Business

17.6bn

Amount in shillings Chinese contracted to build cancelled JKIA project are demanding

-gauge et for r zones vival bid

BETH KIVUVA

ıment plans to roll uge railways for the ıtion of sugarcane to milling factories as ategy to improve the ce of the limping but ıic sector.

ublished policy by the e Cabinet secretary ıturi said the road in- re in the majority of owing regions, espe- stern Kenya, remains e hurting the move- v material for milling. ads in the western re- articular, are impass- cially during heavy me situations, where r gravel roads do not ntenance has been a due to the use of heavy y or tractors for trans- of cane" stated the pol-

nsportation is current- out largely by contract- but the day-to-day al- of transport tasks is by the various trans- artments of respective sed on cane demand. ctories have their trans- ts. In most sugar grow- the cost of transporta- sed on four-kilometre bands from the respec- s. Millers, transporters ers review these rates e to time with the trans- n costs averaging be- -29 percent of the total oduction per tonne and from one cane zone to

riculture ministry said of alternative transport isms would address the es and boost the produc- the industry.

ational government will and implement alter- ost-effective sugar cane rtation system such as l system," it said.

ercial sugarcane produc- Kenya is concentrated in tern, Nyanza, Rift Valley, stal regions.

Air France-KLM opens Africa's headquarters in Nairobi

From left: Dutch Ambassador to Kenya Maarten Brouwer, Air France KLM Senior Vice President of Long-Haul Zoran Jelkic, Air France KLM General Manager for East and Southern Africa, Nigeria and Ghana, Marius Van der Ham and Ministry of Roads and Transport Cabinet Secretary Kipchumba Murkomen during the opening of Air France-KLM group Africa region headquarters at Merchant Square, Nairobi.

BONFACE BOGITA I NATION

Dispute Firms sought payment after cancellation of terminal project in 2016

Botched Sh56bn JKIA tender set for revival

Murkomen says Kenya has struck a deal with Chinese contractors to settle claim

BY BONFACE OTIENO

Kenya has agreed to settle outstanding dues to two Chinese firms whose contract to construct a Sh56 billion second terminal at the Jomo Kenyatta International Airport (JKIA) in Nairobi was cut mid-way.

Transport Cabinet secretary Kipchumba Murkomen said Kenya has struck a deal to settle the outstanding amount owed to the Chinese firms for the contract cancelled in 2016.

The two firms had earlier claimed Sh17.6 billion from the State.

"There is good news that we have agreed, and we are moving through the last stages of confirming that agreement to settle the amount owed to the firms for cancelling their tender midway," he told *Nation* without giving details.

"I can assure you that in two months, a tender for the construction of a new terminal at JKIA will be floated."

The Chinese firms — Anhui Civil Engineering Group (ACEG) and China Aero Technology Engineering International Corporation (CATIC), had been selected to build the Sh56 billion terminal, which was expected to handle 20 million passengers a year by the former regime under President Uhuru Kenyatta.

The tender was, however, cancelled in March 2016 after Sh4.2 billion had been paid to the contractor in advance and Sh75 million was spent on a groundbreaking ceremony that Mr Kenyatta attended on May 23, 2014.

THE NUMBER

20m

Number of passengers proposed Sh56bn terminal will handle annually on completion

This forced the firms, ACEG and CATIC JV, to slap the Kenya Airports Authority (KAA) with a Sh17.6 billion bill for an airport project that never took off.

The firm, which had been paid Sh4.3 billion by the time of the cancellation of the contract, has been demanding another Sh17.6 billion from the KAA, amounting to Sh22 billion.

The dispute arose following the cancellation of the tender.

The government has, since the 2016 cancellation, argued that no work was done at the airport despite CATIC receiving money from the State. The Chinese contractor was said to have dug the project foundation and mobilised 90 percent of the required equipment.

The tender was cancelled after some Sh129.9 million was paid to a consultant, Louise Berger, while PriceWaterHouseCoopers got Sh7 million for its role in securing the financier of the project.

Documents tabled before the parliamentary Public Investments Committee show that CATIC wants the KAA to pay Sh2 billion for the preparation of the bill of quantities, Sh2.4 billion in extra costs and Sh708.2 million being 16 percent value-added tax (VAT).

The Chinese contractor has slapped the KAA with a Sh500 million claim in interest and penalties for delayed payment of VAT charged by the Kenya Revenue Authority.

botieno@ke.nationmedia.com

BRIEFLY

RENOVATIONS

Kenya set to spend Sh294 million on repair of missions

The Foreign Affairs ministry is set to spend Sh294.3 million to renovate Kenya's ambassadors' residences and property abroad. The amount will be used to build and refurbish and office block in Mogadishu (Sh39.2m), renovate State assets in Washington DC (Sh50m), upgrade the ambassador's residence in London (Sh50m), renovate the ambassador's residence in Dar es Salaam (Sh20.1m) and Sh25 million to renovate the chancery in Rome.

Elizabeth Kivuva

MONEY MARKETS

Treasury payouts boosts liquidity

Elizabeth Kivuva

Liquidity in the money market remained adequate during the week ended June 22, supported by government payments. Commercial banks' excess reserves stood at Sh 92 billion in relation to the 4.25 percent cash reserves requirement. The average interbank rate was at 9.85 percent on June 22 compared to 9.42 percent on June 15. During the week, the average number of interbank deals declined to 22 from 34 in the previous week.

POLICY

Monetary policy team meets today

The Monetary Policy Committee (MPC) of the Central Bank of Kenya is set to meet today under newly appointed governor Kamau Thugge for the first time. The MPC in its meeting on May 29 retained the base lending rate at 9.50 on the back of declining inflation and tightening of monetary policy. It argued that importation of duty-free imports on specific food items, particularly sugar, are expected to moderate prices and ease domestic inflationary pressures.

Brian Ambani