Kenya and the IMF

Press Release:
IMF Executive Board Completes First Review Under Extended Credit Facility for Kenya
June 29, 2011

Country's Policy Intentions Documents

Kenya: Letter of Intent and Technical Memorandum of Understanding

June 14, 2011

The following item is a Letter of Intent of the government of Kenya, which describes the policies that Kenya intend to implement in the context of its request for financial support from the IMF. The document, which is the property of Kenya, is being made available on the IMF website by agreement with the member as a service to users of the IMF website.

LETTER OF INTENT

Nairobi, Kenya
June 14, 2011

Mr. John Lipsky
Acting Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Mr. Lipsky:

1. **Kenya's economy continues to recover steadily despite new challenges stemming from rising international commodity prices including fuel and drought-related concerns.** All sectors of the economy grew strongly in 2010, spurred by a dynamic private sector and the recovery of agricultural production. Recent steep increases in international prices for food and oil products have fueled inflationary pressures which, combined with and insufficient and delayed rainfall in most parts of the country, have implications for growth prospects and macroeconomic management.

2. **Performance under the economic program supported by an arrangement under the Extended Credit Facility of the IMF has been strong.** Our program is on track with regard to quantitative performance criteria and indicative targets for end-March 2011. The target on net international reserves was missed because of a base-effect measurement issue and the net domestic assets target was also missed by a small amount, although the direction of policies remained appropriate. The target on the primary budget balance of the central government was met with a wide margin. The structural benchmarks were all met.

3. **This Letter of Intent (LOI) describes policies we intend to implement for FY 2011/12.** Near–term macroeconomic policies will be geared at containing domestic demand pressures that have emerged on inflation and the external position while remaining on a growth trajectory consistent with the medium-term plan of Vision 2030. The key priorities for the near- and medium-term remain the implementation of our new Constitution, enhancements to the country's infrastructure, investments in the energy sector, and adequate allocations to the social sectors. We stay firmly committed to our reform program aimed at achieving higher and sustainable growth in a more equitable environment.

I. RECENT DEVELOPMENTS AND OUTLOOK

4. **Kenya enjoyed broad-based economic growth in 2010**. Real GDP growth reached 5.6 percent supported by improved weather conditions, increased credit to the private sector, higher investments, and minimal inflationary pressures. These factors allowed for the creation of an estimated 500,000 new jobs, of which about 60,000 in the formal economy. Agriculture, which is the economy's largest sector, experienced strong growth, while the financial sector expanded fast. Strong domestic demand coupled with higher international commodity prices led to a widening of the current account deficit by end-March 2011 and the second round impact of oil price hikes and urban food supply constraints caused inflation to reach double digits in April.

5. **Economic prospects remain strong, but the impact of inflation and potential drought is a source of concern.** Continued strong growth in credit to the private sector, higher-than-anticipated foreign direct investments, rising remittances, and higher tourism receipts all point to favorable growth prospects. However, demand pressures related to ongoing investments and a higher import bill will exert pressure on the current account and on domestic prices. As such we will adjust monetary policy to preserve macroeconomic stability. We will monitor closely developments in the agricultural sector over the coming months, because insufficient and poor distribution of rainfall may contribute to lowering growth prospects and add to existing price tensions.

II. THE ECONOMIC REFORM PROGRAM FOR 2011/12

A. Fiscal Policy

6. **We will continue our focus on gradual fiscal consolidation while taking care of the long term development needs of the country.** As we intensify efforts to contain non-priority recurrent expenditure through greater efficiency, we expect to reduce the primary fiscal deficit to 2.7 percent of GDP in the coming fiscal year. At the same time, we will increase development expenditures to boost the country's growth prospects. In particular, we will maintain adequate scope for investments in transport infrastructure and in renewable energy supply, with the aim of eliminating oil imports for power generation. Priority in the coming year will also ensure sufficient resources are allocated to programs that will assure food security and implementation of our new Constitution, including for the envisaged devolution of administrative powers and fiscal responsibilities to County Governments in 2012.

7. **We have announced a set of measures to shield the poor from the impact of high food and fuel prices.** To provide relief from high food prices, we will expand famine relief to cover 4 million people, up from 2.4 million currently covered, expand our existing safety net programs targeting the poor, and remove duties on imports of wheat and maize. To counter the increase in fuel prices, we have already lowered taxes on kerosene and diesel and

proposed to Parliament to eliminate taxes on kerosene altogether. To cover revenue shortfalls and ensure long-term sustainability of expenditures, we will consider a new set of tax measures to fund safety nets programs. In the context of the 2011/12 Budget, our VAT regime is being reviewed to remove distortions introduced by a number of ad hoc exemptions and zero-rated goods that have undermined revenue collection.

8. **We will remain prudent in approving new project loans to ensure public debt dynamics remain sustainable.** In particular, we will carefully select and prioritize projects to maximize their contribution to economic growth and poverty reduction. We also intend to monitor closely the risks related to contingent liability exposure, including through the integration of projects funded through public private partnerships into the medium-term debt management strategy. Combined with a gradual reduction in the primary fiscal deficit, these measures will help contain the public debt-to-GDP ratio falls below the target of 45 percent by FY 2013/14.

B. Monetary Policy

9. **We will take decisive action to return to low and stable inflation.** We expect pressure on inflation to moderate following the onset of rains in May 2011 in the main food producing regions of the country. However, monetary policy in 2011 will be firmly geared at keeping inflationary expectations under control. In order to meet the net domestic assets target, the Government will repay overdraft outstanding obligations before the end of the fiscal year and absorb liquidity from commercial banks through enhanced repo operations in line with program objectives, allowing interest rates to adjust as needed. These actions will bring the rate of growth of credit to the private sector to levels that can be sustained while providing adequate support to economic activity.

10. **We will step up efforts to accumulate international reserves through regular purchases of foreign exchange.** We remain committed to our medium-term objective to increase reserve coverage to four months of prospective imports, but the pace of reserve accumulation will need to take into account the impact of the external supply shocks that has created instability in the foreign exchange market. We expect that the ongoing tightening of monetary policy will enhance stability on the foreign exchange market.

C. Financial Policy

11. **We remain committed to the twin objectives of promoting financial inclusion and strengthening financial stability.** Following the introduction of legislation allowing the Central Bank to take prompt corrective action to deal with problem banks, we will sustain ongoing initiatives to upgrade crisis management frameworks to deal with the challenges of cross-border operations and mobile banking. We will notably increase the use of stress testing and improve the evaluation of provisioning practices by financial institutions.

12. **We will make further progress in deepening our financial sector to transform it into a regional hub for financial services.** Following the introduction of legislation allowing for the demutualization of the Nairobi Stock Exchange, we expect the process to be finalized during FY 2011/12. This will convert our stock exchange into a profit-making entity and open it to participation from a wider range of investors, contributing to greater competition and transparency. Other measures we plan to implement in the near term include the raising of capital requirements, deepening of the bond market through a new framework allowing for more issuance and OTC trading, development of a legal framework for the creation of a bond market for SMEs, and harmonization of policy frameworks to promote the regional integration of EAC capital markets.

III. Structural Reforms

13. **We will introduce a new, comprehensive public financial management law.** Building on recent technical assistance received from the Fund, we have made significant progress in the preparation of a draft law covering all aspects of public financial management at both Central and County Government levels. We expect the draft law to be presented to the Commission on the Implementation of the Constitution in June 2011, for consideration by Parliament by end-August 2011. The new law will be a key milestone in our efforts to enhance transparency and promote efficiency in the management of public funds, including through the establishment of a Treasury Single Account.

14. **We will submit comprehensive amendments to the VAT legislation during 2011/12 .** The new legislation will seek to improve administration and compliance, and minimize revenue losses linked to exemptions. Looking forward, we intend to enhance revenue collection through further administrative reforms, including through increased automation of KRA processes at the level of customs. We will also undertake a comprehensive review of tax policy following the appointment of a Tax Reform Commission in 2011/12. The review will aim at simplifying our tax code in line with best practices, in order to help improve tax compliance, minimize delays, and raise revenue.

IV. Program Issues

15. **Safeguards assessment.** The safeguards assessment of the Central Bank of Kenya was initiated in March 2011 and an IMF mission visited Nairobi in May 2011. The central bank is committed to implement the recommendations resulting from that assessment.

16. **Program monitoring.** Our program will be monitored using the definitions, data sources, and frequency of monitoring set out in the accompanying revised TMU. The government will make available to Fund staff all data appropriately reconciled and on a timely basis, as specified in the TMU. Table 1 shows the quantitative performance criteria to be used in monitoring performance in 2011/12. Structural benchmarks, with corresponding dates, are identified in Table 2. Fiscal performance criteria will cover the central government, but the authorities will prepare to expand coverage to include the general government as

early as possible, in anticipation of fiscal decentralization. The second review under the ECF arrangement, assessing end-June performance criteria, is expected to be completed by November 15, 2011. The third review under the ECF arrangement, assessing end-December performance criteria, is expected to be completed by April 15, 2012.

17. **Given our strong program implementation, we request completion of the first review of the ECF-supported program approved on January 31, 2011 and the associated disbursement of SDR 43.424 million.** We reiterate that our program is on track with regard to quantitative performance criteria and indicative targets for end-March 2011. The target on the primary budget balance of the central government was met with a wide margin. The structural benchmarks were all met despite shocks that were not anticipated at the time of the design of our program. The target on net international reserves was missed because of a base effect measurement issue and the net domestic assets target was also missed by a small amount, although the direction of policies remained appropriate. Thus, we request waivers for the end-March performance criteria on net international reserves and net domestic assets of the central bank. We also request modification of the end-June and end-December 2011 performance criteria for net international reserves and net domestic assets, as well as for the primary budget balance of the central government.

18. We will maintain a close policy dialogue with the Fund and stand ready to take additional measures, as appropriate, to ensure the achievement of the government's economic and social objectives under the ECF-supported program. We will maintain a close policy dialogue with the Fund on the adoption of measures, and in advance of revisions of the policies contained in this Letter of Intent, in accordance with the Fund's policies on such consultation.

19. **We authorize the IMF to publish this Letter of Intent and its attachments, as well as the accompanying staff report.**

Sincerely yours,

/s/

Uhuru M. Kenyatta
Deputy Prime Minister and
Minister for Finance

/s/

Njuguna Ndung'u
Governor
Central Bank of Kenya

Attachment: Updated Technical Memorandum of Understanding

Table 1. Revised and New Performance Criteria for the 2011/2014 ECF Arrangement

(In billions of Kenyan shillings; unless otherwise indicated)

	2010	2011				2012	
	Actual	Actual	Performance Criteria	Indicative Targets	Performance Criteria	Indicative Targets	Performance Criteria
	End-Dec.	End-March	End-June	End-September	End-Dec.	End-March	End-June
Quantitative performance criteria							
Fiscal targets							
Primary budget balance of the central government (-=deficit, floor) [1/ 2/ 3/]	-20.7	11.6	-25	-30	-30	-50	-15
Monetary targets 4/ 5/							
Stock of central bank net international reserves (floor, in millions of US$) [6/7]	3,314	3,263	3,515	3,600	3,700	3,700	3,700
Stock of net domestic assets of the central bank (ceiling)	-27.5	-28.0	-50	-45	-30	-50	-45
Public debt targets							
Contracting or guaranteeing of medium- and long-term nonconcessional external debt by the central government (ceiling; millions of US$) [8/9]	0	0	700	700	700	700	700
New central government and central government guaranteed external payment arrears (ceiling, millions of US$) [10/]	0	0	0	0	0	0	0
Indicative targets							
Priority Social Expenditures of the central government(floor) [11/ 3/]	5.9	19.6	24.8	12.1	13.5	22.5	26.1

1/ The primary budget balance of the central government is defined as overall balance including grants, minus concessional project loans, plus interest payments.
2/ Targets for end-December 2010, end-March 2011, end-June 2011 are cumulative flow, from October 1, 2010 (beginning of the second quarter of the 2010/2011 fiscal year).
3/ Targets for end-September 2011, end-December 2011, end-March 2012, and end-June 2012 are cumulative flow from July 1, 2011 (beginning of the 2011/2012 fiscal year).
4/ For program monitoring, the daily average for the month when testing dates are due.
5/ The NIR floor will be adjusted upward (downward) by the excess (shortfall) of external budgetary support (grants and loans) and external commercial debt relative to the programmed amounts. The NDA ceiling will be adjusted downward (upward) by the excess (shortfall) of external budgetary support (grants and loans) and external commercial debt relative to the programmed amounts.
6/ Excludes encumbered reserves.
7/ At September 2010 exchange rates up to March 2011, and at April 29, 2011 afterwards.
8/ Cumulative flow of contracted debt, from January 1, 2011.
9/ The targets on the ceiling non-concessional external debt do not include the planned issue of sovereign bond that is now scheduled for 2012/13 fiscal year.
10/ Continuous.
11/ Targets for end-December 2010, end-March 2011, and end-June 2011 are cumulative flow from July 1, 2010.

Table 2. Kenya: Structural Benchmarks for the Request under the ECF Arrangement

Item Measure	Time Frame	Status
Tax measures		
Submit Value Added Tax (VAT) legislation to help improve administration and compliance. *Macro criticality: The VAT reform will allow for higher mobilization of revenue which will reduce the fiscal imbalance.*	Second Review	In Progress
Expenditure control		
Submit Public Finance Management legislation to the Commission for Implementation of the Constitution, to help accelerate reforms in public financial management. *Macro criticality: PFM management legislation is crucial for increasing both spending efficiency and improving fiscal management.*	Third Review	In Progress
Adopt a Single Treasury Account to strengthen cash management and improve resource management. *Macro criticality: Single Treasury Account (STA) adoption will improve both liquidity management and expenditure control.*	Fourth Review	In Progress
Banking supervision		
Amend the Banking Act to reinforce prompt corrective action by the banking supervision authority. *Macro criticality: Reinforcing the banking supervision authority is crucial to reducing the risk of macroeconomic instability.*	First Review	Completed on December 24, 2010 (Finance Act)
Capital markets		
Introduce legislation to allow the demutualization of the Nairobi Stock Exchange, to remove the conflict of interest from the governing body of the exchange and to strengthen capital markets. *Macro criticality: Demutualization of the Nairobi Stock Exchange is essential for the development of deeper financial markets that will enhance financial stability.*	First Review	Completed in January 2011 (guidelines were introduced as the Attorney General ruled that a new Law was not needed).

Attachment I. Updated Technical Memorandum of Understanding

1. This memorandum sets out the understandings between the Kenyan authorities and the IMF regarding the definitions of quantitative performance criteria and indicative targets, their adjusters and data reporting requirements for the three-year Extended Credit Facility (ECF) arrangement.

I. Quantitative Performance Criteria and Benchmarks

2. Quantitative performance criteria are proposed for June 30, 2011 December 31, 2011 and June 30, 2012 with respect to:

- the primary balance of the central government including grants, excluding external concessional project loans, cash basis (**floor**);
- the net official international reserves (NIR) of the Central Bank of Kenya (CBK) (**floor**);
- the net domestic assets (NDA) of the CBK (**ceiling**);
- nonconcessional medium- and long-term external debt contracted or guaranteed by the central government or by local and municipal governments without central government guarantee (**ceiling**); and
- medium- and long-term external public debt arrears (**continuous ceiling**).

3. The program sets indicative targets for June 30, 2011; December 31, 2011; and June 30, 2012 with respect to:

- priority social spending of the central government (**floor**).

II. Performance Criterion on the Primary Balance Including Grants of the Central Government

4. The **central government primary balance excluding external concessional project loans** on cash basis is defined as central government revenues and grants minus expenditures and net lending, plus due interest payments and investment expenditure financed through external concessional project loans, adjusted for cash basis.

5. For program purposes, the **central government primary balance excluding external concessional project loans** on cash basis is cumulative from October 1, 2010 and will be measured from the financing side as the sum of the following: (a) the negative of **net**

domestic financing of the central government; (b) the negative of **net external financing of the central government, excluding external concessional project loans;** and (c) **domestic and external interest payments** of the central government. For the December 31, 2011 and June 30, 2012 test dates, the central government primary balance including grants excluding external concessional loans will be measured cumulative from July 1, 2011.

The above items are defined as follows:

- **Net domestic financing** of the central government is defined as the sum of:
    - net domestic bank financing;
    - net nonbank financing;
    - change in the stock of domestic arrears of the central government; and
    - proceeds from privatization.

- **Net external financing excluding external concessional project loans** is defined as the sum of:
    - disbursements of **external nonconcessional project loans**, including securitization;
    - disbursements of **budget support loans;**
    - principal repayments on all **external loans;**
    - net proceeds from issuance of external debt;
    - any exceptional financing (including rescheduled principal and interest);
    - net changes in the stock of short-term external debt; and
    - any change in external arrears including interest payments.

- **External concessional project loans** of the central government are defined as **external project loans** contracted by the central government, which are considered concessional according to the definition in paragraph 11. All other **external project loans** are deemed **nonconcessional external project loans.**

- **Domestic and external interest payments** of the central government are defined as the due interest charges on domestic and external central government debt.

III. Performance Criterion on the Net International Reserves of the Central Bank of Kenya

6. **The net official international reserves** (stock) of the CBK will be calculated as the difference between total gross official international reserves and official reserve liabilities.

    - **Gross official international reserves** are defined as the sum of:
        - the CBK's holdings of monetary gold (excluding amounts pledged as collateral);

- ➢ holdings of Special Drawing Rights (SDRs), including the August 28, 2009 General allocation and the September 9, 2009 Special allocation;

- ➢ CBK holdings of convertible currencies in cash or in nonresident financial institutions (deposits, securities, or other financial instruments).

- **Gross official international reserves** exclude:

  - ➢ the reserve position in the IMF;

  - ➢ pledged, swapped, or any encumbered reserve assets, including but not limited to reserve assets used as collateral or guarantees for third-party external liabilities;

  - ➢ deposits with Crown agents; and

  - ➢ precious metals other than gold, assets in nonconvertible currencies and illiquid foreign assets.

- **Official reserve liabilities** are defined as:

  - ➢ the total outstanding liabilities of the CBK to the IMF except those arising from the August 28, 2009 SDR general allocation and the September 9, 2009 SDR special allocation;

  - ➢ convertible currency liabilities of the CBK to nonresidents with an original maturity of up to and including one year;

  - ➢ commitments to sell foreign exchange arising from derivatives (such as futures, forwards, swaps, and options).

- The following **adjustors** will apply to the target for NIR:

  - ➢ If budgetary support (external grants and loans) [1] and external commercial debt exceed the programmed amounts, the target for NIR will be adjusted upward by the difference.

  - ➢ If budgetary support (external grants and loans) and external commercial debt fall short of the programmed amounts, the target for NIR will be adjusted downward by the difference.

[1] No budgetary support in the form of external grants and loans is expected in the next 12 months.

7. **NIR are monitored in U.S. dollars,** and, for program monitoring purposes, assets and liabilities in currencies other than the U.S. dollar shall be converted into dollar equivalent values, using the exchange rates as specified in Table 1, and net international reserves will be computed as the daily average for the month when the testing date is due.

IV. Performance Criterion on the Net Domestic Assets (NDA) of the Central Bank of Kenya

8. **Net domestic assets** are defined as reserve money minus NIR converted in shillings at the accounting exchange rate of 83.3 shillings for one U.S. dollar, plus medium and long term liabilities (i.e., liabilities with a maturity of one year or more) of the CBK, including those arising from the August 28, 2009 SDR General allocation and the September 9, 2009 SDR Special allocation; minus the value in shillings of encumbered reserves converted at the accounting exchange rate of 83.3 shillings for one U.S. dollar.

- NDA is composed of:
  - net CBK credit to the central government;
  - outstanding net credit to domestic banks by the CBK (including overdrafts); and
  - other items net.

