

Debt.

State loan repayments defaulted by Kenya Airways hit Sh10.1 billion

Kepha Muiruri

The State paid out Sh7.3 billion of guaranteed Kenya Airways (KQ) debt in three months to March 2023.

This brings cumulative taxpayer payments to the guaranteed loans to Sh10.1 billion, according to new Treasury disclosures, from Sh2.8 billion as of the end of last December.

As part of the restructuring of KQ, the government in disclosures made to the IMF at the end of last year indicated it had begun servicing the guaranteed portion of KQ's external debts.

The Treasury was expected to take over Sh66.45 billion (\$485 million) of guaranteed KQ loans to facilitate better management of risk and avoid the potential call-up of the guarantee.

"The guaranteees are already part of the government debt stock and, not likely to cause significant, other than an increase in the annual payment obligation from the Consolidated Fund Services estimated at Sh10 billion per year," the Treasury told the IMF.

The government has already settled outstanding debt service arrears



Treasury PS Chris Kiptoo. LUCY WANJIRU

on the guaranteed loan at the end of last September with further payments scheduled in the supplementary budget running to June.

The payments by the government on behalf of KQ are shareholder loans. In February this year, Treasury PS Chris Kiptoo told Parliament that the US Export-Import Bank handed a default notice to the authorities after the delayed payment of the guaranteed loan.

KQ defaulted on part of its Sh71.9

billion (\$525 million) loan from the Private Export Funding Corporation, which was guaranteed by the US Exim Bank first, and secondly by the government of Kenya forcing the Treasury's hand in taking over the payments in a process known as a debt novation.

"We have an outstanding balance of Sh63.29 billion (\$462 million). A default notice has been issued by the guaranteed lender, which is US Exim Bank, which has called on the government of Kenya to pay. Now we don't have, to say the truth, enough headroom to pay, but what is important is to pay," Dr Kiptoo told the committee on Public Debt and Privatisation.

The novated KQ loan is a 12-year facility initially provided by Cit Bank and JP Morgan before its transfer to Private Export Funding Corporation with the US Exim Bank and government as guarantors.

The debt novation is part of a wider restructure of the beleaguered airline which seeks to support the carrier at the least cost to the exchequer.

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Budget.

Ruto accuses Uhuru of hiding Sh200 billion in pending bills

Constant Munda

President William Ruto has accused his predecessor's administration of presiding over a parallel foreign exchange market and hiding more than Sh200 billion in pending bills from the current budget.

Dr Ruto, who took power last September, has accused the Uhuru Kenyatta administration of presiding over a government that was shrouded in opacity following the "handshake" with opposition chief Raila Odinga.

In a rare contradiction to Central Bank of Kenya governor Patrick Njoroge, whose six-year reign ends next month, the President said Kenya last year ran an artificial exchange rate market, which caused a biting shortage of fuel resulting in rationing of the essential commodity.

The President now says when he took over, he discovered the problem was caused by a parallel exchange rate that saw lenders buying and selling the US dollar at levels well above the official rates printed by the CBK.

"We discovered there wasn't a fuel [shortage] problem. It was a misdiag-

nosis. The problem was economic and much more a dollar problem.

"There was a fuel that had come, but the oil marketers could not find the dollars to go and buy because the government was maintaining an artificial rate," Dr Ruto told a media engagement session Sunday night.

"There were two parallel rates. There was a dollar by the government, which they said was Sh120 and there was another. If you really wanted to go and get the dollars, then you really had to go and get it at 128 or thereabout."

Importers such as oil marketers and manufacturers last year complained of a gaping mismatch in demand and supply of the US currency, prompting them to buy it in batches and levels way above the official rate.

Dr Njoroge, the CBK chief, however, has on several occasions denied undue interference in the market, adding that there were enough dollars in the market and that the regulator was merely playing its role of enforcing discipline.

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