County had resorted to consuming illicit brews one of which had been christened 'Munyiri' which had greatly affected their productivity. These brews have in the recent past led to the death of more than twenty people from the neighboring Counties illustrating the magnitude of the problem.

- The farmers in the County had challenges with the way the NCPB was conducting its operations especially with regard to selling of the subsidized fertilizer and lack of buying centers in the fields. It was said that the NCPB sold the government subsidized fertilizer to a few farmers and cartels that then repackaged it and sold it to farmers at market value. The farmers requested that the NCPB establishes buying centres of maize in the fields so as to save the farmer the costs of transportation of the harvest to the NCPB depot.

- Another issue raised was the lack of quality certified seeds from the Kenya Seed Company during the planting season thus compelling farmers to plant seeds from the past harvest.

5.2.7 Narok County

- Narok County with an area of about 17, 944 square kilometers and home to the Maasai community, is one of the counties in the vast region of the Rift Valley. The County is made up of three constituencies; Narok South, Narok North, Kilgoris, fastest growing towns

- Narok County is among the country's top tourist destinations as it is the home of the Maasai Mara Game Reserve which has the seventh wonder of the world-the great wildebeest migration. The County therefore collects massive revenue from Tourism totaling to about Ksh. 2 billion annually and is therefore ranked as one of the richest in Kenya. Narok is also renowned for large scale wheat and barley production in addition to livestock rearing. It is also the County that hosts the famous Mau forest which is now threatened with destruction.

- The farmers in Narok which is known to produce almost 60% of the wheat produced in this country encountered many challenges in the 2010/2011 planting season and which came about as a result of failure of rains, delay in getting fertilizers and good quality seeds. This resulted in massive crop failure and one of the worst harvests the region has ever gotten. The farmers who had taken loans from the Agricultural Finance Corporation (AFC) were therefore a worried lot as AFC had threatened to auction their farms to recover the loan advances. The Committee therefore decided to petition the government through the Ministry of Agriculture and Ministry of Finance to intervene and get the AFC to write off the loans owed by farmers or renegotiate with the farmers on how to settle the debts.

- Another key issue which needs urgent address in Narok County is the Mau Forest. The Committee toured the Maasai Mara and was appalled by the site of a drying Mara River. The Committee noted that the Task Force that was formed to oversee conservation of the Mau forest had completed its work and Parliament had adopted its report and yet nothing was being done to rehabilitate the water catchment thus threatening the entire ecosystem of the Maasai Mara.

- Finally, the road network in the County is dilapidated especially the road from Narok town to the Maasai Mara. The Government should therefore take action to rehabilitate the road to boost tourism in the area.

- The Committee strongly felt that the Government could do more for the people of Bomet by establishing milk processing factories in the area so that value could be added to the milk and therefore more money to the producer. The role of NCPB in mopping up surplus grains in the market also came up as middle men were already in the town purchasing maize from the farmers at exceedingly low prices as the farmers lacked places to store the grain after harvest.

5.2.5 Uasin Gishu County

- Uasin Gishu County is one of the bread baskets of this country. With an area of 3,218 square kilometers and an estimated population of 894,179 as per the 2009 population census, the County boasts of large scale maize and wheat farming and dairy farming.

- Farmers from the County expressed dissatisfaction with the way the government was treating its farmers and particularly the role of the NCPB in the cereals sector. The farmers stated that the NCPB supplied fertilizer to them late when they no longer needed the fertilizer and yet they paid for it promptly. Another challenge was the price at which NCPB was purchasing maize from farmers as it was very low thus farmers shunned taking their maize to the NCPB. This the Committee identified was as a result of the Government fixing the price at which NCPB bought maize from farmers and the management of the NCPB could only petition the Ministry to review the price which was a long tiring process. The Treasury also sends money for mopping up surplus grains from the market to the NCPB too late in the day when middlemen had already moved in and purchased maize from farmers at an exploitatively low price.

- Farmers, a majority of whom were members of the Kenya Farmers Association petitioned the Committee to ask the government to revive the KFA as it was said to be an institution that had infrastructure to support farmers and with depots in almost all farming areas of the country.

- The farmers request to the Government was for investment in irrigation schemes in the county by establishing dams so that they could be able to plant crops twice and therefore increase food production unlike currently when they only planted once.

5.2.6 Trans Nzoia County

- Trans Nzoia County is also another of the bread baskets of this country with large scale maize and beans farming as the key economic activities. The County also hosts the headquarters of the Kenya Seed Company Limited and a lot of seed farming is undertaken there. With an area of square kilometers and an estimated population of people as per the 2009 population census, the County is made up of three constituencies; Kwanza, Saboti and Cherengany. It is a cosmopolitan County with many communities having settled in the area but it is predominantly home to the Kalenjin and Bukusu communities.

5.2.3 Lamu County

- Lamu County is another unique county in Kenya which the Committee visited. The County has two constituencies, Lamu East and Lamu West and is composed of a number of islands. Lamu island has a natural deep sea and can have a port at which can anchor larger ships than the Mombasa port without much dredging, thus the government's plans to develop a port in Lamu. This port if established is set to open up the Lamu archipelago and connect it with Turkana, South Sudan and Ethiopia. The island has no motorized vehicles and transportation and other heavy work is done with the help of donkeys. The County borders Somalia through Kiunga and therefore faces one key challenge; insecurity.

- The County is largely sustained by tourism activities which have been threatened this year by the high insecurity in the area illustrated by the kidnapping of two women tourists who were staying in some of the resorts in the island in a span of three weeks, one Briton on September 11th and a French woman on 1st October. These kidnappings have resulted in a number of western countries issuing travel advisories to their citizens against visiting Lamu. The Committee feels these acts by the Somali militants apart from being a violation of Kenya's integrity, amount to economic sabotage as they will result in collapse of the tourism industry in the County. The Committee therefore feels the Government is not doing enough to protect the livelihood of the people of Lamu who are already suffering as a result of the high cost of living.

- Another disturbing issue and which is likely to brew dissent is the issue of land. The people of Lamu are bitter that they have been denied ownership of their ancestral land and they harbor feelings that other communities in Kenya are being given preference in allocation of land and title deeds in their ancestral land. The Committee therefore urges the government through the Ministry of Lands to immediately move into Lamu and address the Land question because if left unaddressed it is likely to result in clashes as experienced in Rift valley.

5.2.4 Bomet County

- Bomet County in the Rift Valley with an area of 1,882 square kilometers is made up of 4 constituencies, Sotik, Chepalungu, Konoin and Bomet and is home to the Kipsigis community. Bomet is a agriculturally rich County with maize farming, dairy farming, wheat and irish potato farming topping the list of the food crops grown in the County on a large scale.

- When the Committee visited Bomet in August, farmers had just harvested maize and milk and potatoes were in surplus production. The main challenge to the farmers was getting these products to the market and getting good value for the produce. It is in Bomet that the Committee heard of the term 'maziwa sosa' meaning that a farmer had to cajole a consumer to buy his milk by offering a little addition due to the large quantity that was being produced.

Mr. Speaker, the main problems of the people of Turkana include the following:

a) **Insecurity**

- The people of Turkana face frequent attacks from their neighbouring communities among them the Pokots, the Toposa from South Sudan and Merille from Ethiopia. An example of this insecurity is the killing of 21 Turkana men, women and children at Todonyang by the Merile tribesman from Ethiopia early this year. The people also lose their animals to cattle rustling and the police who are deployed in the area to protect them are sometimes overpowered by the bandits who are better armed.

b) **Drought**

- The area experiences very little rainfall but on the few occasions when it rains, it causes floods leading to destruction of crops and livestock. This usually leads to serious food shortages in some cases resulting in death of humans and livestock.

Conclusion on Turkana

- The Committee noted that Turkana County could develop and be the breadbasket of this country if the government invested in irrigation schemes. This is because the region has vast tracks of land which can support mechanized farming on large scale.
- The Committee also formed the opinion that the Government has ignored the region in terms of provision of security. Armed raids are popular in the County and large parts of the County bordering neighbouring countries have been occupied by residents and militias from the neighbouring countries. The Committee recommends that the Government of Kenya takes all necessary steps to reclaim its territory from foreign occupation and frequent incursions.

5.2.2 Gwassi (Homa Bay County)

- Gwassi is a constituency in Suba district and found in one end of the Homabay County. It is a very productive area and is home to the Ruma National park. The constituency has suffered marginalization over the years as the whole of the constituency has no inch of tarmac road to facilitate transportation of people and goods.

- The Constituency boasts of being one of the largest fish producers in Kenya but suffers lack of access of this fish to the market due to lack of infrastructure. The area does not have any fish processing plant thus leading to exploitation of the fishermen by middlemen who come to buy their fish.

- The Ruma National Park also contributes to the suffering of the people of Gwassi because of the large number of tsetse flies in the park which attack and cause diseases in livestock and to human beings.

therefore fast track privatization of these millers to bring in the much needed capital and technical capacity.

5.1.12 Employment/Labour Laws

From the various public hearings, the Committee gathered information that incomes from employment were low relative to the rate at which prices of commodities were increasing. The Committee established that an increase in minimum wages at this time would not solve the problem of high prices as it would only lead to more job losses hence increase poverty.

The other main challenge especially in urban areas was the disrespect towards the employee by the employers. This was especially so by the employers of Indian descent and more specifically in the Industrial areas and the EPZs. The Committee learnt that the low cadre workers and casual labourers are exposed to dangerous working environments with no protective clothing causing them to suffer from strange ailments the medical cost of which the employer does not cater contributing to the high cost of living. The Committee also learnt that some labourers had indeed lost their lives or parts of their bodies without any compensation as a result of working in some of these factories.

The Committee therefore feels that there is need to review the entire regime of Labour laws to protect the low cadre workers and the Casual Labourers from exploitation by investors.

5.2 Region-Specific Analysis

5.2.1 Turkana County

- Turkana County is unique county and an area of many contrasts. Turkana County with a physical area of 177 square kilometers borders three different countries, Ethiopia, South Sudan and Uganda. The population of the county is unknown considering that the results of the last population census conducted in October 2009 was cancelled due to unknown reasons, a fact that has not gone down well with the local communities. Turkana North has some semblance of road infrastructure from Lodwar to Lokichogio and Nandapal border post. Turkana South on the hand has very poor road infrastructure. The main road serving the County from Kitale to Lodwar through which supplies are delivered to the area is in a deplorable situation. A distance that would ordinarily take you three hours from Lodwar to Kitale for instance takes 8 hours and one requires police escort to travel on this road. This is because of the fear of attacks from bandits in the area.

- Turkana South has irrigation schemes in some areas and during our visit in July 2011, maize that had been grown in the Kainuk irrigation scheme was ready for harvesting and the yield was plenty. On the other hand, in Lokichar, Kalapata and Lokori, the Committee was appalled by the faces of hunger and the impact of the famine in this area was tear rending. Children were malnourished, women haggard looking and families in this area sat wondering when the next batch of food relief would be delivered to them.

The Committee further established that the Land Control Boards which are tasked with giving consents for subdivision and sale of land were discharging this mandate without regard to food security. The Ministry of Lands had not developed a proper Land Use Policy by August, 2011 which would regulate the zoning of areas and therefore protect arable land. The Committee therefore feels there is need for a relevant legislation on land to regulate land use and land subdivision to sustain large scale farming.

Another key factor regarding land which the Committee established was lack of titles by many farmers. This was either due to ignorance by the farmers or the Government had not adjudicated those pieces, a fact that denied these farmers collateral that could assist them secure credit and increase production. In this regard, the Committee wishes to single out Lamu County where the land question requires quick address as it is brewing animosity.

5.1.11 Sugar

The Committee established that there is a looming crisis in the sugar sector. This should be addressed through policy otherwise the precious commodity will be unavailable in the market or its price will be far much higher than the Kshs250 per kilogramme that Kenyans paid in the months of August and September 2011. The Committee's visit to SONY, Muhoroni, Mumias and Nzoia sugar factories revealed that lack of adequate cane for crushing is the biggest challenge facing the industry.

The Committee established that the shortage of cane has been worsened by the licensing of many sugar factories like Butali in Malava and Kibos in the Nyando belt without due regard to the regulations on distance between factories and the factories developing their cane. The Committee further established that the Kenya Sugar Board had licensed other factories which similarly had not developed any or inadequate cane including Sukari, in Ndhiwa (HomaBay County), and in Trans Mara. This has resulted in unethical practices of cane poaching.

Even though the resultant competition for sugar cane by the sprouting millers has resulted in increased price for the farmer to the tune of Kshs4,300 per tonne, it is making farmers to harvest immature cane leading to low yields from the processed cane. Considering that focus has shifted from cane development, the raw material is inadequate and these prices paid for cane are not sustainable since it would result in closure of some companies hence monopolistic tendencies will crop up. Furthermore, there is soon going to be no mature cane to mill and the factories will lie idle resulting is massive direct and indirect loss of jobs.

The Committee is of the view that this state of affairs is largely caused by the indifference of the Kenya Sugar Board and it cannot be left to continue this way. Therefore, there is need to review the Kenya Sugar Board Act, 2001 to incorporate good management practices and manage the sector professionally to avoid the collapse of the sector. The new Kenya Sugar Board established after review of the Act should further be given 'teeth' so as to ensure its instructions or recommendations are complied with by the stakeholders

The Committee also established that the Government of Kenya owned sugar companies are ill prepared to cope with the expected lifting of the COMESA safeguards. The Privatization Commission which is charged with overseeing privatization of state corporations should

5.1.9 High Cost of Health Care

The Committee having conducted public hearings in various parts of the country established that the cost of accessing medical care was beyond the reach of many Kenyans and many people were thus dying as result of diseases that could be easily treatable. There are no ambulances in strategic places in the country for emergency transfer of patients and hospitals are ill equipped resulting in patients being transferred long distances away just to access treatment. Medical personnel are also inadequate especially in the remote parts of the country and essential medicines normally unavailable in government hospitals thus patients are referred to private pharmacies.

The Committee established that the Abuja Declaration on Health requires that all governments channel at least 15% of their national budgets to the health sector yet Kenya was at 7% not even half of the requirement. This underfunding of the sector had resulted in the Ministry not being able to purchase adequate diagnostic facilities and equipment for government hospitals resulting in late diagnosis of illnesses especially the non-communicable diseases and hence increased cost of treatment. The remuneration paid to government medical personnel is not as competitive as that paid by the private sector hence lack of motivation to do government work resulting in brain drain by dissatisfied personnel to other countries like Botswana, the US and Europe denying the country the medical personnel needed.

