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Website: www.nairobi.go.ke

THE SENATE
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OFFICE OF THE GOVERNOR,
COUNTY SECRETARY AND HEAD OF COUNTY PUBLIC SERVICE



NCC/CA/GA/32/41/2017

26th April, 2017

Mr. J.M. Nyegenye
Clerk of Senate/Secretary
Parliamentary Service Commission
NAIROBI



1 DHPs
Kindly deal
27/04/17

RE: SENATE PETITION CONCERNING SETTLEMENT OF
MISCELLANEOUS DEBTS OWED TO THE NAIROBI CITY COUNTY
GOVERNMENT BY THE NATIONAL GOVERNMENT AND ITS AGENCIES

Please find herewith attached the Petition by Dr. Evans Kidero, Governor, Nairobi City County on miscellaneous debts owed to the County by the National government and its agencies.

Phyrim
DR. ROBERT K. AYISI, MBS
AG. COUNTY SECRETARY
FOR: GOVERNOR

Encl.

② Mr. Anolo
pls review this petition
and revert by 2nd May,
2017

③ Charles Mungu, Esq
Kindly deal time lines
hold
28/4/17

28/4/17

26th April, 2017

The Clerk of the Senate,

Parliament Buildings,

P.O. Box 41842 – 00100,

NAIROBI

Email: csenate@parliament.go.ke

**RE: PETITION TO THE SENATE CONCERNING SETTLEMENT OF
MISCELLANEOUS DEBTS OWED TO THE NAIROBI CITY COUNTY
GOVERNMENT BY THE NATIONAL GOVERNMENT AND ITS AGENCIES**

I, the undersigned, a citizen of the Republic of Kenya, resident in and Governor of Nairobi City County;

On my own behalf and on behalf of the Nairobi City County Government;

DRAW the attention of the Senate to the following:

1. **THAT** the Nairobi City County government is currently facing cash flow challenges and is unable to meet its financial obligations which include payment of salaries, remission of statutory deductions and fulfillment of service delivery obligations to the residents of Nairobi including garbage collection, street lighting and provision of health care services;
2. **THAT** the Nairobi City County, with a population of over 4.5 million (4.5 million during the day and 3 million at night) contributes over 50% of the National Gross Income and it is not the Capital City of Kenya, but also the seat of the National Government, the business hub and financial center for the whole of Eastern Africa and the Horn, the headquarters of a major United Nations agency, and the home of head offices for numerous multi-lateral organizations, diplomatic missions, non-governmental organizations and multinational business;
3. **THAT** it is important therefore, and long overdue, that Nairobi is transformed into a world class city, compliant with modern international best practices in the services of transport, water and sanitation, security, cleanliness and public health, among many other;
4. **THAT** the Nairobi City County has finalized the county Development plan (which is a statutory requirement) as well as a strategic plan for the next 10 years. These two plans, now anchor its clear vision and mission, and provide guiding framework for its activities and operations in the coming years;

Petition to the Senate by Dr. Evans Kidero, Governor of Nairobi City County Concerning Settlement of Debts Owed to the Nairobi City County Government by the National Government and its Agencies

5. **THAT** the Nairobi City County faces quite a number of challenges and obstacles, which I would wish to, bring to the attention of the Senate in this petition. These include and but are not limited to those which we present here, in summary form;
6. **THAT** section 6 of the Urban Areas and Cities Act requires that the capital city shall provide infrastructure necessary to sustain the seat of the National Government; offices of diplomatic missions; efficient transport network connecting to rural areas, towns and other local, regional and international cities; and commerce and industry;
7. **THAT** the Nairobi City County is currently facing cash flow challenges and is unable to meet its financial obligations which include payment of salaries, statutory deduction and service delivery to the residents of Nairobi the most crucial being garbage collection, street lighting and provision of health care services;
8. **THAT** the problem is compounded by the huge outstanding debt that remains uncollected and the bulk of the debt is from the Government of Kenya and some few State corporations as highlighted below;

NAIROBI CITY COUNTY RECEIVABLE FROM GOVERNMENT	
SOURCE	AMOUNT(KSHS)
RATES	
Contribution in Lieu of Rates (CILOR)	2,923,308,762
Kenya Railways Staff Retirement Benefit Scheme	808,519,669
Kenya Culture Centre	1,482,159,246
Kenya Railways Corporation	221,330,285
National Assembly	48,663,742
Kenya Broadcasting Corporation	2,671,837,068
SUB TOTAL	8,155,818,772
Kenya Power-Way Leaves	605,301,420
Parking fees/Government Reserved parking	154,000,000
GRAND TOTAL	8,915,120,192

9. **THAT** part of the issues canvassed in this petition are currently the subject of Court proceedings and that the defunct City Council of Nairobi filed a case *City Council of Nairobi –vs–The Attorney General(Commissioner of Lands) (RMCC NO.2 of 2003)* where it sought to compel the National Government to pay contribution in lieu of (rates) on properties owned by the National Government within Nairobi;
10. **THAT** additionally the defunct Nairobi City Council borrowed Kshs. 5 Billion from Equity Bank;

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11. **THAT** our creditors' position is as summarized below:

NAIROBI CITY COUNTY LIABILITIES		
As at 30th June, 2016		
	ITEM DESCRIPTION	30th June, 2016
1	Statutory Bodies	
	KRA (PAYE)	3,025,243,399.22
	KRA(VAT)	103,430,489.50
	Subtotal KRA	3,128,673,888.72
	NSSF	509,097,305.00
	LAPTRUST-Principal	5,296,304,468.16
	LAPTRUST-Penalties & Interest	1,904,323,121.18
	LAPFUND-Principal	2,031,894,744.82
	LAPFUND-Penalties & Interest	4,784,252,953.60
	Sub-total Statutory creditors	17,654,546,481.48
2	Merchants	
a)	Development	
i)	Construction of civil works/Construction of roads and drainages & Overhaul and Refurbishment	1,394,238,914.39
ii)	Construction of Buildings	385,267,361.31
	Sub-total Development	1,779,506,275.70
b)	Recurrent	
	Supply of services	285,451,052.62
	Supply of goods & Acquisition of Assets	651,878,482.07
	Hospital creditors	125,856,713.48
	Sub-total Recurrent	1,063,186,248.17
	Total Expenditure on Suppliers/Contractors	2,842,692,523.87
c)	Legal Creditors	2,088,543,409.62
	TOTAL	4,931,235,933.49
3	Utilities (KPLC)	401,480,119.70
4	Loans	
	Co-op IPF Loan/KCB Long-term loan	3,420,867,845.00
	Overdraft	13,642,040.15
	Sub-total Loans	3,434,509,885.15
5	Contingent Liabilities	
	LAPTRUST(actuarial deficit & Interest)	2,624,372,573.00
	Sub-total -Pensions	2,624,372,573.00
6	Other loans	
	Government guaranteed loans	3,815,640,000.00
	On lent Water (Foreign Loans)	15,328,285,000.00
	Sub-total-other Loans	19,143,925,000.00
7	Employee benefits- Retirees/ Deceased	107,548,846.28
	TOTAL DEBTS	48,297,618,839.10

Petition to the Senate by Dr. Evans Kidero, Governor of Nairobi City County Concerning Settlement of Debts Owed to the Nairobi City County Government by the National Government and its Agencies

SUMMARY OF INCOME AND EXPENDITURE			
ITEM	Financial Statements 2013/2014 (Kshs 000)	Financial Statements 2014/2015 (Kshs 000)	Actual Revenues & Expenditure Commitments 2015/2016 (10 months)
Revenues	18,542	22,782	20,399
Expenditures			
Employee costs	9,067	12,465	10,222
Operations & Maintenance	8,254	8,194	4,519
Development	1,725	1,903	3,511
Transfer to other government entities	1,387	2,334	1,089
Total	20,433	24,896	19,341
Deficit	(1,891)	(2,114)	1,058

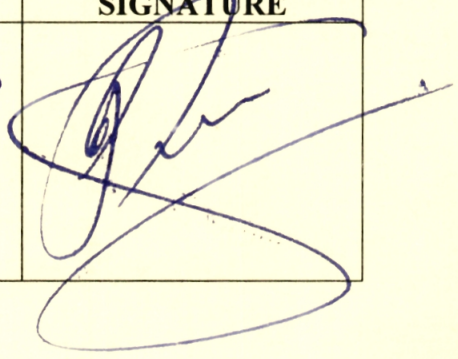
12. **THAT** in general our collections are lower than our expenses;
13. **THAT** the Nairobi City County is now implementing the new Collective Bargaining Agreement which would increase its personnel costs to approximately Kshs. 812 Million per month. This will increase its monthly deficit even further;
14. **THAT** the effect and collective Bargaining Agreement is further compounded by the huge workforce inherited from the National government;
15. **THAT** the failure to pay creditors coupled with the economic pressures has led the County to financial distress making it unable to neither provide services nor embark on planned development projects. Some of the major development projects that the Nairobi City County had planned to carry out include;

Major Projects	Kshs.
Rehabilitation of Pumwani Maternity Hospital	406,000,000
Roads and Infrastructure	2,210,000,000
Automatic Process	2,464,000,000
Staff Rationalization	4,400,000,000
Total	9,480,000,000

16. **THAT**, I and the Nairobi City County Government have made the best efforts to have these matters addressed by the relevant authority all of which have failed to give satisfactory response.

WHEREFORE, your humble petitioner prays that the senate investigates these matters and makes appropriate recommendations. Among the interventions proposed to the Senate are to recommend-

- a) THAT the national government accelerates the settlement of all its debts to the Nairobi City County including those of state corporations which currently amount to Kshs. 8,915,120,192 (Eight Billion Nine Hundred and Fifteen Million, One Hundred Twenty Thousand, One Hundred Ninety Only). (This excludes the 61,500,000,00 (Sixty One Billion , Five Hundred Milion) owed on account of the Department of Defence land and which is a subject of another petition before Senate; and
- b) THAT the two governments should undertake a debt swop and settlement of the balance either by cash guarantee financial instruments.

NAME	FULL ADDRESS	ID. NO.	SIGNATURE
Evans Kidero	P.O Box 300 75 -00100 Nairobi	4829645	

Date: