NEWS BUSINESS

DEAD DEBT?

State parastatals struggling to pay Sh920bn bailout – Treasury

Kenya Railways tops list with outstanding Sh566 billion followed by KenGen and KQ

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Kenya Airways plane at the Jomo Kenyatta International Airport in Nairobi /FILE

State corporations are yet to repay up to Sh920 billion bailout cash that the government – taxpayers, provided the entities to boost their operations and position them for profitability.

Treasury data reveal that the government had as of June 30, 2022, lent the entities more than Sh1 trillion of which Sh973 billion was disbursed.

Of the disbursed amount, only Sh52 billion has been repaid – in some instances the loans were written off, begging the question whether taxpayers would recover the rest.

Kenya Railways alone it is yet to repay Sh566 billion, emerging as holding the largest share of the outstanding guaranteed loans.

Records further show that Kenya Electricity Generating Company (KenGen) is yet to repay Sh81 billion it was bailed out by state.

Kenya Power comes third with an unpaid Sh56 billion followed by Athi Water Services Board which had a pending Sh47.1 billion as of June 30, 2022. Kenya Airways PLC is also among the biggest debtors with Sh31.2 billion yet to be paid, with reports showing it has not made any repayments lately.

The data, however, differs with that held by Controller of Budget which for instance says Kenya Airways' guaranteed debt stood at Sh78 billion as of December 30, 2022.

Other fairly large portions are owed by Coast Water Services Board (Sh15.8 billion), Rural Electrification Authority (Sh13.4 billion), Lake Victoria South Water Services Board (Sh12.9 billion), Lake Victoria North Water Services Board (Sh11.6 billion), and Kenyatta University (Sh10.9 billion). The Kenya Mortgage Refinancing Company is also yet to pay Sh9.9 billion, Sh9.7 billion for the case of Tanathi Water Services Board, and Mumias Sugar Company (Sh3 billion), and about Sh10 billion for irrigation board, water pipeline corporation, and Northern Water Services board. Treasury Cabinet Secretary Prof Njuguna Ndung'u said the debts will be tracked and assessed against overall sustainability levels of the fiscal commitments.

"The evolving public debt structure and fiscal deficit will inform the review strategy for management of costs and risks of the public debt," the CS said in a memorandum to Parliament on the 2023-24 budget.

While at it, an audit has unearthed irregularities in the loan records with huge variances spotted in records held by some 18 entities.

"The entities with a total loan balance amounting to Sh268,875,962,951 differed with the loan balance of Sh268,241,119,147 independently confirmed from the entities resulting to unexplained variances," Auditor General Nancy Gathungu reported after a review of the loans.

Further, some 12 institutions with outstanding balances amounting to Sh14,566,060,517 did not confirm their loan balances as at 30 June, 2022. They included Uchumi Supermarkets (Sh1.2 billion), Mumias Sugar (Sh3 billion), Local Government Loans Authority (Sh7.6 billion), and NWCPC (Sh2.5 billion) among others.

Gathungu also flagged 12 loans which had no movement at all during the year under review and have remained unpaid over a significant period.

"Further, the management did not provide the aging analysis of the dormant loans," the auditor said.

The dormant loans totaling Sh13.1 billion are in respect of Agrochemical and Food Company (Sh2.9 billion), Mumias Sugar (Sh3 billion), NWCPC (Sh2.46 billion), Uchumi (Sh1.2 billion), Kenya Meat Commission (Sh940 million), and Miwani Sugar (Sh16 million).

DATA

12

State firms that did not confirm loan balances

They include Uchumi Supermarket, Mumias Sugar, NWCPC among others.

SUPPORT

HFC to fund Jua Kali artisans on affordable housing project

ALFRED ONYANGO/ HF Group, through its banking subsidiary HFC has partnered with the Jua Kali Contractors Federation of Kenya (JKCFK) to ease credit access and provide opportunities for Jua Kali artisans in real estate value chain.

The lender has put in Sh4 billion for the next few years to finance players in the affordable housing ecosystem, pointing towards enhanced participation in the country's real estate space. The deals seeks to create synergies in the real estate market by supporting the artisans with value addition for their products and services for increased revenue generation. According to HF Group CEO, Robert Kibaara, the deal will come in handy for the Jua Kali sector which was allocated the preferential contracting of doors, windows and other ring-fenced items for all affordable housing works.

"We noted that lack of financing to service the contracts has hindered uptake of this opportunity by the artisans, and therefore, through this partnership, we will provide the artisans with working capital in addition to training and capacity building opportunities," Kibaara said.

"These will include idea conceptualisation to procurement of products and services, financing, joint market research and exposure to strategic partners."

The financial solutions include, financing for contracts in excavation, masonry, joinery, steel works, plumbing and finishings.

Dubbed 'HFC Ujenzi na Makao', the product will seek to suit the needs of all players in the affordable housing ecosystem, Kibaara added in part. The Principal Secretary State Department for Housing and Urban Development Charles Hinga, welcomed the deal terming it essential in bolstering Jua Kali's capacity to deliver in the supply chain.

"We have provided access to market for the sector by contracting them to provide ring-fencing doors, windows and other key inputs in the affordable housing supply chain. This deal will provide a growth opportunity for the sector to corporatise and be the developers of tomorrow," Hinga said.

He added that the government is further intending to have every Jua Kali artisan to have the chance to be a home owner by providing affordable home financing solutions.

Registered artisans will access working capital to facilitate works contracted for under the affordable housing projects.

EXPERT COMMENT

HUIB VAN DE GRISJPARDE

It's time to evolve Kenya's urban transportation

Kenya, a stunning country with diverse cultures and landscapes, has seen significant growth in the motorcycle communit in recent years. Motorcycles have become a popular mode of transpor tation due to their low cost, ease of use, and versatility.

However, while using motorcycle for public transportation has grown i popularity in recent years, the privat biker community has not grown at the same rate as the public service community, despite the fact that th benefits are numerous.

Traffic congestion is a persistent bottleneck in many of the country's urban areas, resulting in hundreds o hours per year lost on short-distanc commutes that take an inordinate amount of time.

During rush hour, for example, it can take nearly two hours to travel from Ongata Rongai to Nairobi Centr Business District, despite the fact that the distance is only 20 kilometres.

During off-peak hours, the same distance can be covered in about 20 minutes.

For the young and upwardly mobi urban Kenyans, the time lost in traff could have been better spent attend ing to the many other aspects of th exciting lives.

Given the many activities that young people nowadays have to attend to, such as demanding caree vibrant social lives, family commitments, and personal growth, the limited time they have left should n be wasted sitting in traffic for hours on end.

Furthermore, with the cost of oil recently reaching unprecedented highs, there is definitely a case to consider the monetary savings tha come with switching your mobility from four wheels to two.

For example, whereas a standard 1,500CC vehicle can have a fuel consumption rate of up to 15km per litre a decent street-focused motorcycl can reach heady highs of between 30 and 40 kilometers for every litre petrol consumed.

People living on the outskirts of town, in particular, can cut their fuel bills in half by switching their modes of transportation to motorcycles.

Saving fuel also helps with environmental conservation efforts Motorcycles emit fewer greenhous gases and have a lower congestion footprint because their engines are smaller and use less fuel.

As Kenya, like many other countries, faces climate change and environmental degradation challenges motorcycle riding can help to mitiga these issues.

Chief executive officer at Kibo Afri Motorcycles.