The cost sharing introduced by the Government had also resulted in additional medical costs because though registration fees is minimal, the user fees like laboratory and x-ray costs taken medical costs beyond the reach of many Kenyans. The Committee established that country had concentrated so much on HIV Aids, Tuberculosis and malaria at the expense of the non-communicable diseases like cancer, diabetes and heart diseases which were now accounting for over 50% of the deaths in the country at the moment. That currently, 50% of bed capacity in hospitals is occupied by patients with non-communicable diseases which take longer to heal and require much more resources to diagnose and treat. There was therefore need for massive investment in the non communicable diseases especially in diagnostic and treatment equipment and in preventive care.

The Committee established that the only sustainable solution to the above problems and the panacea to healthcare financing is the development of a Social Insurance Scheme which would ensure all Kenyans have access to medical care irrespective of economic status. The actuarial study undertaken by Alexander Forbes on the state of NHIF had indicated that the NHIF was the only insurer with the infrastructure to implement the social health insurance countrywide and that it had undertaken major reforms which had enabled it be the most efficient insurer in reimbursing service providers. It established that it would take a person to contribute Kshs. 12,000 annually to NHIF to get comprehensive insurance as compared to a minimum of Ksh. 87,000 by private insurance companies hence viability of the scheme.

5.1.10 Land

The Committee established that many large scale farmers in the bread basket areas were subdividing their lands to uneconomical sizes at alarming rates while some who felt maize farming was non-profitable were converting the arable land to non-agricultural uses like residential purposes contributing to the reduced farm yields.

retail level without addressing the high cost of production and other costs down the entire supply chain would not offer a permanent solution to the crisis. The Committee further noted that the Competition Act which had been enacted to replace the Monopolies and Restrictive Trade Practices Act would be the best option to address the cartel like behavior and enhancing free flow of market information to empower the consumer with knowledge.

5.1.6 Taxation of Constitutional Officeholders

After conducting public hearings in all the areas the Committee visited, one thing was clear; that the Kenyan citizenry wanted all Kenyans to pay taxes on all their incomes and especially so for Members of Parliament. The Committee after consultations with the Kenya Revenue Authority established that if all constitutional office holders (among them Judges and Members of Parliament) paid their PAYE taxes, an additional Ksh.670.1 million will be available to the exchequer annually. The government could use such additional funds to subsidize the cost of inputs to farmers to help the country avert the food shortages that are experienced regularly.

5.1.7 Cost of Running Government

The Committee established through public hearings that government expenditure remains high citing expenditure on foreign and domestic travel. This has been exacerbated by the large number of cabinet ministers and assistant ministers and now by the Commissions required by the Constitution. The Committee after discussions with the Secretary to the Cabinet and Head of Public Service, the Permanent Secretary in the Office of the Prime Minister and the Clerk of the National Assembly established that there had not been a significant increase in size of the public service to result in a strain on the economy, though there was admission that the large number of Ministers and their assistants and the agitation for better remuneration from public servants was impacting on the wage costs.

The Committee established that if the Government put in place austerity measures on expenditure, then there would be some resultant savings which could be channeled to development expenditure. There was concurrence that delegations accompanying the Head of State, the Prime Minister and the Vice President on official foreign functions should be rationalized to reduce the travel expenses.

5.1.8 Social Safety Nets for the Most Vulnerable

The Committee believes it is important for Government to explore innovative means of cushioning the most vulnerable segments of the population most affected by poverty, who suffer the brunt in circumstances such as the country finds itself in today, 2011. The Committee is of the view that the government considers measures such as the French-style meal voucher system and USA food voucher system. This would be an alternative to the Government's move to implement tax breaks because tax breaks would result in reduced revenues which would affect the capacity of Government to provide essential services. The Government should however ensure enhanced governance in the operation of such a system to prevent abuse.

the hapless Kenyan consumers. The Committee further established that the Simba system was down mostly on Fridays as weekends approached resulting in switching to the manual system to facilitate corrupt practices. The Kenya Transport Association estimated that the regular failures of the Simba system contribute to over 30% of the overhead costs for many companies, a cost that is eventually passed on to the consumer.

5.1.5 Effectiveness of Price Controls

The Committee established from the majority of the public hearings it attended that the Kenyan public is greatly overburdened by the rising cost of essential goods and wants the Government to reintroduce price controls on these commodities in order to cushion them. The Committee agreed with the public that the prices of essential commodities had risen to unprecedented levels which could be attributed to exploitative business practices of traders and cartel like behavior.

The Committee considered whether fixing prices at the retail level would be the panacea to the problem of high cost of commodities. In considering this issue, the Committee was reminded that price controls had been implemented before in this country but abolished in the early 1990s through the infamous structural adjustments programme (SAPs) due to the many challenges it presented. Discussions with experts from KIPPRA and the consumer lobby group, COFEK established that the introduction of price controls has more disadvantages than benefits. The Committee established that introduction of price controls in a liberalized economy like Kenya's would provide the following challenges:

Market distortions

This arises from the fact that producers who feel that they are not making adequate returns from their products will either stop production of the same or sell it via another root thus resulting in shortages.

Hoarding of essential goods and promotion of black market trade

Many traders in a price controlled economy tend to hoard products to create artificial shortages which then push prices up before they can sell at abnormal profits. The resultant phenomenon is unofficial/black markets where common commodities disappear from the official market but can be obtained from the backstreets. This scenario is more harmful to the common man than the free economy where the interaction between demand and supply determine the price.

The Committee was given an example of the telecommunications sector which has grown in leaps and whose costs have declined drastically due to competition yet the Government has never intervened with price controls. The Committee compared the situation with the goings on in the energy sector where before the introduction of the ERC price capping regulations, fuel was trading at a cheaper price in Western and Rift valley but this changed thereafter and that the price has kept on increasing since that introduction.

The Committee considered in detail the information and data given by KIPPRA and the Central Bank of Kenya on the implications of the reintroduction of price controls and concluded that this move would be counterproductive for the economy and only hurt the already burdened consumer. The Committee was convinced that fixing of prices of the essential commodities at the foreign currencies and due to the great decline in value of the Kenyan currency to the dollar, this has resulted in high cost of power as the forex losses are eventually passed on to the consumer.

5.1.3 High Inflation and Depreciation of the Kenya Shilling

The other reason for the establishment of the Committee on Cost of Living was the runaway inflation which had risen from 5.42% in January, 2011, 9.19% in March to 12.95% in May, 2011. The inflation rate continued to rise afterwards hitting a high of 16.7 in August 2011. The Committee was reliably informed by the Central Bank that 88% of the inflation rate in May, 2011 was attributed to changes in the prices of items in the food, transport and housing sectors.

The committee also established that the high cost of inflation without a corresponding rise in incomes has seriously eroded peoples purchasing power thus leading to many Kenyans living unbearable lives. The Committee also established that the depreciation in the value of the Kenyan currency against major currencies especially the dollar is another factor that has led to the high inflation rate contributing to the unbearable cost of living. This is because Kenya is a net importer of goods especially food products, petroleum products and manufactured goods.

The Committee during its interaction with the Central Bank of Kenya established that the other reason for the depreciation in value of the Kenyan shilling is the speculative actions of Banks especially those operating across the borders of the East African countries. The Banks were buying the dollar and selling it in other East African countries at a higher profit.

The Committee however concluded that the buck stopped with the Central Bank of Kenya in ensuring stability of the Kenyan currency. That it is the CBK which has the statutory mandate of ensuring macroeconomic stability and monetary policy regulation and that it had failed miserably in this regard.

5.1.4 Inefficiencies at the Port Of Mombasa

Interference with the KRA Simba system

Inefficiencies in the KRA Simba system substantially contribute to the cost of clearing goods at the port, hence high consumer prices. The committee established that the KRA's SIMBA system has had serious operational challenges and especially so in the month of May 2011 when it was down 60% of the time affecting operations at the Port of Mombasa.

The failure of the Simba system resulted in a number of Trucks being held at the Mombasa port for over three days even after payment of all taxes and charges. The Truck drivers were forced to sleep in the vehicles for all this time as each truck has a driver assigned to it in the system who has to deliver the goods to the expected destination. The same driver after being cleared at the port would be forced to spend some time off in order to have sufficient rest before embarking on the journey or may be forced to rush to deliver the goods despite the fatigue, since they are normally behind schedule, a fact that could be responsible to a majority of the accidents on the roads.

The frequent failures of the Simba system also delays clearance of goods at the port resulting in unnecessary demurrages which finally adds to the cost of commodities hence a heavy burden to

Transparency of the Open Tender System (OTS) of procurement of imported oil and petroleum products

The Committee established that the Ministry of Energy operates an Open Tender System for procurement of fuel by marketers into the country. The Committee noted that the system, though meant to ensure competitive bidding, has certain limitations including promoting collusion by the bidders and that it may not be very transparent as it appears to be.

Role of NOCK in stabilizing oil prices

The Committee is concerned that the National Oil Corporation of Kenya whose functions include selling petroleum products in the market with a view of stabilizing the price of fuel has failed in this key function considering that in some outlets, NOCK was selling fuel at a higher price than in some commercial marketing outlets.

Presence of cartels in the energy/oil sector

The Committee established that some marketers exercised some monopolistic tendencies thus being able to determine prices of fuel. The Committee noted that some importers of fuel were at the same time oil marketers and still operated filling stations thus controlling prices. The Committee is concerned that some marketers which controlled a large share of the market sometimes refused to participate in the Open Tender System of procurement of imports with the object of destabilizing supplies.

Reasons for high cost of electricity

The Committee after meeting the management of KENGEN, Kenya Power and the Geothermal Development Corporation (GDC) established that the cost of electric power had also risen to unprecedented levels contributing significantly to the high cost of products, which cost is eventually passed on to the consumer.

The Committee also established that the total installed capacity of electricity in the country is very small at 1,611 MW only compared to a country like South Africa with a capacity of 4,500 MW and that 48% (781 MW) of this installed capacity is composed of hydro generated power. The Committee further established that Masinga dam is the single biggest reservoir for hydro energy generation but that the rains had not been good since 2007 when it was last full, thus necessitating power rationing.

The Committee was reliably informed that as at the month of August, 2011, the country had resorted to generating most of its electricity from Thermal power which was very expensive considering that it required a utilization of a lot of fuel and fuel costs had risen thus the high cost of power. The Committee established that the highest contributor to the high cost of electricity per unit was the cost of fuel accounting for 46% of the cost per unit followed by the Energy cost accounting for 38% of the cost.

The Committee also established that the electricity generating companies had huge debts due to loans from Japan and America taken for capital investments. These debts are now paid in the also operates storage facilities. The pipeline from Mombasa to Nairobi and Nairobi to Western Kenya operates at maximum capacity but this capacity is less than the estimated demand. There are 42 oil marketing companies that participate in the importation of petroleum products in Kenya. The Committee established that the Mombasa-Nairobi pipeline (Line 1) which is the major KPC line is 33 years old and according to the June 2010 in-line inspection survey, the line is substantially corroded both internally and externally thus resulting in occasional spillages.

The Committee established that some oil marketers use the pipeline for storage of oil thus clogging the system and resulting in other ships which wanted to discharge their cargo to incur unnecessary demurrages, which costs are subsequently passed on to the consumers. The Committee further established that some oil marketers imported products before their turn and kept them in the sea for speculative purposes. A visit by the Committee to the KPC Kipevu Oil Storage Facility in Mombasa established that there were two ships at the port belonging to Kenol-Kobil (they had the OTS for May) that had brought in oil consignments before their required dates and with the knowledge that they had not been allocated the ullage (space in pipeline) for that time.

The Committee also established that the oil industry stakeholders had met at a meeting convened by the Minister for Energy on 20th May, 2011 at the KJCC where they resolved among other issues that the marketers be allowed only upto 14 days within which they can store domestic use products in the pipeline and 30 days for transit cargo. The Ministry of Energy was also required to immediately introduce legislative measures to enforce these requirements including imposing stiff penalties for any player who violates the rules.

Effectiveness of the ERC Price Cap regulations

The Committee found out that the current oil prices are determined by ERC through a formula gazetted by the Minister for Energy in December 2010. From the public hearings with Kenyans away from Nairobi it was clear that the oil price regulation has changed the dynamics of fuel price such that fuel is currently more expensive in Rift Valley and Western parts of the Country than in Nairobi unlike the situation prevailing before the oil price controls were put in place in December 2010.

The Committee also noted with concern that since the ERC price cap policy was introduced, the retail pump prices of fuel have been increasing every month raising the question of whether they were serving their intended purpose. The committee established that cartel like tendencies exist among the oil marketers resulting in occasional shortages as was witnessed in the 1st week of May 2011 when petrol stations ran dry for a week. Given that there is no fuel price control in neighboring countries like Uganda some marketers would opt to sell their oil products in such countries to make better profits while starving the Kenyan market where margins were capped at Ksh.9 as at that time. It was also established that some marketers which controlled a large market share abstained from participating in the Open Tender System resulting in the shortage of oil supplies.

The Committee therefore concluded that the ERC price cap regulations were not working to the benefit of the consumer and needed urgent review.

The Committee noted that as a result of lack of a strategic oil reserve, marketers purchase oil at low prices and keep it with the hope that prices will increase before they unload the oil cargo at the port at the higher prices. The Committee further established during its visit to the Kipevu Jetty on 4th June, 2011 that there were four ships in the seas waiting to discharge oil belonging to one marketer.

The Committee however noted that the supply constraint was a global issue considering that the United States of America was experiencing the same challenges and the President Obama had ordered a release of millions of litres from the Strategic Reserve to beef up the supplies and that if Kenya had established one, then the country would be able to manage such challenges.

Inefficiencies of the Kenya Petroleum Refineries Limited (KPRL)

The Kenya Petroleum Refineries Limited is a state corporation licensed by the Energy Regulatory Commission under the Energy Act. The Refinery processes crude oil on behalf of Kenyan oil marketers based on their local market share. The Committee established after meeting with the oil industry stakeholders including the management of KPRL and touring the facility in Mombasa that the refinery's inefficiencies was contributing to between Kshs.5-10 shillings on a litre of petrol.

The Committee was informed that since 1974, the Government had not channeled any investment to the refinery and most of its machinery had aged contributing to the high cost of production yet KPRL produces 38.9% of the national demand of Fuel. The Committee however learnt from the data computed by the ERC that in January to April, 2011, KPRL's products were more expensive than imported refined products by Ksh 2-4 per litre while in May 2011, products from KPRL were cheaper than imports by Ksh 1.00 per litre indicating that the refinery could just be a good investment if well managed as a national strategic asset.

The Committee further established from the Minister for Energy and KPRL management's own admission that the company was not economically viable in the current state and unless the planned upgrade and modernization is undertaken on time, then it would be prudent for the government to shut down the company. The Committee also established that the refinery faced challenges relating to frequent power blackouts as they relied on the national grid for the same resulting in interruptions in product supply and water supplies disruptions. The Committee was however informed that the strategic partner, Essar which owned 50% of the refinery had already provided USD 3 million(3,000,000) which was 50% of the funds required for upgrade of the refinery.

The committee also heard that the jetty currently in use is also aged and beyond its lifespan resulting in occasional closures due to structural faults. The lack of a second jetty to be used for berthing of petroleum ships is another great challenge at the port which results in ships incurring extra demurrages which then pile up to push up the cost of final oil products to the consumers.

Challenges facing the Kenya Pipeline Company

The Kenya Pipeline Company (KPLC) is a state corporation jointly owned by the Government of Kenya under the Ministry of Energy, strategic investors and the public through Nairobi stock exchange. The primary mode of transport for fuels in Kenya is through the pipeline, though KPC

5.1.2 Energy

When the Committee on Cost of Living was formed in May, 2011, the retail pump price of petrol was Ksh.115.35 in Nairobi and all indications were that it would continue rising. The Committee on 26th May met oil industry stakeholders in Nairobi among them all the major marketers and the industry regulators to establish the reasons for the sharp rise in oil prices.

The Committee established that the unprecedented high petroleum pump prices in the country were caused by factors both within Kenya's control and some beyond the country's control some of which are discussed below:

The Supply constraint and International price of petrol

The Committee established that the demand of fuel in the global market had risen as a result of the economic recovery after the global economic meltdown of 2009/2010 and the demand from the highly industrialized countries like China and India. The supply of the commodity was also affected by the unrest in the North African region and the Middle East and the war in Iraq.

The international crude oil prices had also increased gradually from January, 2009 but the increase accelerated between January and April 2011. In May, 2011 when the international price of crude oil was USD 112.848 per barrel, the price of petrol was Ksh.115.35 and diesel was Ksh.108.20 compared to the price of the same in July 2008, when the international price of crude oil was USD. 137.35 and super petrol was then trading at Ksh.109.50 per litre. The Committee however established that the retail pump price from May, 2011 was at a higher price than during past challenges. The Committee further heard that increased freight cost due to pirates' activities in the Gulf of Eden has contributed to the high cost of the final oil products.

Depreciation of the Kenya shilling relative to the U.S dollar.

The Committee established that the imported petroleum products are paid in US Dollars yet over the period from April when the shilling was trading at KES 83.49 to the dollar, it has been depreciating in value hitting the kshs. 95 mark for most of the July and August 2011. By the end of day on 28th September, 2011 when the committee was writing its report, the shilling was trading at a low of Ksh.104 against the Dollar.

Lack of Strategic Oil Reserves

The Committee noted that the international price of crude oil is volatile and the supply of the important commodity is not certain. The Committee further established that the country lacks a strategic oil reserve to cushion the country against supply fluctuations and the volatile global prices, a fact that has been responsible for the frequent increase in oil prices when international prices increase.

The Committee established that there is no legal provision on the amount of oil reserves the country should have at any one time and despite statements by the government that it intended to establish a 45 day strategic reserve nothing had been done to implement this plan.

c) The Committee further established that the NCPB buying centers were at very long distances from farmers and thus the high cost of transporting their maize to the NCPB discouraged them from doing so hence exploitation by middlemen who came for the maize from the farms.

Lack of a Platform for farmers to engage-Resuscitate the Kenya Farmers Association

- The committee established that farmer's problems have been aggravated since the collapse of strategic institutions such as; the Kenya Farmers Association (KFA) and National Milling Corporation among others. KFA was instrumental in helping the farmers to access farm inputs and market their products as it had depots in all grain growing regions and in the remote parts of Kenya unlike the NCPB where these services were dispensed.
- The Committee established that KFA owed huge debts to the Barclays Bank of Kenya and National Bank of Kenya which were as a result of mismanagement. The Committee however noted that a Motion moved by its Chairman on 17th August, 2011 requiring the Government to write off loans owed by KFA to NBK had been adopted by Parliament and supported by Government and was hopeful that the Ksh.1.3 billion the Government agreed to advance KFA would be done promptly to revive the institution.

Availability of Certified Seeds

a) The Committee established after meetings with maize farmers and the Kenya Seed Company Limited that there had indeed been a shortage of certified seeds in the country in the year 2010 and during the 2011 planting season.

b) The Kenya Seed Company admitted to having supplied 15% less than the normal capacity. This is because the Kenya Seed Company which is mandated to develop these seeds had made a wrong strategic decision to cut down seed production in the last three years of 2008, 2009 and 2010.

c) The Kenya Seed Company further lacks sufficient land on which to grow seeds as it has to hire from private farmers who sometimes decline to grow seeds due to the low returns of the seeds. It was further established that the Kenya Seed Company had enough money to purchase huge tracks of land and had decided to purchase the 1,800 Gatatha farm in Kitale to enable them grow their own seeds but this was hampered by the bureaucratic decision making process which required the authority of Government before such a move could be executed.

Over reliance on rain fed agriculture

The Committee established that the government had concentrated irrigation agriculture in arid and semi arid areas where farming was not the main economic activity of the area and ignored those traditional bread baskets of this country which are left to rely on rain that is sometimes erratic as had occurred this year, 2011 resulting in crop failure.

Kenya a grant of 4,000 bags of maize which was in the high seas and that this maize is normally sold to recoup the cost. The Committee recommended that the government considers selling this maize to educational institutions to cushion them against the high cost of maize and possible early closure of schools.

The Committee noted that the factors discussed below had also contributed in one way or another to the scarcity of maize or the high cost of the commodity:

Availability of Extension Services to farmers

a) The Committee established that farmers no longer receive education or sensitization from agricultural officers as was the case before resulting in low crop yields. The Committee established that the Government has left farmers themselves to decide what farming methods to use, the type of seeds appropriate for each season, the type of fertilizer to apply to the crops and the fertilizer mix appropriate for the soil type, a factor that has greatly affected the product yield per acreage of land hence the food insecurity.

Availability of farm Inputs to farmers at affordable prices

a) The committee established that the costs of farm inputs are very high for all cereal farmers. This cost accounts for a big part of the final output cost. The cost of fertilizer was a major concern to farmers as it was very high. As at May 2011, the Government through the NCPB was selling DAP at Ksh.3,600 and Urea fertilizers at Ksh.2,800 while the same were being sold in the market at Ksh.4,200 and Ksh.3,200 respectively. This made farmers who could not afford these fertilizers to plant without using the same hence the low crop yields expected in 2011.

b) The Committee noted that the cost of ploughing and harrowing land was prohibitive considering that the price of diesel was always rising and cost of hiring a tractor was also high, factors that discouraged the farmers from using these effective methods of farming.

Inefficiencies of NCPB

a) The Committee established after meeting with the NCPB management and Treasury that the Government usually releases funds to the NCPB late when farmers have already harvested and middlemen have already began exploiting them. The said funds are usually released in small batches which are not adequate for the NCPB to mop up surplus maize in the market. The Committee also established that one other challenge the NCPB faces is the fixing of prices at which the Board purchases or sells maize from farmers and to the public. This price setting is through a rather bureaucratic process and sometimes the price at which the Board can purchase maize is far much lower than the market price thus discouraging farmers from selling maize to the NCPB.

b) The Committee investigations also revealed existence of corruption and cartel like tendencies at the NCPB where the Board rejected the maize delivered by some farmers on grounds that it had a high moisture content but when a middleman buys the same maize from the farmer and sells it to the Board it is accepted. Interaction with farmers and members of the public also revealed that the subsidized fertilizer from NCPB is usually sold to a few people who are not even farmers who then sell the fertilizer to farmers at higher prices contributing to the increased cost of production.

was retailing at Kshs 110 in Kitale, Kshs 105 in Eldoret and Kshs115 in Kisumu and Ahero towns. These are the highest prices for maize in years, making it highly doubtful that farmer would hold onto their maize in the face of such incredibly good returns, especially when one considers that at harvest time prices averaged Kshs 800 for a 90 kg bag. Whatever little stocks farmers were holding was merely for their domestic use. The Committee did not come across any discernible proof that farmers or maize traders were hoarding maize.

e) Subsequent visits and public hearings by the Committee to Bomet and Narok on 24th July and 25th July respectively established that though the South Rift region was harvesting maize, the harvest was way below the normal yield by over 40% as the region had suffered crop failures due to failure of rain during the planting season and lack of availability and poor quality of seeds. Maize was still trading at between Kshs. 100 – 110 and the price was not expected to drop further.

f) Visits to millers in various parts of the country reinforced concerns that there was a looming shortage of maize. Unga Millers in Eldoret had maize to mill for only 8 days as at Friday 27th May, 2011. United Millers in Kisumu had already shut down their maize milling business as at Monday 30th May, 2011 due to maize shortage. Mombasa Maize Millers were operating at 30% capacity and were only being sustained by the little maize trickling in from Uganda and Tanzania in the face of negligible local supply, and as at Friday 3rd June, 2011 they had maize stock to last no more than 3 days of milling.

g) The Committee established that while importation of maize may seem to be the only route out of this conundrum, it was important to note that the Committee also established that the international maize market was also constrained with prices equally high, and so importation would only stabilize supply but not reduce cost. Regionally, Malawi and Zambia were said to be the only countries with non GMO maize but the local millers were of the view that logistics of importing from there posed great challenges and the landed cost would be prohibitive. The Committee established that the maize that would be most accessible as at June 2011 on the international market would be from South Africa - but that would in all likelihood be Genetically Modified (GMO) stocks. Government would therefore need to decide whether or not to import GMO, and of course duly inform Kenyans of that decision. South Africa was supplying Mexico with maize as the US maize market was also constrained. Yellow maize was however available on the world market and the government could consider that as another option.

h) The Committee further established that when school Boards of Governors made budgets at the beginning of the school year in January, 2011, maize prices averaged Kshs 1,800. With this doubling to over Kshs 3,600 in just five months, budgets of boarding schools were thrown into a spin, leaving the institutions facing the very real risk of early closures. As it were, many boarding schools closed early during the second term (July/August 2011) and some increased the fees for third term to cover the deficit casting a further burden on the parents.

i) During its meeting with the management of Grain Bulk handlers Limited and a subsequent meeting with the Head of Public Service and Secretary to the Cabinet, the Committee established that the Government of Japan had given the Government of

5.0 ANALYSIS OF FINDINGS

5.1 Issue-Specific Analysis

5.1.1 Cereals Sub-Sector

a) The Committee after visiting the breadbasket Counties of Uasin Gishu, Trans-Nzoia, Narok and Bomet established that indeed the shortage of maize in the country was serious and that the problem would persist until the end of this year, 2011. This is because the rains had failed during the planting season in March after the farmers had planted as a result of which many crops had dried up. Furthermore, the farmers did not access the maize seeds on time and the seeds on offer from the Kenya Seed Company were of a variety that they were not accustomed to thus many ended up planting seeds from their past harvests/recycled seeds.

b) Discussion with farmers in Eldoret, Kitale, Narok and Bomet also disclosed that fertilizer for planting (DAP) from the NCPB stores reached the farmers late when they had already planted and thus the expected harvest would be far much below the normal yield. The Committee also established that many small scale farmers could not access the subsidized fertilizer from NCPB even after paying for it as the large scale farmers usually purchased all of it and that some cartels existed which bought the fertilizer from NCPB at the subsidized prices and sold it to farmers at high prices.

c) A spot check at the National Cereals and Produce Board (NCPB) Eldoret depot conducted by the Committee in the company of the NCPB top management on Friday 27th May, 2011 confirmed that the board was holding a total maize stock of only 3.2 million bags as Strategic Grain Reserve (SGR). This maize was way below the required threshold of 4 million bags of maize in the SGR and could not therefore be sold commercially to millers or the public as the commercial stocks had been exhausted and part of the stock was meant for famine relief for the drought stricken areas. The Committee was reliably informed that the country consumes approximately 3 million bags of maize a month and even if the NCPB was to release all the maize in its stores, it would only feed the country for one and half months.

d) The Committee made impromptu visits on Saturday, 28th May, 2011 to two warehouses belonging to major maize traders in Kitale – Kitale Main Millers and Shalom Enterprises, to establish the levels of their maize stocks and whether the traders were getting any substantial amount of maize from local farmers. The Committee found that Kitale Main Millers had a stock of 5,000 bags of maize against a capacity of 15,000 bags, all of which had been sold and was being packed for transportation to the owners, while Shalom Enterprises had 3,000 bags against a capacity of 10,000 bags. Each was operating way below their capacity. Both traders indicated that they were offering farmers the unprecedented high prices of Kshs. 3,400-3,600 per 90kg bag of maize but were categorical that even at that price, there was very little maize trickling in from local farmers. They were now getting maize beyond the country's boarders - in Uganda and Tanzania yet Tanzania still had the embargo imposed on exportation of maize. It was further established that in the same period that a two-kilogram tin of maize (gorogoro)

vi) The salary of majority of Kenyans has remained the same yet price of essential commodities has risen so much thus the need to raise salaries of employees to be commensurate with the increase in commodity prices.

vii) That the expected Port of Lamu should benefit the local communities and the locals should be involved in discussions and decision making on issues to do with this port so as to promote buy in and support by the locals.

viii) There is need for the government to invest in irrigation to ensure farming activities take place throughout the year so as to ensure food security as there are many untapped rivers at the Coast.

ix) The road to Lamu from Mombasa is in a deplorable state thus contributing to high transportation costs which then contributes to the high cost of commodities.

x) Lamu lacks a recreation centre for children to play as land has been grabbed by private developers including Fish landing sites which have been grabbed by people. The government should revoke titles to these illegally acquired parcels of land.

xi) That the people of Lamu should be allowed to harvest mangrove forests for commercial purposes.

xii) That the people of Lamu do not have title deeds to lands yet these people are traditionally farmers.

xiii) That the Government brought members of the Kikuyu community at Mpeketoni and assisted them to undertake farming activities. Further the government has in a discriminatory manner developed infrastructure in the area to the exclusion of Lamu thus marginalizing the indigenous people of Lamu. For instance, the hospital in Mpeketoni is better equipped than the King Faad Memorial hospital which is the district hospital in Lamu.

xiv) That insecurity in the area is high and the Government was not interested in providing security in the area thus threatening the only economic activity in the area; tourism. That Al Shaabab militia from Somalia had been allowed to roam freely in the county threatening people and tourists and discouraging business activities.

c) That farmers in the North Rift would be harvesting wheat starting in October and that the Committee should help it lobby the Government to release funds to it early to enable it purchase the wheat from farmers early to reduce exploitation by middle men.

The Kenya Seed Company representative who was present explained that this year, the Kenya Seed Company had planted enough seeds and therefore they will not have any shortage.

The representative of the Agricultural Finance Corporation had this to say:

a) That AFC's role is to ensure that farmers have adequate capital to undertake farming and that during the current year, 2011, AFC had advanced about Ksh. 160 million to wheat and maize farmers.
b) That a big challenge in farming was lack of market linkages and linkage with NCPB that would ensure that when farmers have harvested, they could be given farm inputs like fertilizer and seeds against the grain delivered to NCPB.
c) That farmers who have debts owing to AFC and have problems repaying due to genuine reasons should visit AFC and discuss with them how they can pay later to avoid auction of their property.
d) That the AFC also has funds to finance value adding activities to the farmer which is rarely utilized.

4.0.17 Lamu Public Hearing

On 17th September 2011 the Committee held a public hearing in Lamu at the Lamu Fort. The object of the Lamu hearing was to understand the effect of the land tenure system in the area on cost of living and how the locals expect the Government to address the same and further why there are squatters in Lamu, 40 years after independence yet the Constitution provides for various land tenure systems which can benefit the locals. The following views were received from the public:

The Committee heard that;

i) In the month of August, the Committee on Lands visited Lamu to investigate the land question and the people of Lamu gave their views including memorandum on what they felt the government should do and that they now needed feedback and not another parliamentary committee.
ii) The government forcefully removed the local community (the Bajuni) from their lands on the pretext of them being shifta militia and brought in foreigners (mostly Kikuyus) to their lands and that the land in Mpeketoni from which the local communities were evicted was divided into schemes of which 90% was allocated to foreigners (Kikuyus) and only 10% went to the local communities.
iii) The government has been discriminating against the local communities in land allocation as it gave Allotment letters to the locals and only gave them 90 days to process titles or else it takes back the land which it then allocated to foreign communities.
iv) The government should introduce price controls to cushion Kenyans from the high prices at which essential commodities are sold to them.
v) Sugar from Somalia which has an unstable government gets to Kenya through the Kismayu border at a far much cheaper price than sugar produced locally.

g) That the Government should restrain from zero rating imports of wheat and maize at harvest time.
h) That farmers lacked storage facilities for their grains after harvest which made them vulnerable to sell their maize cheaply after harvest.
i) The Government should develop and implement measures to prohibit harvesting of green maize as this was contributing to food scarcity in the country.
j) That loans owed to AFC by farmers keep earning interest even after farmers have delivered maize to the NCPB. There is need for AFC and NCPB to coordinate so that AFC stops charging interest afer the farmer delivers maize to NCPB.
k) That Guaranteed Minimum Returns was stopped in 1979 yet it was encouraging farmers to grow food crops. There is need for the Government to reintroduce GMR and insurance against crop failure.
l) That there is a reason why the Agrarian Revolution preceded the Industrial Revolution as no country in the world can be successful without being able to feed its population. There is thus need for the government to invest more in the Ministry of Agriculture in order to ensure the country is food secure.

The Chairman of the Committee and the other committee members present responded as follows:

a) That he had promised to push for revival of the Kenya Farmers Association due to its importance to farmers and that he had moved a Motion in Parliament urging the Government to allocate Ksh. 1.3 billion to the Kenya Farmers Association for its revival which Motion was discussed and adopted by parliament on 17th August, 2011
b) That after meeting farmers in Narok, many of whom had taken loans from AFC for maize and wheat production and had been unable to repay the loans because their crops had failed and AFC had written to them threatening to auction their farms, the Committee resolved to move a Motion urging the Government to allocate Ksh. 2 billion to AFC to undertake its work and also urging that AFC waives the loans or interest on loans owed by the farmers. The Chairman however requested the farmers who have AFC debts to go negotiate with AFC so that the repayment schedule can be adjusted.
c) That the Committee will seek to secure the interests of the dairy farmer until the question of the property and assets of the farmer in the New KCC are ascertained. He assured the farmers that the Committee would be filing a Motion in Parliament seeking to stop privatization of the New KCC until the status of assets and shares of farmers therein are determined.
d) That there was need for structured engagement between the Government and farmers akin to the Prime Minister's Round Table with Private Sector to ensure that the policy formulators and implementers come up with laws and policies that are in sync with current happenings.

The Regional Manager of NCPB stated as follows:

a) That the Government had increased the price at which the NCPB would buy maize to farmers to Ksh.3,600 which was a good price and he urged farmers to take their maize to NCPB as it now had money to purchase the maize.
b) That the Warehouse Receipting System was a good policy and that farmers were encouraged to adopt it. However, that the NCPB management would be visiting farmers to explain to them how the system works and its benefits.

n) The contractors employed to undertake CDF projects were doing poor quality work especially concerning road maintenance thus wastage of funds.
o) That Kitui County has a lot of sun which the government could harness to produce solar energy and therefore reduce cost of electricity. The government could do this by subsidizing cost of solar panels to members of the public in the County.
p) That the Government needs to plan and develop a proper supply and distribution framework to ensure surplus food produced in one part of the country reaches the parts which are deficient.
q) That Kitui County has a number of mineral resources including lime in Mutomo, coal, iron ore at Ikutha and precious stones and yet the Government had not established or facilitated establishment of any industries in the area to create employment opportunities.
r) The youth who had reached 18 years lacked National Identification Cards
s) The Government should regulate prices of essential commodities like food.
t) Management of the Kazi Kwa Vijana program was poor as many young people who had done work have never been paid.
u) The Government should establish a mango factory in Kitui Central because during the harvest season, many mangos get spoiled in farms.
v) The hospitals in the County lack essential medicines thus increasing cost of medical care.

4.0.16 Eldoret Meeting with Kenya Farmers Association

The committee held a public hearing in Eldoret for the third time at the Eldoret Sports Club on 5th September, 2011 but this time the target was farmers from Uasin Gishu, Trans Nzoia and Nandi Counties who are affiliated to the Kenya Farmers Association.

The main object of the meeting was to give the farmers a feedback regarding progress of revival of Kenya Farmers Association as discussed during their meeting with the Kenya Farmers Association held on 18th August, 2011 at the NCPB Hall in Eldoret. The farmers raised the following issues:

a) That National Bank of Kenya (NBK) and Barclays Bank of Kenya (BBK) are the greatest creditors of Kenya Farmers Association and their request is that the loan to NBK be written off as NBK had also been salvaged by a loan from the Government which was basically tax payers' money.
b) That Kenya Farmers Association has shares in Kenya Seed Company but now Kenya Seed Company Limited sells seeds to farmers through agents and these never get to the farmers
c) That payment of maize delivered to NCPB by farmers delays too much yet when the Government is required to import maize, it releases money very fast. Furthermore, the NCPB does not give fertilizer to the farmers who are awaiting payment of their maize unless they pay in cash.
d) The Government should renew leases for assets of Kenya Farmers Association and waive the rates owed to county councils by the KFA.
e) That the KFA used to provide farmers with farm inputs like seeds, fertilizer, diesel and tractors and also assisted them in harvesting of crops, keeping the harvest and then selling the same when the price is good.
f) That loans owed to AFC by farmers should be written off since most of them lost their produce in the 2007 election violence and the crop failure due to the drought and rain failure afterwards

27. Lokichar has about 6,000 internally displaced persons, some from the 2007 elections and some as a result of rustling and insecurity from neighboring communities who are yet to be resettled.
28. The Government had disarmed the people of Turkana and failed to disarm their Pokot neighbors thus encouraging the frequent raids aimed at stealing their livestock.
29. That the Government should decentralize food relief stock centers instead of all of it being centered in Lodwar to reduce corruption and to ensure it reaches its target...

4.0.15 Kitui Public Hearing

The committee held a public hearing in Kitui, at the Multipurpose Hall on 12th August, 2011. The Committee toured Kitui as it wanted to get views from the people of Ukambani who are most of the time affected by famine and have to depend on relief food. A total of 30 people gave their views to the Committee and said as follows:

a) That for two seasons now, rains had failed causing crop failure hence the area was experiencing serious famine and thus required food relief from government.
b) That the cost of fuel had risen to very high prices contributing to the high cost of essential commodities.
c) That the area has a severe shortage of water for drinking and for other domestic chores. That the people of Kitui buy water at Ksh. 20 per 20 liter jerrican indicating the severity of the situation. For this reason, Economic Stimulus Program like establishment of fishponds in the area had failed since they lacked sufficient water.
d) That the whole of Kitui County lacks a stadium or recreational facility to develop youth talent yet the region has produced some of the greatest footballers and football coaches in the country like 'Ghost' Mulee and Francis Kimanthi.
e) That although two perennial rivers; Tana River and Athi River pass through Ukambani, the waters have not been harnessed for irrigation purposes thus leading to food scarcity. The government should therefore support irrigation projects in the area to ensure food security.
f) That there is a seasonal river in Kitui which could boost food production yet people are not allowed to grow crops around the river.
g) The Government should complete development of Umaa dam in the region and develop more dams to facilitate irrigation in the county.
h) That the people of Kitui have been marginalized in sharing of resources as the government has ignored development of infrastructure especially roads in the region. For example, there is no tarmac from Kitui to Mutomo and the road from Kibwezi to Kitui, a class B road is in a dilapidated condition thus increasing transportation costs.
i) The Government should subsidize food prices to cushion consumers from the high prices.
j) Government should consider subsidizing cost of fuel especially diesel which is used by tractors in order to reduce cost of production.
k) That Members of Parliament should pay taxes on all their incomes like all other Kenyans so as to avail funds for social programs.
l) That the pastoralists who were dying of hunger should be sensitized so that they can eat their animals during times of drought and famine.
m) That Constituency Development Funds (CDF) were being misused and the local communities were not involved in identifying the projects to undertake.

14. One resident wondered whether the Government really existed and if indeed it did whether it had ears as the people of Lokichar have been called to meetings by the District Commissioner severally where they have given their views on what the Government should do to address their plight but they have never gotten feedback whether positive or negative thus begging the question whether the Government would come to the aid of the Turkana people just like Jesus Christ came when he was not expected.
15. That many school going children were absenting themselves from school because the distance from home to schools is very long and sometimes they have to join their parents in search of food and water. There was a proposal therefore that the Government should convert all primary schools in Turkana into boarding schools and revise fees for primary schools according to the needs and ability of the parents.
16. That weather prediction by the Meteorological department was not accurate thus making the locals not able to plan accordingly.
17. The number of teachers in Turkana County was very small thus the ratio of teachers to students was very little affecting quality of education.
18. That the Turkana people have always been marginalized and even in representation, though the county is big (77,000 square kms), they only have three Members of Parliament and the Government had withheld census results of the area in furtherance of this marginalization. The people vowed not to allow the Ministry of Planning to repeat the population census in the area and instead demanded that the Government releases the results of the 2009 population census.
19. The road between Lodwar and Kitale is very poor and insecure and chances of travelling from Kitale to Lodwar without incident is 50% and furthermore, transporters and traders who bring in goods pass on the extra cost caused by the poor state of the road and insecurity to the consumers.
20. Some NGOs seem to have a monopoly in Turkana and are using the Turkana community and other marginalized communities like Somalis as conduits to raise funds in Kenya and enrich themselves and the interest of the common man was not one of their key objectives. That the Government should allow other NGOs with good intentions to come operate in Turkana.
21. The Government should implement a plan aimed at compensating the people of Turkana of the livestock they lose due to rustling and also assist them in restocking after the famine.
22. Most land in Turkana South and the larger Turkana is trust land and the locals do not have titles to these lands thus cannot use them as collateral for loans.
23. The Government school feeding program should be implemented even during the time when schools have closed.
24. There is no electricity in Turkana yet there is power generated from the River Turkwell. In Turkana people use kerosene lamps which are a health hazard and the kerosene is expensive. That if electricity was provided and lighting improved, even cattle rustling would end.
25. That there are two permanent rivers in Turkana: River Turkwell and Kerio and several seasonal rivers and if the Government invested in irrigation, then Turkana area would be food secure.
26. School dropout rate in Turkana especially the girl child is high due to poverty and these girls end up participating in immoral activities in order to earn a livelihood, many of them dropping out due to early pregnancies.

4.0.14 Lokichar Public Hearing

The committee held a public hearing in Lokichar at the Turkana South DC's Offices on 30th July 2011where a total of twenty people gave their views to the Committee raising the following issues and recommendations:

The committee heard that:

1. That Drought is one of the greatest problems facing the people of Turkana resulting to many people dying of hunger.
2. That there was lack of medicine for their livestock hence most of them die of diseases.
3. The rains had failed in the area for the past one year and therefore they had no water for domestic purposes, for livestock and for farming exacerbating the famine.
4. That distribution of relief food was being undertaken unfairly as only a small percentage of the needy population was receiving the food and in small and inadequate quantities. That food is distributed according to the population counted per homestead yet the non-governmental organizations take down less than the number of people in the homestead thus bringing less food.
5. Insecurity in the area was high and that people were under constant attacks from the neighboring communities especially the Pokot and even the police officers sent to provide security are overpowered and killed by the Pokot bandits. That attacks on security officers in the area by civilians from neighboring communities were on the rise and this was scaring policemen from coming to work in Turkana.
6. The roads to Lokichar and to the remote parts of Turkana like Kalapata and Lokori are in deplorable condition thus preventing access of relief food and medical supplies to the people.
7. The main economic activity of the Turkana people is livestock rearing yet most of their livestock have died due to diseases, drought, and the remaining ones taken away by cattle rustlers.
8. That most of the land belonging to Turkanas had been grabbed by their Pokot neighbors and the locals now lacked adequate land for grazing their animals. Thus there was need to demarcate the land and clearly indicate the boundaries of the land of Turkanas from that of their neighbours.
9. Most of the land in Turkana South is dry and the soil is not arable; for example the land between Lodwar and Lokichar is not suitable for growing anything as the soil is poor and there is no water.
10. There are very few Turkanas who are educated because in the past, they had a lot of livestock and this made the people assume that they were food secure and therefore did not think taking their children to school was important. The few who are educated and have stable employment therefore have to cater for many other dependents from their extended families.
11. The Kenya Police Reservists are not paid and thus are demotivated and also have weapons that are inferior to those of bandits and rustlers thus not providing adequate security.
12. Dependence on relief food by the local communities was preventing them from venturing in income earning activities contributing to the high poverty in the area.
13. Veterinary services in the area are not adequate yet the people are pastoralist and the services available are expensive and not affordable for the locals thus the people request that the government should provide or subsidize these services.

At the meeting, a total of twenty people drawn from livestock farmers, traders, teachers, women representatives, elders, youth representatives, NGO employees and other government officers spoke at the meeting and below is a summary of the issues the participants raised: that

a) The mainstay of the people of Lodwar is livestock rearing and yet there was no veterinary services for the livestock and the one stocked by private pharmacies was too expensive and hence beyond the reach of many locals resulting in the animals dying from diseases.
b) The distribution of relief food delivered by the Government and most aid agencies was poorly coordinated thus the food was not reaching remote areas of Lodwar which is affected by the drought and further that there is rampant corruption in the provincial administration especially in relief food distribution thus the food does not reach the intended target.
c) Insecurity is high in the larger Turkana area caused by combatants from neighboring countries of Ethiopia, South Sudan and Uganda resulting in high commodity prices due to the risks involved and the high cost of transport.
d) There is shortage of drinking water forcing families to travel long distances in such of the water for human and livestock consumption.
e) Cattle rustling are rampant in the area with the Turkana's losing large numbers of their livestock to neighboring communities like the Pokot and Toposa as a majority of them had surrendered their guns to the government and yet the government was not providing them with adequate protection.
f) The Government had disarmed the Turkana community alone leaving their neighboring communities especially the Pokot still armed thus exposing them to danger of attacks.
g) There is high unemployment in the county hence the few who are employed have so many dependents contributing to the high poverty levels.
h) The cost of fuel in the area is among the highest in country resulting in high transport costs.
i) Residents were concerned that despite the area hosting the River Turkwell power generating plants which contributes hydroelectric power to the national grid, the area does not have electricity.
j) The larger Turkana area has poor infrastructure especially roads and the main road linking Lodwar to Kitale is in a deplorable situation leading to increased transport costs and hence high cost of living.
k) The Turkana IDPs have not benefited from the funds provided by Government which is meant for resettlement of IDPs or relief food given by government is very little and does not feed all the people thus causing more conflicts.
l) That the National Youth Service (NYS) vehicles used for transportation of food lack fuel most of the time thus the food does not reach all the people targeted.
m) That Government should consider introducing price controls for basic commodities to cushion the poor against the high prices.
n) That the Government should focus on irrigation and ensure that any NGO coming to do projects in Turkana should first of all invest in irrigation and consider tapping into the existing natural resources in Turkana particularly solar energy as the area has plenty of sun.
o) The Committee response was that the area residents should be vigilant to ensure that the Provincial Administration remains transparent and accountable in distribution of food and should report any pilferage or theft of the same,

- The implementation of the new Constitution should be speeded up to ensure devolved Governments start functioning to spur development of Narok County
- The District Development Committees (DDCs) should be revived in Narok to help the local farmers. Njaa Marufuku progarmme funds are misused and they don't assist the Maasai people.
- That Corruption in Government was too much and that is why services are not reaching majority of the Kenyans.
- Government should issue farmers with title deeds so as to enable them access loans.
- Government should allocate NCPB with enough money to buy cereals from farmers during harvest. Strategic Grain Reserve must also be increased and expanded to include other grains like wheat and beans, not just maize.
- Food security is equal to national security and the farmers do not have information regarding farming and even weather patterns and education to ensure they are carrying out quality farming. Extension services should be revived to enable farmers to get knowledge of proper farming methods.
- Government should stop aiding traders to import farm produce since there is enough capacity to produce in the Country. It should instead focus on making the country to be able to produce enough for its consumption.
- There are no adequate health facilities in Narok.
- There has been constant increase in price of basic commodities. It was estimated that 60% of people's budget is used on food because of the high cost of living. There was a proposal that the Government should regulate market prices of essential commodities to avoid exploitation of consumers by traders.
- There was a concern that the Maasai culture is being misused. Many tourists dress in Maasai attire and even Kenyans of other tribes pretend to be Maasai for financial benefit.
- The farmer should be respected and treasured just like it is in Europe and America where they are protected by their Governments and even given subsidies. Here in Kenya the farmer has been neglected by the Government and has been left at the mercy of middlemen and cartels. Farmers should be offered a guaranteed minimum return on their produce to ensure that they always benefit from their farming. In this regard, an Act of Parliament should be enacted to protect farmers.
- All needy school going children in Narok should be able to receive bursaries from the government and the amounts need to be increased to be meaningful.
- The price of petroleum products has increased sharply causing the general cost of living to shoot up beyond the means of common persons. The government must therefore consider diversifying to other sources of energy like solar, biogas, etc.
- Banks interest rates are too high and this discourages most farmers from taking loans. These should be revised downwards to encourage more farmers to take up loans to engage in large scale farming.
- The exchange rate of the Kenya shilling to the US Dollar is also very high and the government should step in to regulate it.

4.0.13 Lodwar Public Hearing

The committee held a public hearing in Lodwar County Council Hall on 29th July 2011. The Committee visited the area during the period when drought had ravaged the area and media reports had indicated that a number of people had died as a result of famine and many more were in danger of dying as a result of the same.

potatoes is selling at Ksh.30. The Government should also write-off farmer's debts / loans or compensate them when there is drought and crop failure as a result.

q) It was suggested that since boarding schools are closing early due to food shortage, the Government should provide schools with relief foods or scale up the school feeding program.

r) Tea Cess should be reintroduced by the government to help maintain the infrastructure in Bomet.

4.0.12 Narok Public Hearing

On 25th July 2011 the Committee held a public hearing in Narok County Council Hall. The Committee visited Narok because it was interested in getting the views of wheat farmers and livestock keepers on how the status of the economy was affecting their cost of living. During the meeting, the Committee received views from maize farmers, wheat farmers, tourist stakeholders, area councilors, the area MP and general residents of Narok. The following views were given by the participants at the meeting:

- That Agricultural Finance (AFC) Loans were a big burden to farmers and needed to be written off by the Government just as was done for coffee farmers. This is because they had experienced crop failure due to bad weather and the AFC was now threatening to sell their assets.
- That farm inputs were very costly especially diesel fuel which is used to run farming machines such as tractors. Fertilizer was also beyond the reach of many and the seeds and fertilizer distributed by NCPB got to the farmers late when they were no longer needed. This resulted in farmers recycling harvest seeds which led to low crop yields.
- Farmers stated that the Kenya Farmers Association (KFA) had played a big role in assisting farmers during the time of its existence. That the KFA had centers in many places closer to the farmers thus facilitating distribution of farm inputs.
- The bad state of roads is hurting the economy of the county, particularly the road leading to Maasai Mara is killing the economy of Narok especially Narok South. The locals requested that Maasai Mara reserve being a major tourist attraction in Kenya, should be fixed as a matter of urgency. Equally, the Narok - Nakuru road should be repaired to ensure transportation of produce like maize and wheat is done and able to reach other parts of the Country.
- That there are no slaughter houses in the area yet livestock farming is a major economic activity. The Government through the Ministry of Livestock should set up an abattoir in the area to save them the costs of transporting livestock to Athi River factory for slaughter.
- That Destruction of Mau Forest bordering Narok South is interfering with agricultural activities thus contributing to the current food shortage in the area. This is because the rivers have dried up due to human interference with the Mau forest and the Mara River is also in danger of drying up thus tourism in the area is at risk. Urgent action should therefore be taken to save the Mau forest.
- That the NCPB depot in Narok had been leased out to private millers (Mombasa Maize Millers) thus affecting the ability of farmers to dry and store their cereal produce. The farmers therefore feel that the Government has been unable to assist them thus the current food shortage in the area
- That 90% of Narok is composed of farmers and therefore services should be brought closer including research stations which are currently only available in Njoro and Nairobi

b) It was alleged that traders from outside Bomet mostly middlemen buy all the maize during harvest from the farms at low prices and farmers end up selling because there are no storage facilities.

c) That the South Rift region was indeed harvesting maize but the quantity was below the expected yield due to crop failure as a result of poor rains. It was estimated by the District Agriculture Officer, Bomet that the expected yield would be about 70% of the normal indicating a 30% crop failure.

d) Milk is produced in plenty in Bomet but it is bought by traders mainly from Kisii at low prices due to lack of cold storage facilities and processing plants to add value. One farmer alluded to the fact that he had to give out 'maziwa sosa' before his milk is bought. Therefore the Government through the Ministry of Industrialization or Ministry of Cooperatives should establish milk processing plants in Bomet to help dairy farmers to process their milk both for the local and international market.

e) The farmers felt that farm inputs were expensive especially fertilizer whose prices moved from 2000 to 6000 per bag which was too costly and also that farmers had no way of knowing the quality of the fertilizer being sold to them.

f) There are poor policies on water resource management.

g) The youth have no access to Agricultural Finance Corporation loans due to lack of collateral and title deeds and they are not being offered alternative means of accessing loans to help themselves financially.

h) The rate of inflation is at 12.4% which is too high and everything is too costly and youth are unable to marry as they feel that they will not be able to support themselves or their families.

i) Farmers stated that the liberalization of markets had placed the local producers at a disadvantage because markets get flooded with cheap imports leaving the local producer without fair market.

j) There was concern that the government had no mitigation measures against disasters as in one part of the Rift Valley (Turkana), people were dying of hunger, while in another (Bomet), farmers had plentiful harvest and were being exploited by middlemen under the Government watch.

k) It was said that NCPB was still storing maize of 2008 instead of releasing it to the market to stabilize the markets and reduce shortage and further that the government needs to fund NCPB to subsidize farm inputs and help farmers produce, instead of using a lot of funds to import maize into the country.

l) The government needs to come up with proper food policies to ensure food security in the country instead of waiting to respond to crisis.

m) Extension officers need to visit farmers at the farms to educate them on the good farming methods instead of staying at the offices while farmers are suffering and Government should bring farmers training centers where farmers can be equipped with modern farming methods and skills which they can use.

n) The government should help revive Kenya Farmers Association (KFA) as it was critical in the entire supply chain of farming.

o) The government should avail adequate funds to the NCPB to buy maize directly from farmers after the harvest so as to protect the farmers from exploitation by middlemen.

p) There should be established standard weights for specific produce and a minimum price is set to ensure farmers earn a guaranteed minimum return on their produce. Currently farmers are getting only Ksh 800 for 130kg bag of potatoes, while a debe of sweet them destitute. The Ugandans have gone ahead to grab Migingo Island which is now a very insecure area with high rate of women rape.

Plenary discussions came up with the following suggested intervention measures:

a) The farmers would like to be provided with farming machines at affordable rates.
b) Farmers would like to get access to loans to ensure they embark on large scale farming and also to provide loans to fishermen to help them acquire the best fishing gear and equipment.
c) National Cereals and Produce Board (NCPB) should establish a cereal storage facility within Gwassi area to ensure storage and supply of grains after harvest (post harvest management).
d) Gwassi farmers would like to be given title deeds to have collateral for loans and be able to farm in large scale. The Government should establish fish ponds for women to uplift them economically.
e) The Government should also start irrigation schemes in the area to facilitate farming especially in times of rainfall shortages.
f) Government should reduce conditions attached to the Youth Enterprise Development Fund to increase the uptake of the fund to ensure that the many jobless youth in the country are facilitated to start income generating activities.
g) The farmers requested that about 6 tractors should be availed in the district to help in tilling the vast agricultural land to boost the food production. The farmers suggested that the government should provide farm inputs among them seeds and fertilizer at subsidized rates and in a timely manner to farmers.
h) Government should increase budget allocation for the Fisheries Ministry in order to improve the sector. Suba District has a lot of fish stock, but there is need for a pump and generator to enable the people to be able to manage their own fish stock. Government should consider constructing a fish processing plant or two in the region and also markets be made available to ensure the people maximize production.
i) The fishermen requested that the Government should facilitate them to get proper fishing nets to maximize on fishing activities.

4.0.11 Bomet Public Hearing

The committee held a Public Hearing at Bomet Municipal Hall on 24th July 2011 with farmers where it heard that some of the major crops grown in the area include maize, beans, bananas, sugar cane, peas, potatoes, tea, etc.

The Committee had identified this area after visiting the North Rift and was informed that the South Rift region would be harvesting maize from end of June. The Committee was therefore interested in finding out the quantity of maize that had been harvested in the region and whether or not it was sufficient to sustain the country at that time. The Committee was told the following during the meeting:

a) Farmers expressed concern that maize seeds got to the farmers late around March while the planting season is done between September – October thus farmers had resorted to planting seeds from the previous harvest. The Government through NCPB should ensure that seeds and fertilizers get to the farmers on time.

i) The rising poverty levels in Mumias are making it hard for parents to take their kids to schools due to lack of fees. Parents are now abandoning their children because they cannot afford to feed them and so Government should provide bursary for needy students.

j) Millers should be made to pay for the cost of harvesting and transportation of cane as it is too costly to the farmer.

k) By products of cane like molasses are always sold and these proceeds never benefit the farmers further that one ton of cane used to be sold at ksh.2700 then it was increased to ksh.3000 a ton but it is not reflective. The transportation cost itself is so high especially now that Mumias Sugar Company has introduced zoning.

l) Interest rates for loans by lending institutions are too high at 18% and not many can afford this.

m) Pipes should be channeled from the lake to farms to irrigate and ensure sustainable farming.

n) The electricity sector needs to be liberalized to bring in other players and remove the KPLC monopoly.

o) The Government should start a fertilizer plant to process and supply fertilizer to farmers.

p) The elderly people in the society should be included in the Government's cash transfer program to enable them live a dignified life.

q) When farmers fail to repay their loans their properties are auctioned yet they have shares that could be used by the lending institutions to cover for the remaining unpaid amounts.

r) Grain stores should be put up in Mumias to help in grain storage after harvest and help reduce post harvest losses.

s) Infrastructure in Mumias is very poor. Roads have been depleted by heavily loaded trucks and cane tractors which contributes to the underdevelopment of Mumias. Mumias Sugar Company should be compelled to repair the roads as their tractors are the cause.

t) Farm inputs should be sold at centers where farmers are instead of them having to travel long distances to get farm inputs and further that the cost of diesel should be subsidized or lowered and treated as an input because it is used by tractors for farming.

4.0.10 Gwassi Public Hearing

The Committee held three public hearings in Gwassi on 23rd July 2011 meeting fishermen at Nyandiwa Beach, maize farmers at Tonga in Magunga and livestock farmers in Nyatoto Centre. The Committee gathered the following information:

a) That Suba District had experienced 60-70% crop failure due to failed long rains in the period of March to June 2011. Severe food shortage was being experienced thus causing hunger in the district. This situation was compounded further by the fact that inappropriate seeds were being used by farmers resulting in low yield. Equally, farming methods are ancient so there is a request for education and equipment. The fishermen also complained that the Beach Management Units had not received any funding from CDF.

b) The people complained about poor infrastructure. There have been no roads since independence and this had contributed to high commodity prices as cost of transport to this area is very high. There is no inch of tarmac in the whole of Gwasi constituency.

c) There were many beaches that produce omena fish but there were no storage facilities making farmers lose to the middlemen. Meanwhile, the people have the capacity to produce, store and process their own omena. It was alleged that the middlemen are the ones who have ice and processing factories and so they are the ones who benefit from fish business. Fish farmers do not benefit but instead are exploited.

d) There is a high rate of insecurity around the beach. Suba people have to encounter the people from Tanzania and Uganda who confiscate their fish and nets and other equipment leaving

6.1.6 Social Health Insurance Fund

- To reduce the burden of the high cost of healthcare on Kenyans and to ensure all Kenyans have access to medical care, the Committee recommends that the Ministry of Medical Services implements the Social Health Insurance Scheme which it has developed. The Committee recommends that this scheme be implemented by the National Hospital Insurance Fund (NHIF) as it has sufficient capacity to manage it. But NHIF should ultimately be converted from a "Hospital" insurance fund to a "Health" insurance fund.

- The Committee is aware that the Federation of Kenya Employers (FKE) and COTU have instituted law suits blocking implementation of the scheme and recommend that the Departmental Committee on Labour and Social Welfare seek audience with these institutions to have them withdraw the suits so as to benefit the poor Kenyans.

- The Ministry should also invest more in the Health Voucher system for the underprivileged which the Ministry of Public Health has developed and rolled out on a pilot basis in Kilifi County.

- The Committee concerned that many medical personnel employed by the Government usually establish and run private practice near hospitals tempting them to engage in unethical practice, strongly recommends that the Government should not allow Government employed medical personnel to establish and engage in private practice near the Government hospitals.

- To ensure realization of the constitutional right to reproductive health, the Committee recommends that the Government increases its investment in reproductive health programs.

6.1.7 The Sugar Sub-Sector

- Kenya has the potential to be self-sufficient in sugar production, but this is one sub-sector that has been taken hostage by cartels and wheeler-dealing bloodhounds that continue to expose Kenyan consumers to artificial shortages and unacceptably high prices. The Committee recommends the following interventions:

- The Sugar Act should further be drastically overhauled to revolutionize the manner in which the sub-sector is run, with the full involvement of all the stakeholders in the sugar industry.

- Sufficiently strengthen the Kenya Sugar Board (KSB) to effectively play its role as a regulator. Parliament should move with speed and amend the Sugar Act to establish a credible and professional board.

- To help the local sugar companies survive after 2012 when COMESA safeguards are due to expire, the Privatization Commission should fast track privatization of the government-owned mills to inject in them the much needed capital for modernization so that they can effectively compete in the open sugar market.

- To ensure sustainability of the industry and fair competition, Government should not allow establishment of any sugar companies without completion of a feasibility study and before the company satisfies a competent regulator that it has developed adequate cane capacity for processing.

- To protect the cane farmers from exploitation by sugar companies, the Kenya Bureau of Standards should urgently review and confirm the accuracy of the weighbridges established by the sugar companies and abolish those which have been tampered with.

6.1.8. Eliminating Cartels and Monopolies

- To eliminate cartels in the essential commodities sectors, the Committee recommends that the Competition Authority proposed by the Competition Act be established. The Authority should however be independent and professional, thus the Committee recommends that the officers nominated to the authority should be people of high integrity and proven professionalism. The Committee recommends that the Competition Act be amended to ensure that the process of recruitment of members of the Competition Authority is competitive and transparent.

6.1.9 Handle Price Control with Caution

- The Committee noted that price control is a very popular subject with the masses. From Kibera to Lamu, Kitui to Lodwar and in almost all public hearings the Committee held, one thing was unanimous: members of the public demanded that price control of essential commodities be reintroduced as traders were exploiting them.
- While the Committee empathizes with Kenyans and admits that some form of well thought and properly deployed regulation is necessary and indeed workable as seen in economies such as India, consultations with a wide range of experts and its own research indicate that price control per se may not necessarily be the panacea for the high cost of essential commodities. The committee compared the mobile telephony sub-sector (fully liberalized) and the oil sector (regulated) and confirmed this. While free market forces have essentially opened up mobile telephony to ordinary Kenyans by suppressing prices, the cost of fuel has been on a sharp upward spiral since the entry of the Energy Regulatory Commission (ERC) . The Committee therefore urges a cautious approach in the enforcement of the Price control (Essential Goods) Act so as to forestall distortion of the market and possible capital flight. Emphasis should be placed on making the supply chain of essential goods more efficient, smooth and cost effective.

6.1.10 Implement Task Force Report on restoration of the Mau forest

- To avert a disaster of serious magnitude as a result of destruction of the Mau forest that would lead to economic meltdown of various sectors including tourism in the Maasai Mara, the Committee recommends that the Government immediately embarks on implementation of the report of the Task force appointed by the Right Honorable Prime Minister on Restoration of the Mau forest.

- The Task force concluded its work and submitted its report which was subsequently adopted by parliament. The Mau Secretariat which was established to implement this report is strongly urged to proceed and implement the report to the latter.

6.1.11 Urgently address the gross labour abuses in low-cadre employment sectors

- The Committee has noted with deep concern the deplorable situation of thousands of Kenyans who work in some sectors of the economy, specifically private security firms, small to medium level business enterprises, and industries especially those owned by the Asian community, flower farms, tea farms and the construction industry. These Kenyans earn inhumanely low wages, work for inordinate donkey hours in dehumanizing conditions and are exposed to terrible abuses. They have no access to healthcare and their housing situation is depressing.
- The Committee therefore recommends a drastic review of labour laws, and enactment of specific legislation to the specific challenges noted in order to protect the rights of these Kenyan workers in line with provisions of the new Constitution.

6.1.12 Write off bad debts owed to the AFC

- To protect the properties of farmers who have endured suffering as a result of massive crop failure and death of livestock due to drought, the Committee recommends that the Government waives interest on loans advanced by AFC to farmers or that the Government writes off bad debts owed by the maize and wheat farmers to AFC.

6.1.13 Explore ways of addressing escalation in rents

- The Government through the Ministry of Housing should invest in development of low cost houses for the increasing urban population. The Ministry should identify large tracks of land outside the city centers and build low cost housing estates for lease and occupation by the urban poor rather than constructing highrise houses in Kibera which are immediately vacated once the slum dwellers are transferred to them.

- The Government should identify innovative ways of encouraging private sector to invest in low cost but decent housing units to address escalating costs of rent. This could be through tax breaks.

6.20. Region Specific Recommendations

Government should address concerns in specific Counties as follows:

Narok

- The Ministry of Roads should urgently re-carpet the road from Narok to Maasai Mara to improve earnings from Tourism
- The Ministry of Forestry and Wildlife in conjunction with the Ministry of Environment and Mineral Services and the Taskforce on Restoration of the Mau forest should embark on restoration of the Mau forest
- The Ministry of Agriculture should establish wheat silos in Narok to enable farmers to store their wheat during harvests and reduce post harvest losses of wheat.

Kitui

- The Government through the relevant ministries and agencies should facilitate establishment of industries in Kitui County to exploit the mineral resources available in the County specifically coal and limestone.
- The Government through the Ministry of Energy should exploit the sun available in plenty in the County for electricity generation.
- The Ministry of Water should conclude development of Umaa dam and establish other dams in the region to avail sufficient water for use by the people of Kitui.

Turkana

- The Ministry of Roads should urgently develop the road between Kitale and Lodwar to reduce cost of transport and improve the security situation in the region.
- The Ministry of Home Affairs should ensure that any Non Governmental Organisation setting up shop in Turkana County should have an element of irrigation.
- The Ministries of Water and Regional Development should invest more funds in irrigation projects in the County to increase food production and therefore reduce the cycle of famine prevalent in the region.
- The Ministry of Energy should tap the sun available in plenty in Turkana for electricity generation.
- The Government through the Ministries of Defense and Internal Security should secure the borders of Kenya with South Sudan, Uganda and Ethiopia to protect the livelihoods of the people of Turkana and improve police presence in the area to enhance security and protect the people from communities participating in rustling in the area.

Lamu

- The Ministry of Lands should fast track adjudication of land and issuance of titles to the people of Lamu to spur economic development.
- The Government through the Ministries of Defense and Internal Security should secure the borders of Kenya with Somalia and improve police presence in the area to enhance security and protect tourism activities.

Nyeri

- The Government through the relevant ministries and government agencies should urgently address the consumption of illicit brews which is destroying lives of many young people in Nyeri County and the larger former Central province.

Uasin Gishu and Trans Nzoia

- The Ministry of Water should invest part of the funds allocated to it for irrigation in the financial year 2011/2012 in establishment of irrigation schemes in these two bread baskets so as to increase food production and reduce overdependence on rain.
- The National Cereals and Produce Board (NCPB) should establish buying centers close to the farms to save farmers the burden of transporting cereals long distances to the NCPB.

7.0 PROPOSED LEGISLATION

7.01 The Committee is convinced that in order to effectively address the myriad challenges facing Kenyans and to institutionalize the recommended interventions, specific legislative measures must be undertaken urgently.

7.02 It should be noted that arising from the Committee's activities, three key motions discussed below have already been brought to Parliament, targeting revival of Kenya Farmers Association (KFA), Agricultural Finance Corporation (AFC) and Kenya Cooperative Creameries (KCC).

7.03 The legislative measures proposed here will further buttress the actions that must be taken to move the country forward and protect Kenyans from the myriad identified vulnerabilities:

7.1 Agricultural Insurance Scheme Bill

Key features of the Bill to include:

i) A guaranteed minimum return regime that would assure farmers of some irreducible minimum return on investment regardless of production in the face of vagaries such as drought.

ii) Government to support institutions that buy surplus produce from farmers.

iii) Government to regulate the amount of food produced in the country by providing funds to underwrite farmers for the difference if they produce less than the normal yield of the farm.

iv) Government to guarantee insurance for farmers in cases of crop failure to guarantee income.

7.2 Strategic Oil Reserves Bill

Bill to feature:

i) The amount of each type of fuel to be stored in the strategic reserve at any particular time. The country should strive to have a minimum 180-day stock of fuel reserves at any particular time.

ii) The sites where the reserves will be stored. A matter of national security.

iii) Who would control and manage these reserves? The reserves should be managed by the Ministry of Energy/Treasury.

iv) When can the reserves be released/drawn? Only authorized in emergency situations of severe energy supply interruption involving a supply reduction of significant scope and duration, coupled with a severe price increase likely to cause a major adverse impact on the nation's economy. Define what constitutes severe energy supply interruption. The price at which the reserves can be drawn should be left at the President's discretion.

v) Who can authorize release of the reserves? Only the President on the advice of the Security Committee/Cabinet should have authority to release oil from the reserve.

vi) Replenishment of the reserve when factors that necessitated release have stabilized. Ministry should replenish the reserves immediately the emergency that necessitated the release ends.

vii) Ministry to establish safety measures at storage sites against all hazards including fire and pollution. NEMA to inspect the sites regularly for environmental safety.

viii) The relevant minister to be required to make an annual report to the President on the capacity of each reserve site, the type and quantity of petroleum in the strategic reserve as well as plans for upgrade or major maintenance.

ix) The oil marketers should be compelled to stock a certain minimum quantity of petroleum products at any particular moment.

x) The Ministry should have power to increase the SPR depending on the existing economic situation.

xi) Financing of the reserve (This is because it involves a large sum of money). Tax payers, Private-Public-Partnerships involving dividing the reserves into shares representing a specified quantity of oil in the reserve. The oil itself would belong to the central government, but the investor would be guaranteed the market value of the oil represented by the shares to which he held title/Debt financing through T-Bills e.t.c.

xii) Establish a Strategic Petroleum Reserve Fund where funds from numerous sources may be channeled.

7.3 Disaster Risk Reduction and Management Bill

i. To reduce the extent of damages suffered as a result of disasters

ii. To mitigate the effects of disasters by taking certain measures

iii. Develop effective early warning systems to alert in case of disasters

iv. Planning for disasters

7.4 Social Safety Nets Bill

i. Cash transfer program and meal voucher system

ii. Each program to target a specific section of the population

iii. Cash transfer could target the unemployed and elderly

iv. Meal voucher program could target the urban poor and those with very low incomes

v. The relevant ministry could establish a body to implement this program

7.5 Workers Protection Bill

i. Specify categories of workers under the protective regime: private security firms, flower firms, construction sites, specified business establishments - small to medium level, especially foreign/Asian owned, domestic service.

ii. Set minimum salary/wage scales and benefits

iii. Regulate working conditions, including working hours and working conditions.

iv. Set penalties for violations.

v. Specify rights of employers.

7.6 Social Health Insurance Fund Bill

i. Healthcare financing

ii. Who would be covered by the fund?

iii. Contribution to the fund - who would contribute to the fund and at what rate?

iv. Administration of the Fund by a restructured NHIF converted from a "Hospital" to a "Healthcare" insurance fund.

7.7 Housing Regulation Bill

i. Categories of housing regulated

ii. Allow construction using modern low cost construction technology

iii. Incentives to investors in identified housing schemes

iv. Form and means of rent regulation

v. Nature and scale of government involvement

7.8 Competition (Amendment) Act to eliminate Cartels

i. The Committee will propose amendments to section 10 (i)(f) of the Competition Act regarding appointment of Members of the Competition Authority to ensure the process is competitive and transparent so that the people picked to lead the Authority are people of integrity.

ii Section 10 (i)(a) should be amended so that the Members of the Authority can elect their own chairman from amongst the Members to remove the discretion of the responsible Minister.

7.9 **Sugar (Amendment) Act to overhaul the sugar sector**

i The Committee recommends that the Sugar Act be amended in consultation with all stakeholders to create sanity in the sugar industry. The regulator, KSB which issues licenses to millers has failed miserably in discharging this role effectively by numerously authorizing construction of factories without proof that they have developed adequate cane for processing, thus resulting in theft of cane. The proposed law should therefore overhaul the KSB and propose changes in the manner in which the Board members are elected so as to incorporate professionalism and good management practices.

ii The Committee is aware that the Member for Naivasha, Hon. John Mututho has proposed a Sugar (Amendment) Bill which is due to be introduced in the House, and will call upon the Member to revise his Bill in consultation with all stakeholders and to incorporate in the Bill the views of the Committee considered in this report.

iii The Committee will also propose amendments to entrench zoning in sugar cane growing areas so that each sugar company can know the extent to which it can grow cane or contract farmers. This will avoid poaching of cane which is currently rampant in the industry, especially in the Nyando sugar belt and Nzoia area.

8.0 ANNEXES

8.1 Preliminary Report of the Committee on Cost of Living adopted on 8th June, 2011.

8.2 Minutes of all Sittings of the Committee.

REPUBLIC OF KENYA

KENYA NATIONAL ASSEMBLY

TENTH PARLIAMENT – FOURTH SESSION

PARLIAMENTARY SELECT COMMITTEE ON COST OF LIVING

PRELIMINARY REPORT

Adopted on 8th June, 2011

CLERK'S CHAMBERS

PARLIAMENT BUILDINGS

NAIROBI

WEDNESDAY JUNE 8TH, 2011

BACKGROUND

The Parliamentary Select Committee on Cost of Living was formed vide a House resolution on 11th May, 2011 to enquire into the factors fueling the sharp rise in inflation and the cost of living in the country and table in Parliament, within thirty days, a comprehensive report with substantive recommendations on both immediate and long-term remedial measures. The Committee met on 12th May, 2011 for the first time and its life is expected to end on Saturday 11th June, 2011 - baring an extension.

The Committee is comprised of the following members:

1. Hon. Ababu Namwamba, MP - Chairperson
2. Hon. Shakila Abdalla, MP - Vice-Chairperson
3. Hon. Martha Karua, MP
4. Hon. Elias Mbau, MP
5. Hon. Rachel Shebesh, MP
6. Hon. Charles Kilonzo, MP
7. Hon. John Mbadi, MP
8. Hon. (Dr.) Eseli Simiyu, MP
9. Hon. (Dr.) Joyce Laboso, MP
10. Hon. Nkoidilla Ole Lankas, MP
11. Hon. Mohamed Gabow, MP

The Committee, subsequent to its formation, adopted the following Terms of Reference:

1. Investigate factors responsible for the rapid rise in inflation, from 3.8% in November 2010 to 12.93% in May 2011, and the high cost of living in the country and propose both short and long term remedial measures.

2. Establish the effect of the current inflation and high cost of energy on producers, manufacturers and consumers and the impact of this on the economy.

3. Establish the factors causing the ever rising cost of energy with a focus on fossil fuel and how the Government can get a lasting solution to the problem. Also establish the status of preparedness of the country to handle any interruptions in supply of fuel.

4. Interrogate existing policies on food security in the country and examine any measures in place meant to ensure the country produces enough food to feed the whole population.

5. Track the cereal production and supply chain and determine how this contributes to the cost of food, with specific emphasis on land tenure, farm preparation, timely availability and pricing of seeds and other farm inputs, harvesting, storage and post harvest management.

6. Examine the supply chain of oil, from importation through clearance, transportation, distribution and consumption with a view to detecting factors in the chain which might be responsible for inflaming the sharp rise in pump prices.

7. Interrogate the cost of staple food crops in the country, the ability of Kenyans, especially the underprivileged, to afford basic foodstuff and any existing measures to ensure all people have access to food.

8. Establish the country's state of preparedness to handle severe food shortages caused by, among others, famine and disruptions in the production and supply chain.

9. Quantify the cost of running government and the savings expected from any austerity measures that may be considered to reduce shed off avoidable state expenditure.

10. Establish the relationship between unemployment, the wage costs and the living standards of Kenyans.

11. Examine institutional capacities and synergies for shielding Kenyans from vagaries like fluctuations in international oil prices, drought and interruptions in the food and oil supply chains.

12. Explore legal and policy options necessary to address the challenges identified, including the cost of energy, cost of food, public expenditure as well as institutional capacities and synergies.

COMMITTEE MEETINGS AND HEARINGS

The Committee has this far, held 20 sittings, within and outside the precincts of Parliament. Meetings have been held with the following persons and institutions:

1. Minister for Energy
2. Permanent Secretary, Ministry of Energy
3. Director General, Energy Regulatory Commission (ERC)
4. Managing Director, Kenya Petroleum Refineries Limited (KPRL)
5. Managing Director, National Oil Corporation of Kenya (NOCK)
6. Managing Director, Kenya Pipeline Corporation (KPC)
7. Governor, Central Bank of Kenya (CBK)
8. Commissioner-General, Kenya Revenue Authority (KRA)
9. Directors and representatives of oil marketers, including Kenol-Kobil, Shell, OiLibya and Gulf Oil.
10. Chief Executive Officer, Petroleum Institute of East Africa (PIEA)
11. Managing Director, National Cereals and Produce Board (NCPB)
12. Management of the Kenya Seed Company Limited
13. Mayor and Deputy Mayor, Kitale Municipal Council
14. Provincial Commissioner, Nyanza and the Regional Commissioner of Central Nyanza
15. Regional Commissioner, North Rift
16. Branch Manager, Unga Limited, Eldoret
17. Managing Director, United Millers, Kisumu
18. Chief Executive Officer, Institute of Economic Affairs (IEA),
19. Chairman, Secretary and Chief Executive Officer of the Consumer Federation of Kenya (COFEK)
20. Board of Directors, Mombasa Maize Millers
21. Chairman and trustees of the Kenya Transport Association (KTA)

The Committee has not completed its planned meetings and intends to meet the following key persons before finalizing its work:

1. Minister for Agriculture on wide ranging issues related to food security
2. Minister for Finance on taxation and KRA operations
3. Secretary to the Cabinet and Head of Public Service on the cost of running government
4. Permanent Secretary, Office of the Prime Minister on cost of running government;
5. Clerk of the National Assembly on specific expenditure issues, including the cost of foreign travel by Members of Parliament and staff of the House.

The Committee also conducted on-site fact finding missions to the following places:

1. National Cereals and Produce Board depot in Eldoret
2. Unga Millers, Eldoret
3. Kenya Seed Company Limited, Kitale
4. Private maize traders in Kitale and Kiminini
5. Kenya Petroleum Refineries Limited in Mombasa,
6. Kenya Pipeline Corporation oil jetty in Kipevu, Mombasa
7. Mombasa Maize Millers and
8. Grain Bulk Handling Limited (GBHL)

Further, the Committee held public hearings in the following areas:

1. Kibera (Nairobi County) with the general public
2. Eldoret (Uasin Gishu County) with maize farmers and the general public
3. Kitale (Tans Nzoia County) with maize farmers and the general public
4. Kisumu (Kisumu County) with fishermen and the general public, and
5. Ahero (Kisumu County) with rice farmers

The Committee plans to hold more similar public hearings in other parts of the country to collect views from grain farmers, livestock farmers, business people and the general public before concluding its work, with a focus on the following areas:

Mwea (Kirinyaga)	Moyale	Narok
Mwingi	Marsabit	Busia and Isebania
Meru	Kitui	Bomet and Mbita
Garrissa	Turkana	

INTRODUCTION

1.1 This is a preliminary report of the Parliamentary Select Committee on Cost of Living, which puts forth twenty one recommendations the Committee considers to be urgent and therefore require immediate interventions.

1.2 The Committee's initial mandate is limited to 30 days (May 12th to June 11th, 2011) within which period it is required to submit a comprehensive report to the House, detailing both short term and long term measures to address factors that have inflamed the cost of living to unprecedented levels.

1.3 After the first round of meetings with various stakeholders in the oil and agricultural sectors and public hearings in various parts of the country, the Committee is of the view that there are certain issues that are so urgent that they cannot wait for the final comprehensive report. Contained here, therefore, are twenty one (21) interim findings and recommendations that the Committee urges government to address with focused expedition and sensitive urgency.

1.5 It is important to note right here at the beginning that in all the places where the Committee has interacted with Kenyans through open public hearings, one strong message has been consistent: the citizens of this country are literally panting under the unbearable burden of the cost of essentials of life that are spiraling well beyond their reach. The rapid increase in inflation without a corresponding rise in incomes has seriously eroded purchasing power, even for the middle class.

1.6 The sharp rise in fuel has inflamed the cost of transport, with the result that what has been touted as a "working" nation is fast becoming a "walking" nation as many Kenyans, especially in low income urban neighborhoods like Kibera, have been left with no choice but to trek to places where they struggle to eke a living.

1.7 Prices of basic staple foodstuff like maize flour, rice and sugar have similarly ripped through the roof, making it impossible for many families to manage even a single meal a day. The cost of a 2kg packet of unga has shot up by 100% in six months - from an average of Kshs 60 last December to the current Kshs 120. Meanwhile, income levels have remained static for those fortunate to have some work, while the unemployment rate is only getting worse.

1.8 And Kenyans are laying their tribulations squarely in the lap of the country's leaders, who they believe are insensitive, unresponsive and obsessed with games of political brinkmanship as hunger pangs ravage children, women and men across the length and breadth of the country. Kenyans feel neglected and shunned by a leadership that is insulated from their grim reality. Farmers feel abandoned to the mercy of brutal profiteers, while transporters are exposed to merciless wheeler-dealing cartels in the energy sector. There indeed is widespread concern about cartels and corruption networks that have infested all spheres.

1.9 The people further feel frustrated by the dysfunctional nature of government operations, with stark evidence of lack of coherence in policies and basic functions of government. Ordinary Kenyans cannot understand, for instance, how any government would announce "emergency" tax relief measures to bring down the cost of pump prices of fuel, then simply sit back and fail to implement the measures! There is also serious concern about inefficiencies in key institutions like National Cereals and Produce Board (NCPB), Kenya Seed Company, Kenya Petroleum Refineries (KPRL), Kenya Ports Authority (KPA), Kenya Pipeline Corporation (KPC), National Oil Corporation of Kenya (NOCK), Kenya Revenue Authority (KRA), which inefficiencies cost the citizen dearly by reason of mediocre services and steep costs that are routinely loaded onto already heavily burdened consumers. The ministries of Agriculture, Energy and Finance, under which these agencies fall, stand indicted.

1.11 There are strong calls for government to move swiftly and revive collapsed producer institutions like the Kenya Farmers Association (KFA) and National Milling Corporation (NMC), which would cushion farmers while offering them a stronger voice, and further stabilize markets in moments such as what the country is confronted with today.

1.10 This cocktail of issues is steadily fomenting a potent sense of desperation and anger, with the very real risk of a devastating social implosion - if government and parliament remains impervious to cries of pain coming from the people.

INTERIM FINDINGS AND RECOMMENDATIONS

1.0 Urgently Address the Looming Crisis of Maize Shortage

1.1 The Committee established through visits to the breadbasket Counties of Uasin Gishu and Trans-Nzoia that the country's current big problem of high cost of maize and unga will very soon explode into the much bigger crisis of maize and unga shortage. After meetings with farmers, maize traders and millers in Eldoret, Kitale, Kisumu and Mombasa, the Committee reached the conclusion that contrary to reports attributed to the ministry of Agriculture, the country does not have much in the way of surplus maize stocks.

1.2 A spot-check at the National Cereals and Produce Board (NCPB) Eldoret depot conducted by the Committee in the company of the NCPB top management on Friday 27th May, 2011 confirmed that the board was holding a total maize stock of only 3.2 million bags as Strategic Grain Reserve (SGR). This maize, which is already below the required threshold of 4 million bags, and way off the ultimate target of 8 million bags, cannot ordinarily be sold commercially to millers. NCPB was already distributing part of this stock as famine relief supplies to drought stricken areas, meaning that by now the figure has considerably dropped.

1.3 The Committee did not come across any discernible proof that farmers or maize traders are hoarding maize. On Saturday 28th May 2011, the Committee made impromptu visits to two warehouses belonging to major maize traders in Kitale - Kitale Main Millers and Shalom Enterprises - to establish the levels of their maize stocks. The Committee found that Kitale Main Millers had a stock of 5,000 bags of maize against a capacity of 15,000 bags, all of which had been sold and was being packed for shipment, while Shalom Enterprises had 3,000 bags against a capacity of 10,000 bags. Each was operating way below capacity. Both traders indicated that they were offering farmers the unprecedented high prices of Kshs 3400-3600 per 90kg bag of maize but were categorical that even at that price, there was very little maize trickling in from local farmers. They have now been forced to search for the commodity beyond the country's boarders - in Uganda and Tanzania. It was further established that in the same period, a two-kilogram tin of maize (gorogoro) was retailing at Kshs 110 in Kitale, Kshs 105 in Eldoret and Kshs115 in Kisumu and Ahero towns. These are the highest prices for maize in years, making it highly doubtful that farmers would hold onto their maize in the face of such incredibly good returns, especially when one considers that at harvest time prices averaged Kshs 800. Whatever little stocks farmers may be holding is merely for their domestic use.

1.4 Subsequent visits to millers in various parts of the country reinforced concerns that there is a looming acute shortage of maize. Unga Millers in Eldoret had maize to mill for only 8 days as at Friday 27th May, 2011. United Millers in Kisumu had already shut down their maize milling business as at Monday 30th May, 2011 due to maize shortage. Mombasa Maize Millers are operating at 30% capacity and are only being sustained by the little maize trickling in from Uganda and Tanzania in the face of negligible local supply, and as at Friday 3rd June, 2011 they had maize stock to last no more than 3 days of milling.

1.5 The committee also established, through public hearings and meetings with maize stakeholders, that the next expected maize harvest will be in August 2011 from the South Rift Region. And this may not be more than 1.5 million to 2 million bags due to anticipated crop failure attributed to problems with availability and quality of seeds as well as poor rains.

1.6 And while importation of maize may seem to be the only route out of this conundrum, it is important to note that the Committee also established that the international maize market is also constrained with prices equally high, and so importation would only stabilize supply but not reduce cost. Regionally, Malawi and Zambia are said to have maize but the local millers are of the view that logistics of importing from there pose great challenges and the landed cost would be prohibitive. The Committee established that the maize that may be most accessible right now on the international market would be from South Africa - but that would in all likelihood be Genetically Modified (GMO) stocks. Government would need to decide whether or not to import GMO, and of course duly inform Kenyans of that decision. Currently South Africa is supplying Mexico with maize as the US maize market is also constrained. Yellow maize is however available on the world market and the government could consider that as another option.

1.7 The Committee concluded that maize shortage in the country is a looming crisis and soon there will be no maize at all to mill locally. Having reliably gathered that the country consumes approximately 3 million bags of maize a month, and further in view of the need to cushion local farmers expecting a harvest in a couple of months from a flood of uncontrolled imported maize as has been the case in the past, the Committee recommends that the **Government facilitates NCPB, through an emergency grant, to immediately import 6 million bags of maize to be sold to millers at a subsidized price to be used until the next harvest season expected in July/August 2011 from the South Rift Region. The Government should also conduct a thorough analysis and determine exactly how much maize is expected from this anticipated harvest, and make a decision on whether it would be necessary for further imports to fill the gap until the next main harvest season of November/December in Uasin Gishu, Tans-Nzoia and Nandi.**

2.0 **Authorize National Cereals and Produce Board (NCPB) to make emergency supply of maize to famine-stricken areas, boarding schools and the urban and peri-urban areas**

2.1 Committee established that areas likely to be hardest hit in respect of the looming maize crisis are urban and peri-urban zones, drought-stricken ASAL areas and boarding schools.

2.2 Famine relief is still not adequately serving the intended target populations. The major millers who are threatened by the shortage mostly serve the urban population, especially in the big metropolis of Nairobi, Mombasa and Kisumu.

2.2 When school Boards of Governors made budgets at the beginning of the school year in January, maize prices averaged Kshs 1800. With this doubling to over Kshs 3600 in just five months, budgets of boarding schools have been thrown into a spin, leaving the institutions facing the very real risk of unrests over food shortage. The schools may resort to the option of hiking fees, casting a further burden on the already hard-hit parents.

2.3 Having established that the NCPB purchased maize from farmers at Kshs 1800, the Committee recommends that **Government should immediately allow the NCPB to sell maize to boarding schools at Kshs 1800 to cushion the schools from the high cost of living.**

2.2 The Government should also **require the NCPB to step up emergency deliveries of famine relief maize to drought stricken areas to avert death of Kenyans due to hunger. The Committee further recommends that the emergency supplies be undertaken by the military and the National Youth Service (NYS) who have the necessary capacity, including equipment and personnel, to access remote parts of the country.**

2.3 The Committee also recommends that the **Government authorizes NCPB to release 1 million bags of maize from the Strategic Grain Reserves to millers serving urban and peri-urban areas to mill the maize and distribute the maize flour to poor urban dwellers in small bags and at a lower price. The Committee recommends that these stocks be replenished after the NCPB imports maize at zero-rated cost.**

3.0 Immediately implement the announced tax relief measures on kerosene and diesel

3.1 On 27th April, 2011 the Prime Minister gave a commitment in Parliament during the Prime Minister's Question Time that the government was to remove all taxes and levies on kerosene and lower excise duty on diesel as emergency measures by Government to cushion consumers against the high cost of these products. However, four weeks after this important Government announcement, the much anticipated measures have not been implemented and Kenyans are still paying very high prices for kerosene and diesel.

3.2 To immediately implement this commitment, the Committee recommends that the **Government through the Ministry of Finance immediately brings to Parliament a legislative instrument to amend the Customs and Excise Act and any appropriate regulations, through the Provisional Taxes and Duties Act 2011 and the Finance Bill, 2011.** Implementing the tax cut measures through the Provisional Taxes and Duties Act 2011 would ensure the effect is immediate rather than restricting it to the Finance Bill, 2011, which would require that Parliament passes the law before the measures are effected. And that would take a lot more time.

4.0 All constitutional office holders to pay taxes on all their incomes.

4.1 The Committee after consultations with the Kenya Revenue Authority established that if all constitutional office holders paid their PAYE taxes, an additional Ksh.670.1 million will be available to the exchequer. The government could use such additional funds to subsidize the cost of inputs to farmers to help the country avert the food shortages that are experienced regularly. The committee therefore recommends that all constitutional office holders be required to pay their PAYE taxes.

5.0 Government to institute strict austerity measures to reduce unnecessary expenditure

5.1 Through public hearings, the committee established that government expenditure remains high citing expenditure on foreign and domestic travel. The committee therefore recommends that all government officials travel using economy class within Kenya and other shorter destinations in the region to save on the amounts used in air travel.

5.2 The Committee will make further recommendations on this after meeting with the Secretary to the Cabinet and Head of Public Service, the Permanent Secretary in the Office of the Prime Minister and the Clerk of the National Assembly to establish the cost of running the government.

6.0 Urgently address inefficiencies in KRA's SIMBA System

6.1 Inefficiencies in the Simba system substantially contribute to the cost of clearing goods at the port, hence high consumer prices. The committee established that the KRA's SIMBA system has had serious operational challenges and especially so in the month of May 2011 when the system at the port of Mombasa was down 60% of the time. The Simba system failure at the port resulted in a number of Trucks being held at the Mombasa port for over three days even after payment of all taxes and charges. The Truck drivers are forced to sleep in the vehicles for all this time as each truck has a driver assigned to it in the system who has to deliver the goods to the expected destination. The same driver after being cleared at the port may be forced to spent some time off in order to have sufficient rest before embarking on the journey or may be forced to rush to deliver the goods despite the fatigue, since they are normally behind schedule, a fact that contributes to a majority of the accidents on the roads.

6.2 The frequent failures of the Simba system also delays clearance of goods at the port resulting in unnecessary demurrages which finally adds to the cost of commodities hence a heavy burden to the hapless Kenyan consumers. The Kenya Transport Association estimated that the regular failures of the Simba system contribute to over 30% of the overhead costs for many companies, a cost that is eventually passed to the consumer. The committee therefore recommends that KRA and KPA urgently put in place measures to sustainably stabilize their clearing systems to ensure efficiency at the port so as to avoid demurrages and other associated costs which contribute to the ever escalating cost of goods.

6.3 The Committee also established that vehicles transporting transit goods are prevented from carrying any other products from their destinations meant for the domestic market meaning that the trucks are only meaningfully used one way. This results to incredible amount of fuel wastage especially now with the maize shortage. **The Committee recommends that the Government amends the law governing operation of transit vehicles, in order to allow trucks to carry goods both ways since it saves on fuel and other operational costs.**

7.0 Review the Open Tender System (OTS) of procurement of imported oil and oil products

7.1 The Committee established that the Ministry of Energy operates an open tender system for procurement of fuel by marketers into the country. The Committee noted that the system though meant to ensure competitive bidding has certain limitations including promoting collusion by the bidders. **The Committee therefore recommends that the Ministry of Energy immediately reviews the OTS system of procurement of fuel to allow competition in the process.**

8.0 Overhaul the ERC oil price cap policy

8.1 The Committee found out that the current oil prices are determined by ERC through a formula gazetted by the Minister of Energy in December 2010. From the public hearings with Kenyans away from Nairobi it was clear that the oil price regulation has changed the dynamics of fuel price such that fuel is currently more expensive in Rift Valley and Western parts of the Country than in Nairobi unlike the situation before the price controls. The Committee also noted that since the introduction of price regulation by the ERC, the cost of fuel has always been increasing.

8.2 The committee established that speculative tendencies exist resulting in occasional shortages as was witnessed in the 1st week of May 2011 when petrol stations ran dry for a week. Given that there is no fuel price control in neighboring countries like Uganda some marketers would opt to sell their oil products in such countries to make better profits while starving the Kenyan market where margins are capped at Ksh.9/=. Contrary to the expectations, the committee is establishing that price controls may not be the best measure in the commodity market as they tend to distort the market thus interfering with the supply.

8.3 The Committee therefore recommends that the Government immediately overhauls the ERC pricing formula to allow competition.

9.0 Government should immediately introduce stiff penalties to marketers who store fuel in the KPC for over 14 days

9.1 From interactions with KPC, the Committee established that oil marketers use the pipeline for storage of oil thus clogging the system and causing ships which want to discharge to incur unnecessary demurrages. From the visit at the KPC offices in Mombasa the committee established that there were 2 ships at the port belonging to Kenol-Kobil (they have the OTS for May) that have brought in oil consignments before their required date and with knowledge that they had not been allocated the ullage for that time so meanwhile they are there awaiting discharge.

9.2 The Committee therefore recommends that the Ministry of Energy immediately introduces legislative measures through a Kenya Gazette Notice to enforce the 14 days within which oil marketers can store oil in the pipeline and 30 days for transit cargo and impose stiff penalties for any oil stored therein for a longer duration.

10.0 Government to establish strategic oil reserves to cushion the country against international shocks

10.1 The Committee established that there is no legal provision on the amount of oil reserves the country should have at any one time. This has been responsible for the frequent increase in oil prices when international prices increase.

10.2 The Committee noted that as a result of lack if a strategic oil reserve, marketers purchase oil at low prices and keep it with the hope that prices will increase before they unload the oil cargo at the port at the higher prices. The Committee further established during its visit to the Kipevu Jetty on 4th June, 2011 that there were four ships in the seas waiting to discharge oil belonging to one marketer.

10.3 To cushion the country from these instant external shocks, the committee recommends that the Government through the Ministry of Energy enacts legislation to establish a minimum oil reserve quantity that must be maintained within the country in a similar manner as the strategic grain reserve. This will cushion the country against immediate international oil price shocks.

11.0 Urgently Address Institutional Inefficiencies and lack of Synergy between Government Institutions

11.1 The Committee established that there are glaring institutional inefficiencies and lack of synergy among government institutions. This has resulted in serious omissions with far reaching implications on the lives of ordinary Kenyans. They have also resulted in deplorable service delivery and wastage of resources where government agencies work at cross-purposes.

11.2 The Ministry of Agriculture for instance cannot with certainty state how much maize is available in the country, how much will be required in a year's time and therefore how many seeds should be made available to farmers. Poor planning by the management of the Kenya Seed company in 2008/09 for instance was responsible for seed shortage which almost crippled the agriculture sector for at least 2 seasons; lack of consultations and coordination by relevant regulators before implementing a key policy change. For example, failure by the ERC to consult the Central Bank of Kenya and KRA before establishment of the price regulations was established to be partly responsible for the inability of the price control mechanism to help the consumer. Furthermore, there is lack of effective communication between KARI, Kenya Seed, KEPHIS and the Ministry of Agriculture resulting in a disconnect between research, policy making and implementation.

12.0 Review the NCPB Warehouse Receipting system

12.1 The committee established that the NCPB introduced a warehouse receipting system in the maize growing areas to allow the farmers to store their maize with the NCPB until they got market for it. The Committee however established that this system was not useful to the small scale farmers who hardly harvest the 110 bags required for Warehouse Receipting. They end up being turned away or told to group up yet there is no formal procedure and they will only be issued with one receipt.

12.2 This system has discouraged the small scale farmers from delivering their maize to the NCPB thus resulting in exploitation by middle men. The Committee therefore recommends that the Warehouse Receipting system should be shelved and a different system developed for small scale and large scale farmers and that sufficient education and sensitization be carried out before the implementation.

12.3 The Committee also noted with concern that the Government always delayed in releasing funds to the NCPB leading to failure by NCPB to purchase maize from farmers after harvests resulting in exploitation by middlemen. The Committee recommends therefore that the Government should provide sufficient funds to the NCPB to enable it purchase all maize from farmers immediately after harvests so as to cushion the farmers from exploitation by middlemen.

13.0 Government should subsidize the cost of farm inputs for grain farmers

13.1 The committee established that the costs of farm inputs are very high for all cereal farmers. This cost accounts for a big part of the final output cost. Furthermore, farmers especially the small scale farmers complained of delays in delivery of the subsidized fertilizer from the NCPB even after paying for it hence affecting their crop yields. Allegations of traders buying the subsidized fertilizer from NCPB and selling it to farmers later at the market price were also rife in Kitale and Eldoret.

13.2 The Committee also established that the maize harvest expected from the North Rift this season is not dependable as there was delay in delivery of seeds to farmers and the seed type that was eventually delivered to farmers was of a low quality hence farmers ended up planting seeds from their previous harvests.

13.3 This Committee therefore recommends that the Government should ensure that farmers are supplied with farm inputs at a subsidized cost and promptly so that they can maximize the product yield. The Government should therefore provide sufficient funds to NCPB and Kenya Seed Company to enable them discharge their functions efficiently.

14.0 Resuscitate the Kenya Farmers Association

14.1 The committee established that farmer's problems have been aggravated since the collapse of strategic institutions such as; the Kenya Farmers Association (KFA) and National Milling Corporation among others. KFA was instrumental in helping the farmers to access farm inputs and market their products. The committee therefore recommends that the Government should set aside funds through the 2011/12 budget to revive KFA.

15.0 Revive the National Milling Corporation

15.1 The Government should also revive the National Milling Corporation through Public Private Partnerships to create a safety valve to help the country and stabilize the price of flour, since the milling corporation will act as a buffer to mill for distribution to drought affected areas as this will help eliminate cartels that hoard maize.

16.0 Provide Extension Services to Farmers

16.1 The Committee established that farmers no longer receive education or sensitization from agricultural officers as was the case before resulting in low crop yields.

16.2 The Committee established that the Government has left farmers themselves to decide what farming methods to use, the type of seeds appropriate for each season, the type of fertilizer to apply to the crops and the fertilizer mix appropriate for the soil type, a factor that has greatly affected the product yield per acreage of land hence the food insecurity.

16.3 The Committee therefore recommends that the Ministry of Agriculture immediately recruits and deploys Extension Officers to agricultural areas to educate and assist farmers on good farming practices.

17.0 Urgently Revise Land Policy on Tenure and Use

17.1 The committee established that poor land practices specifically governing subdivision of agricultural land is negatively affecting farming especially in the bread basket of the country, the Rift Valley region. Farmers are continuously subdividing agricultural land to uneconomical sizes and converting arable land to other non-agricultural uses at a high rate. The Committee therefore recommends that the Government through the Ministry of Lands and Ministry of Agriculture immediately introduces and implements strict regulations on land subdivision and land use to ensure maximum productivity is achieved from Agricultural land.

17.2 The Committee further recommends that the Ministry of Lands immediately introduce the law required to effect Chapter 5 of the Constitution of Kenya, 2010.

18.0 Government to relax lending conditions on targeted funds so that they can benefit the intended people

18.1 The committee established that the funds introduced by the Government to spur development specifically the Youth Fund and Women Fund hardly reach the intended beneficiaries due to the high number of conditions imposed by banks. The youth and women from rural and poor urban areas do not have security to give the banks for collateral and end up being denied loans.

18.2 The Committee therefore recommends that the Government should remove the unnecessary conditions imposed on these target funds so as to ensure Kenyans have access to them and utilize them for economic empowerment. Equally, project funds should be released on a timely basis for instance Kazi kwa Vijana Funds.

19.0 Inflation and Exchange Rate

19.1 The regular fluctuations of the exchange rate of the Kenya Shilling to the dollar is causing havoc across the economy, with devastating effect on commodity prices. On Monday 6th June, 2011, the shilling hit its lowest level in 17 years – exchanging at 87.75 to the dollar, a rate last seen in 1994. Central Bank must move with speed to address this, alongside the runaway inflation.

20.0 Social Safety Nets for the Most Vulnerable

20.1 The Committee believes it is important for Government to explore innovative means of cushioning the most vulnerable segments of the population most affected by poverty, who suffer the brunt in circumstances such as the country finds itself in today. The Committee is still considering measures such as the French-style meal voucher system, full details of which will be provided in the final report.

21.0 Cartels and Corruption

21.1 Cartels and corruption, and their devastating impact, is a common theme discernible in most of the voices heard by the Committee. This is a matter the Committee is investigating keenly and will receive substantive attention in the final report.

The Committee sought extension of its life and was granted an additional 60 days within which to conclusively finalize its work and submit a comprehensive report to the House in fulfillment of its mandate.