- Reserve money is defined as the sum of:
  - currency in circulation; and
  - required and excess reserves.

- The following **adjustors** will apply to the target for NDA:
  - If budgetary support (external grants and loans) and external commercial debt exceed the programmed amounts, the target for NDA will be adjusted downward by the difference.

  - If budgetary support (external grants and loans) and external commercial debt fall short of the programmed amounts, the target for NDA will be adjusted upward by the difference.

9. **NDA are monitored in shillings, and will be computed as the daily average for the month when the testing date is due.**

V. Performance Criterion on Nonconcessional External Debt Contracted or Guaranteed by the Central Government

10. The definitions of "debt" and "concessional borrowing" for the purposes of this memorandum of understanding are as set out in point 9 of Executive Board Decision No. 6230-(79/140), as subsequently amended, including by Executive Board Decision No. 14416-(09/91), effective December 1, 2009. This definition also includes the following:

- Debt is understood to mean a direct, that is, not contingent, liability, created under a contractual agreement through the provision of value in the form of assets (including currency) or services, which requires the obligor to make one or more payments in the form of assets (including currency) or services at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows:

  - loans, that is, advances of money to the obligor by the lender made on the basis of a undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans, and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);

  - suppliers' credits, that is, contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and

  - leases, that is, arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lesser retains title to the property. For the purpose of this guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair or maintenance of the property.

- Under the definition of debt set out above, arrears, penalties, and judicially awarded damages arising from failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (for example, payment on delivery) will not give rise to debt.

11. Debt is considered concessional if, on the date on which the contract was signed, the ratio of the present value of the loan, based on the commercial interest reference rates

(CIRRs), to the nominal value of the loan is less than 65 percent (that is, the grant element of the loan is at least equal to 35 percent of its nominal value). The present value of the loan will be calculated by discounting future payments of interest and principal using the CIRRs established by the Organization for Economic Cooperation and Development (OECD). Specifically, the 10-year average of CIRRs reported by the OECD will be used for loans with maturities longer than 15 years while the six-month average of CIRRs will be used for loans with shorter maturities. To both the 10-year and 6-month averages of the reference rate, the margin for different repayment periods will be added, as established by the OECD (0.75 percent for repayment periods of less than 15 years; 1 percent for repayment periods of 15–19 years; 1.15 percent for repayment periods of 20–29 years; and 1.25 percent for repayment periods of 30 years or more).

12. The definition of **external debt**, for the purposes of the program, is any debt as defined in paragraph 9, which is denominated in foreign currency, i.e., currency other than Kenyan shillings (Ksh). Similarly, external borrowing is borrowing denominated in foreign currency.

13. The performance criterion on nonconcessional external debt is measured as a cumulative flow from January 1, 2011 and this includes: (i) nonconcessional external debt contracted or guaranteed by the central government; and (ii) nonconcessional external debt contracted by local and municipal authorities without central government guarantee. The authorities should consult with the Fund where public enterprises and other parastatals seek nonconcessional external borrowing without central government guarantee to limit the potential fiscal risk to the government. Medium- and long-term debt refers to debt with maturity of one year or longer.

14. The ceiling on nonconcessional external borrowing (see Table 1 in LOI) excludes the proceeds of the issuance of a sovereign bond up to a maximum amount of US$500 million now scheduled for the fiscal year 2012/13. The authorities will consult with the Fund should they decide to issue the sovereign bond earlier.

VI. Performance Criterion on the Stock of Central Government and Central Government Guaranteed External Payment Arrears to Official Creditors

15. Central government and central government guaranteed external payment arrears to official creditors are defined as overdue payments (principal or interest), which were not made by their contract due date nor during the applicable grace period thereafter, on debt contracted or guaranteed by the central government. The definition excludes arrears relating to debt subject to renegotiation (dispute) or rescheduling.

16. The performance criterion on the stock of central government and central government guaranteed external payment arrears applies only to newly accumulated arrears on or after January 1, 2011.

VII. INDICATIVE TARGET ON PRIORITY SOCIAL SPENDING

17. The program sets a floor on priority social spending of the central government. For the purposes of the program, priority social spending of the government is defined as the sum of:

- cash transfers to orphans and vulnerable children;
- cash transfers to elderly;
- anti-retroviral treatment expenditures;
- free primary education expenditure; and
- free secondary education expenditure**.**

VIII. COVERAGE

18. All the references to **central government** in the current TMU will be changed to **general government,** in order to include local governments whenever the fiscal decentralization takes place according to the new constitution.

Table 1. Kenya: Program Exchange Rates for the ECF Arrangement
(Rates as of April 29, 2011)

Currency	Kenyan Shillings per curreny unit	Dollars per curreny unit
Canadian dollar	87.54	1.051
Danish krone	16.57	0.199
Euro	123.59	1.484
Japanese yen	1.02	0.012
Pound sterling	138.74	1.666
Swedish krone	13.87	0.166
SDR	134.92	1.620
US dollar	83.30	1.000

Table 2. Summary of Data to Be Reported

Information	Frequency	Reporting Deadline	Responsible Entity
1. Primary balance of the central government including grants			
Net domestic bank financing (including net commercial bank credit to the central government and net CBK credit to the central government)	Monthly	Within 15 days after the end of the month.	CBK
Net nonbank financing	Monthly	Within 15 days after the end of the month.	CBK
Central government arrears accumulation to domestic private parties and public enterprises outstanding for 60 days or longer.	Monthly	Within 15 days after the end of the month.	Ministry of Finance (MoF)
Proceeds from privatization	Monthly	Within 15 days after the end of the month.	CBK
Interest paid on domestic debt	Monthly	Within 15 days after the end of the month.	CBK
Interest paid on external debt	Quarterly	Within 4 weeks after the end of the quarter.	CBK
Disbursements of external nonconcessional project loans, including securitization	Quarterly	Within 45 days after the end of the quarter.	MoF
Disbursements of budget support loans	Quarterly	Within 45 days after the end of the quarter.	MoF
Principal repayments on all external loans	Monthly	Within 15 days after the end of the month.	CBK
Net proceeds from issuance of external debt	Monthly	Within 15 days after the end of the month.	CBK
Any exceptional financing (including rescheduled principal and interest)	Monthly	Within 15 days after the end of the month.	MoF
Net changes in the stock of short-term external debt	Quarterly	Within 45 days after the end of the quarter.	MoF
Net change in external arrears, including interest	Quarterly	Within 45 days after the end of the quarter.	MoF
2. Gross official international reserves			
CBK's holding of monetary gold (excluding amounts pledged as collateral)	Monthly	Within 15 days after the end of the month.	CBK
Holdings of SDRs	Monthly	Within 15 days after the end of the month.	CBK
CBK holdings of convertible currencies in cash or in nonresident financial institutions (deposits, securities, or other financial instruments)	Monthly	Within 15 days after the end of the month.	CBK

3. Official reserve liabilities			
Total outstanding liabilities of the CBK to the IMF except those arising from the August 28,2009 SDR general allocation and the September 9, 2009 SDR special allocation;	Monthly	Within 15 days after the end of the month.	CBK
Convertible currency liabilities of the CBK to nonresidents with an original maturity of up to and including one year	Monthly	Within 15 days after the end of the month.	CBK
Commitments to sell foreign exchange arising from derivatives.	Monthly	Within 15 days after the end of the month.	CBK
4. Net domestic assets			
Net CBK credit to the central government	Monthly	Within 15 days after the end of the month.	CBK
Outstanding net CBK credit to domestic banks (including overdrafts)	Monthly	Within 15 days after the end of the month.	CBK
5. Reserve money			
Currency in circulation	Monthly	Within 15 days after the end of the month.	CBK
Required and excess reserves	Monthly	Within 15 days after the end of the month.	CBK
Nonconcessional medium- and long-term external debt contracted or guaranteed by the central government	Quarterly	Within 45 days after the end of the quarter.	MoF
Accumulation of central government and central government guaranteed external payment arrears.	Quarterly	Within 45 days after the end of the quarter.	MoF
Social priority spending	Quarterly	Within 45 days after the end of the quarter.	MoF