Kenya and the IMF

Press Release:
IMF Executive Board Approves New Arrangements for Kenya Totaling US$1.5 billion

March 14, 2016

Country's Policy Intentions Documents

E-Mail Notification
Subscribe or Modify your subscription

Kenya: Letter of Intent; Memorandum of Economic and Financial Policies; and Technical Memorandum of Understanding

February 26, 2016

Letter of Intent

Nairobi, Kenya

February 29, 2016

Ms. Christine Lagarde
Managing Director
International Monetary Fund
Washington, D.C. 20431
United States of America

Dear Ms. Lagarde:

1. Kenya's growth performance remains robust, supported by significant public infrastructure investments, lower energy prices, and strong private consumption. We have continued to implement key structural reforms, which have resulted in significant improvements in the business environment, boding well for continued strong, pro-poor growth over the medium term. However, external shocks from heightened volatility in global markets adversely affected capital inflows, put pressure on the exchange rate, and contributed to fiscal financing challenges. Inflation has also risen in recent months largely due to adverse weather-related factors and a new excise tax, and exceeded the upper bound of our target range (5±2.5 percent) in December, but still within single digit levels.

2. Performance under our economic program supported by the Stand-By Arrangement (SBA) and the Standby Credit Facility arrangement (SCF) has been broadly in line with program targets. We met all end-September and continuous performance criteria (PCs), as well as all end-September quantitative indicative targets (Table 1). Four out of six end-September and end-December structural benchmarks were also completed and we made significant progress towards completing the other two structural benchmarks (Table 2). The implementation of the structural measures envisaged under the program are important steps towards improved cash and public debt management, more transparent fiscal operations, more effective instruments for the Central Bank of Kenya (CBK), and better quality external sector data that will allow for a more accurate assessment of private sector vulnerabilities.

3. We are taking determined steps to strengthen our resilience to shocks. To maintain macroeconomic stability, and in response to the external shocks that affected our economy in 2015, we have tightened monetary policy in the context of a flexible exchange rate regime, mobilized additional foreign financing, and submitted to Parliament a Budget Policy Statement containing fiscal measures to meet the original fiscal deficit target of 8 percent of GDP for 2015/16 envisaged under the program.

4. Our policies for the next two years focus on sustaining inclusive, investment-led growth while continuing to build resilience. We remain committed to a gradual consolidation of fiscal policy, in order to maintain public debt sustainability and in the medium term to meet the East African Community monetary union convergence criteria. The CBK's policies aim to bring inflation within the target range (below 7.5 percent) by mid-2016 and subsequently towards the midpoint of our target range (5 percent) by end-2016. We are also committed to further improve public financial management with a strong emphasis on public sector efficiency and transparency, to strengthen the financial sector supervision and regulation, to make further progress in our transition to a modern inflation targeting framework, and to deepen structural reforms aimed at improving the business environment.

5. While these reforms are under way, reducing existing vulnerabilities will take time. In view of the fact that the current account deficit is partly financed by portfolio and other short-term capital inflows, Kenya is vulnerable to possible shifts in investors' risk perception towards emerging and frontier markets, in light of heightened volatility of global markets. Furthermore, while security threats and weather-related shocks are subsiding, these continue to represent additional sources of potential shocks.

6. Against this background, and on the basis of our established track record of program implementation to date and the policy priorities outlined in the attached Memorandum of Economic and Financial Policies (MEFP), we request: (i) completion of the second reviews under the current 14-month SBA and SCF arrangements and hereby cancelation of those arrangements immediately upon completion of the second reviews; and (ii) a follow-up program supported by new SBA and SCF, with combined access of SDR 1,063.888 million (196 percent of quota) over the next 24 months, of which SDR 709.259 million under the SBA and SDR 354.629 million under the SCF. In addition to providing a buffer against exogenous shocks, the requested new SBA-SCF arrangements will continue to provide a policy anchor for our reform program. We expect to complete the first review under the Stand-by and SCF arrangements on or after November 15, 2016, the second review on or after May 15, 2017, the third review on or after November 15, 2017 and the fourth review on or after March 5, 2018.

7. While we do not have balance of payments needs under our baseline projections, potential needs could materialize if major capital account, security or weather-related shocks were to hit our economy. Therefore we intend to treat both new arrangements as precautionary, and we do not intend to draw under these arrangements unless exogenous shocks generate an actual balance of payments financing need. We believe that the envisaged package of macroeconomic policies and structural reforms under the new program, with the performance criteria and structural benchmarks summarized in Tables 3 and 4, would significantly reduce the likelihood of potential balance of payments need after 2017/18.

8. We are confident that the policies set out in the attached MEFP will enable us to achieve our program objectives. However, we will take any further measures that may become necessary for this purpose. We will consult with the IMF on the adoption of these measures, and in advance of revisions to the policies contained in the MEFP, in accordance with the IMF's policies on such

consultations. We will provide such information as the IMF may request in connection with progress in implementing our economic and financial policies. We authorize the publication of the staff report for the request of the program supported by SBA-SCF arrangements, this letter of intent, and the attached MEFP and technical memorandum of understanding.

Sincerely yours,

/s/ /s/

Henry Rotich
Cabinet Secretary
The National Treasury

Patrick Njoroge
Governor
Central Bank of Kenya

Memorandum of Economic and Financial Policies
Technical Memorandum of Understanding

Attachment I. Memorandum of Economic and Financial Policies

I. BACKGROUND

1. **The Kenyan economy has continued to perform well despite headwinds from a weaker global economic environment.** Real GDP growth accelerated to 5.8 percent in the third quarter of 2015 (up from 5.0 percent and 5.6 percent, respectively, in the first and second quarters), supported by higher public investment spending, continued strong growth in consumption, and improved weather conditions that have boosted agricultural and hydro-power electricity production. Despite the turbulence in emerging markets associated with the anticipated normalization of the U.S. monetary policy in the third quarter of 2015, key macroeconomic indicators have remained broadly stable in recent months. The eventual hike in the U.S. Fed rate in December 2015 had minimal impact on our financial market. Average inflation increased from 6.1 percent in the third quarter of 2015 to 7.4 percent in the fourth quarter of 2015, largely driven by adverse weather conditions associated with the El Nino rains which disrupted food supply chains, and the revised excise taxes that took effect from December 1, 2015. In December 2015 and January 2016, the 12-month inflation exceeded the upper bound of our target range (5±2.5 percent) on account of these factors.

2. **Notwithstanding external shocks, our external position remains resilient.** The spillover into Kenya of the heightened volatility in global markets, which intensified starting in April 2015, adversely affected capital inflows and put pressure on the exchange rate. Our policy response focused on tightening monetary policy, mobilizing additional foreign financing, and temporarily containing expenditures. The current account deficit is narrowing, due to lower international oil prices, better tea and horticulture exports, and higher remittances. Following the recent removal of travel warnings to tourist destinations by several main tourism source markets which reflects improved security, the decline in tourist arrivals seems to have bottomed out. International reserves remained adequate at US$7.5 billion at end-2015, equivalent to 4.5 months of projected imports of goods and services for 2016.

3. **The banking system's financial soundness indicators remain sound.** The banking sector has continued to demonstrate robust growth and resilience both in its domestic and regional operations. The core capital and total capital to total risk weighted assets ratios for the banking system stood at 15.6 percent and 18.6 percent respectively as at end December 2015, above the respective statutory minimums of 10.5 percent and 14.5 percent. While credit and liquidity indicators remain satisfactory, we are continuously monitoring credit and liquidity risks.

4. **The prevailing precautionary SBA-SCF arrangements helped anchor our macroeconomic policy framework, and also back stopped our foreign exchange reserve buffers**. All end-September and continuous performance criteria (PCs), the end-September inflation target under the Monetary Policy Consultation Clause (MPCC), as well as all end-September quantitative indicative targets were met (Table 1). Four out of six end-September and end-December structural benchmarks were also completed and we made significant progress towards completing the other two structural benchmarks (Table 2). Kenya was among the top 10

reformers in 2015 in the World Bank's Ease of Doing Business Index, moving to 108th place (out of 189 countries) from 129th in 2014, with improvements especially in the provision of electricity, access to credit, and ease of registering property.

5. We are taking deliberate steps to strengthen our economy's resilience to shocks. We remain committed to undertake a gradual consolidation of fiscal policy, in order to maintain public debt sustainability in line with the East African Community (EAC) monetary union convergence criteria. The CBK's policies aim to bring inflation towards the mid-point of our target range (5±2.5 percent), while helping ensure financial sector stability. We are also taking steps to improve the financial sector oversight, strengthen the monetary policy transmission mechanism, and deepen structural reforms to improve the business environment. However, reducing vulnerabilities requires concerted efforts and will take time. The renewed program with the Fund for an additional 24 months will provide continued insurance against potential shocks that could generate a balance of payments need, as well as anchor policies aimed at strengthening Kenya's resilience to shocks.

II. MACROECONOMIC OUTLOOK

6. Based on policies outlined in section IV below, the outlook is for continued robust growth, lower fiscal deficits, the return of inflation within the target range in mid-2016 and its gradual decline thereafter towards the midpoint of our target range, and a gradual improvement in the external current account:

7. ***Real GDP*** growth is projected to reach 5.6 percent in 2015 and accelerate to 6.0 percent in 2016, driven by higher growth in agriculture on account of better rains, an expected recovery of tourism, and continued support from public infrastructure investments and private consumption.

8. ***Inflation*** is projected to decline below 7.5 percent by mid-2016, and to gradually converge towards the mid-point of our target band over time, supported by the policy mix outlined below (including a gradual fiscal consolidation unburdening monetary policy).

9. Kenya's ***external position*** is projected to strengthen over the program period. In 2015, the current account deficit is estimated to have narrowed to 8.2 percent of GDP, or about 2 percentage points of GDP lower than in 2014, following the peak of aircraft imports in 2014, a fall in international oil prices, and a slowdown in consumer imports. The current account deficit is projected at 8.0 percent of GDP in 2016 on the back of SGR-related imports, and to decline to 6.7 percent of GDP in 2017 mainly reflecting the envisaged reduction in the fiscal deficit. We expect reserves to remain at adequate levels in the absence of further shocks.

10. There are downside risks to the above baseline outlook. The most severe shock would emanate from the financial account of the balance of payments, in light of heightened volatility in global markets, which could be amplified by expected further increases in US policy interest rates, slower global or regional growth, and difficulties in some emerging market countries. Other downside risks stem from possible security threats and the impact of weather-related shocks that would lower agricultural production and affect hydro power generation, and require higher imports of food and fuel products.

III. PROGRAM OBJECTIVES

11. Our main policy objective is to ensure sustainability of investment-driven, inclusive growth through prudent macroeconomic management and structural reforms. The Fund-supported program would provide a policy anchor to implement our ambitious reform program, which is centered on the following key policy priorities:

- ***Fiscal policy***. Undertaking fiscal consolidation over the medium term to reduce the burden on monetary policy in demand management, maintain public debt sustainability, and support a reduction in the current account deficit.

- ***Public financial management***. Taking decisive steps to increase the efficiency, effectiveness, transparency, and accountability of public spending, in order to ensure that there is sufficient fiscal space for priority social and investment projects.

- ***Monetary policy***. Gradually bringing inflation towards the mid-point of our target range of 5±2.5 percent, and further improving the monetary policy framework to facilitate transition towards a modern inflation targeting framework.

- ***Financial stability***. Safeguarding financial stability by enhancing prudential regulation and supervision in the face of increased growth and complexity of the financial sector. This is in tandem with Kenya's Vision 2030 objective of promoting a sound, safe and inclusive financial system.

- ***Data provision***. Improving data quality in line with international best practices, to support economic policy making.

IV. PROGRAM POLICIES

A. Fiscal Policy

12. Main policy objectives. Our fiscal anchor is to reduce the present value of gross public debt to 45 percent of GDP in the medium term. Consistent with this objective, we are committed to gradually adjusting fiscal policy, through a combination of lower spending and higher revenues. We target a reduction in the fiscal deficit to 6.5 percent of GDP in 2016/17 and 5 percent in 2017/18, from our unchanged deficit target of 8 percent of GDP in 2015/16.

13. We faced significant challenges in implementing the 2015/16 budget. Revenue collections during the first half of the fiscal year (the latest data available) fell short of budget targets by nearly KSh 50 billion (about ¾ percent of GDP). This reflected mainly slower growth, lower-than-expected yields from the income tax and VAT, as well as delays in approving the new excise tax measures. In addition, domestic financing during the first quarter of the fiscal year was constrained by overly tight liquidity conditions, resulting in a net borrowing of about 0.4 percent of GDP (compared to a projected net borrowing of 1.7 percent of GDP), and a significant increase in the cost of financing. Faced with these challenges, we advanced external financing planned in the budget, by drawing (starting in November) on a US$750 million two-year syndicated loan. As a result, overall financing during the first half of the fiscal year was about 2.5 percent of GDP. Nonetheless, the revenue shortfall constrained spending to about 77 percent of budgeted amounts during the period, contributing to delays in spending that fell mainly on capital expenditure.

14. We have taken measures to meet the original fiscal deficit target of 8 percent of GDP for 2015/16 envisaged under the program. On the basis of revenue trends during July-December, the annual revenue shortfall could reach 0.8 percent of GDP. In addition, expenditure over-runs, mainly on account of higher interest payments, are estimated at 0.2 percent of GDP. To achieve the original fiscal deficit target of 8 percent of GDP for the year, we have submitted for parliamentary approval a draft Budget Policy Statement (BPS) that reduces overall spending by about KSh 84 billion (1.2 percent of GDP) relative to the budget approved by parliament, of which about KSh45 billion pertaining to capital expenditure. In addition, the Kenya Revenue Authority (KRA) is taking a number of steps to strengthen revenue collection, which is expected to yield about 0.2 percent of GDP in additional revenue. These include introducing certification at origin of imports and streamlining management of container freight stations, dividing them into clusters to allow better monitoring. While we are confident that the above measures would achieve the 8 percent deficit target for 2015/16, if cumulative revenues (excluding grants and ministerial AIA) at end-March are below KSh 837.1 billion, we will adjust new expenditure commitments from April 2016 to fully offset the shortfall.

15. To maintain fiscal sustainability and meet the EAC monetary union convergence criterion, we remain committed to take fiscal measures to reduce the fiscal deficits by 3 percent of GDP between 2015/16 and 2017/18. These measures will include steps to:

- **Reduce tax expenditures.** With FAD TA, we will complete by end-September 2016 a study on tax expenditures, in order to identify their size, type (e.g., tax exemptions, reduced tax rates), their evolution over time, and the category of taxation to which they apply (**structural benchmark**). Based on the results of this study, we will devise measures to reduce tax expenditures.

- **Streamline allowances and adopt a clear policy for the entire public sector's remunerations and benefits policy framework outlined by the Salary and Remunerations Commission last June.** In this regard, we intend to tighten eligibility for allowances (especially those at the high end of the job scale), freeze them in nominal terms pending their review, and eventually include them as part of the base pay. Furthermore, we plan to adopt a wage and remuneration policy based on a wage grid that ensures comparability of salaries with the private sector. These measures will also help eliminate inefficiencies and foster transparency in remuneration policy. Reforms will be implemented gradually over the medium term, and within the context of a social dialogue to ensure that they are sustained. The first phase will consist of making publicly available by end-September 2016 a study on the magnitude of public sector allowances and potential fiscal savings from streamlining, and include a timetable for reforms in this area.

- **Achieve better value for money in implementation of investment projects through stricter selection and monitoring procedures.** To this end, we will by end-September 2016 issue and adopt guidelines on the appraisal of new investments projects to be incorporated into the Medium-Term Expenditure Framework (**structural benchmark**).

- **Rationalize recurrent expenditure.** We will take steps to contain growth of spending on goods and services and transfers to parastatals, with a view to gradually reduce recurrent expenditure (net of interest payments and pensions) by 0.9 percent of GDP by 2017/18.

- **Improve customs revenue collection.** With a view to reduce tax evasion, we will expand by end-June 2016 a database of up-to-date reference prices for imports, and adopt an adequate sanction policy for undervaluation.

- **Strengthen revenue performance at the county level.** We will develop by end-June 2016 an action plan aimed at initiating KRA's engagement with county governments regarding the shared administration of property rates. In addition, we will submit to parliament by end-December 2016 draft legislation to clarify powers by counties to set taxes/user fees (**structural benchmark**), aimed at increasing revenue at the county level, while maintaining a business-friendly tax system.

- **Improve collection of large outstanding tax debts.** In the first phase, we will by end-April 2016 determine the potential collectible amounts from the largest tax debts. In the second phase, we will launch an enhanced debt collection enforcement campaign.

16. We will continue to improve public finance management.

- To contain and manage fiscal risks from contingent liabilities, we will continue to enhance the reporting in the 2016 Medium-Term Budget Policy Statement on all commitments and obligations under existing PPPs and guarantees.

- To improve the processing of personnel payments and the comprehensiveness of fiscal reports, we intend to incorporate by end-June 2016 personnel payments into the Integrated Financial Management Information System (IFMIS) by interfacing it with the government human resource information systems (GHRIS) (**structural benchmark**).

- To complement this effort, we will gradually implement all GHRIS control modules (unique personal identification number, performance evaluation, and other controls), and pursue the integration of GHRIS with the KRA, the Retirement Benefits Authority (RBA), and other government institutions.

- To prevent the accumulation of pending bills, we will by end-June 2016 establish a tracking system to closely monitor their accumulation and produce monthly Aging Pending Bills reports starting in June 2016 (**structural benchmark**).

- To improve the coverage of fiscal reports, we will publish by end-March 2016 consolidated financial statements of the national government and county governments, as part of the regular annual reporting (**structural benchmark**).

- To improve the efficiency of government spending, we will by end-September 2016 strengthen the role of e-procurement by (i) widening its coverage to include all government entities (including all state-owned enterprises); and (ii) establish a system to monitor the dispersion of prices across government entities, and updating the reference prices for common items on a quarterly basis. The procurement law has been enacted and we have now embarked on developing the regulations.

- To make further progress towards improving the efficiency of the government cash management and payment processes, as part of the Treasury Single Account reform, we will by end-September 2016 capture all public debt payments in IFMIS (**structural benchmark**).

- To strengthen the accountability and transparency of county finances, we will start in June 2016 the verification of outstanding county assets and liabilities.

B. Monetary Policy

17. Policy objectives: Our key policy objective is to bring headline inflation towards the midpoint of our target range (5±2.5 percent), in the context of a floating exchange rate regime. The inflation objective under the program will continue to be monitored through a monetary policy consultation clause (MPCC), developments in CBK's net domestic assets and net international reserves.

18. Inflation outlook. Inflation is expected to remain above the target range in the near term on account of high food prices arising mainly from weather-related food price shocks, exchange rate pass-through, and the impact of the recently introduced excise taxes. However, once the impact of these temporary factors subsides, inflation is expected to decline below 7.5 percent. We stand ready to tighten monetary policy if there is clear evidence of rising demand pressures and/or second-order effects of supply shocks that could threaten our inflation objective.

19. Strengthening the monetary policy framework in the context of a floating exchange rate regime. Interventions will be limited to stemming volatility in the foreign exchange market. We will also continue to take measures to support the transition to a modern inflation targeting framework including:

- **Eliminating the structural rigidities that undermine market signals in money and credit markets.** We are undertaking a review of the Kenya banks' reference rate (KBRR) with a view to improve transmission mechanism and transparency to consumers. We are also enhancing liquidity management via the development of the Horizontal Repo market with a centralized Depository System.

- **Increasing the effectiveness of the CBR.** We are using our monetary policy instruments to align the interbank rate with the CBR. In this regard, we are taking measures to minimize structural rigidities that undermine market signals in the money market. Our ultimate objective is to establish an interest rate corridor for the interbank interest rate by end-September 2016 (**structural benchmark**).

C. Financial Sector

20. Policy objectives: Safeguarding financial stability remains one of our key priorities. We will continue to take steps to further strengthen prudential regulation and supervision, with a view to addressing the increased growth and complexity of the financial sector. This is in tandem with Kenya's Vision 2030 objective of promoting a sound, safe and inclusive financial system to progress towards a regional financial services hub.

21. The banking system's financial soundness indicators remain sound and we are closely monitoring potential risks. The core capital and total capital to total risk weighted assets ratios for the banking system stood at 15.6 percent and 18.6 percent respectively as at end December 2015 above the respective statutory minimums of 10.5 percent and 14.5 percent. We continue to closely monitor credit and liquidity risks through assessment of adequacy of provisions, sufficiency of capital buffers and robustness of liquidity management strategies for banks. The ratio of non-performing loans to total gross loans increased from 5.43 percent as at end-December 2014 to 6.1 percent at end-December 2015. The liquidity ratio increased from 37.7 percent at end December 2014 to 38.1 percent at end-December 2015. Two banks were placed under receivership by the Kenya Deposit Insurance Corporation (KDIC) in August and October 2015 respectively. The two banks were not systemic and the reasons for the placement of the two institutions were unique and not affecting the rest of the banking sector. Working closely with the KDIC, CBK has isolated and contained the impact of the receivership of the two banks on the rest of the banking sector. We will continue monitoring closely both cases, and take necessary actions to ensure an orderly resolution of the two banks.

22. The banking sector has continued to demonstrate robust growth and resilience both in its domestic and regional operations. We have strengthened the legal and regulatory framework by implementing capital conservation buffers, ensuring adequate provisioning for non-performing loans, establishing supervisory colleges for significant regional banking groups and conducting host country legal and regulatory assessments.

23. To further strengthen the legal and regulatory framework in the banking sector, we have identified strategic priority areas. These include:

- The enhancement of bank supervision surveillance processes, procedures and operations, including banking resolution framework.
- Requiring ICT assurance by external auditors of banks.
- Strengthening our macro- and micro-prudential stress testing framework to improve our early warning system for identifying vulnerabilities in the banking sector.
- Strengthening the capital adequacy assessment framework for banks.
- Effectively implementing a risk-based approach to Anti Money Laundering and Combating Financing of Terrorism (AML/CFT) supervision of banks and non-banks under the CBK's regulatory purview.
- Developing a crisis management framework for Kenyan banking groups with significant cross-border operations.
- Developing a legal and operational crisis management framework for Kenya's financial system, including cross border operations.

24. With Fund support, we have conducted a Financial Stability Review. The assessment included a stress testing review and capacity building in this area, a review of the regulatory and supervisory framework for banking supervision, and an assessment of the crisis preparedness and management framework. On this basis, we plan by end-June 2016 to finalize an action plan to strengthen the regulatory and supervisory framework of the banking system **(structural benchmark)**.

D. Other Structural Reforms

25. Policy objectives: We are deepening structural and governance reforms, with a view to ease cost of doing business and thus boost investments and employment creation.

26. We will continue implementing our ambitious reforms aimed at strengthening the business environment in Kenya. We consider creation of a conducive business environment—a key prerequisite for strong economic growth and poverty reduction. To that end, we are taking steps to advance business regulatory reforms with a view to reducing the cost of doing business. These include the implementation of two new Acts—the Companies Act that simplifies business requirements, and the Insolvency Act that allows distressed companies to reorganize themselves prior to liquidation—which should translate into a better integration of Kenyan business in global markets. These efforts will be complemented by further improvements in the automation and simplification of Government services: Huduma Centers, which provide services to citizens in 52 areas; the E-citizens Portal managed by the National Treasury; the Electronic Single Window for customs clearance; and measures to further reduce cost and time for trade along the Northern Corridor and through Mombasa. In addition, we are taking steps to improve the framework for registering property, including the elimination of the requirement for land rent and rates for the transfer of property process, as well as the implementation of new land registration procedures and valuation processes. We are also strengthening the enforcement of contracts. These reforms will encourage investment by foreign and domestic investors.

E. Data Quality

27. Policy objectives: To enhance dissemination of macroeconomic data, we will continue with steps toward improving the quality, coverage, and timeliness of our macroeconomic statistics.

28. Data quality and timeliness. In order to improve macroeconomic data dissemination practices, we intend to participate in the Enhanced General Data Dissemination System (e-GDDS) initiative, subject to the data sensitivities. In this direction, the Kenyan National Bureau of Statistics (KNBS) published the Foreign Investment Survey 2015 (FIS) in September 2015, covering outcomes in 2012 and 2013. The FIS will be an important input for improvements to the balance of payments statistics and production of an International Investment Position (IIP) statement that is fully integrated with the balance of payments. Starting in September 2016, we will publish quarterly consolidated GFS-compliant fiscal accounts for the budgetary central government (national government). The KNBS began work on the Household Budget Survey in September 2015, with a view to publishing the results by March 2017.

V. POLICY RESPONSE TO POTENTIAL SHOCKS

29. Should adverse shocks materialize, we will respond with a combination of corrective fiscal and monetary policies to safeguard macroeconomic stability and the program's objectives, in addition to considering drawing under the precautionary arrangements, up to the extent of the balance of payment need.

Table 1. Kenya: Quantitative Performance Criteria and Indicative Targets, March-December 2015

(in billion of Kenyan shilling, unless otherwise indicated)

	2014		2015												
			Performance Criteria (PC)/Indicative targets (IT)												
	End-Dec.		End-Mar (PC)				End-June (IT)			End-Sep (PC)			End-Dec (IT)		
	Prog.	Prel.	Prog.	Adj. Prog.	Prel.	Met/Not Met	Prog.	Prel.	Met/Not Met	1st Review	Prel.	Met/Not Met	1st Review	Prel.	Met/Not Met
Quantitative performance criteria [1]															
Fiscal targets															
Primary budget balance of the national government (-=deficit, floor) [2, 3]	-104.1	-89.8	-171.9	-174.2	-140.3	Met	-209.9	-174.1	Met	-78.0	52.4	Met	-119.6	-11.0	Met
Monetary targets [4, 5]															
Stock of central bank net international reserves (floor, in millions of US$) [6, 7]	5,909	6,746	5,956	5,956	6,498	Met	6,115	5,918	Not met	5,308	5,545	Met	5,987	6,357	Met
Public debt targets															
Contracting and guaranteeing of all medium and long term nonconcessional	1,100	1,100	1,100	1,100	873	Met	1,600	873	Met	Discontinued	...	...	Discontinued	...	...
National government external payment arrears (ceiling, millions of US$) [10]	0	35	0	0	69	Not met	0	69	Not met	0	0	Met	0	0	Met
Monetary policy consultation clause															
Upper band	...	...	7.5	7.5	...	...	7.5	...		7.5	...		7.5	...	
Center inflation target [11]	...	...	5.0	5.0	5.8	Met	5.0	7.0	Met	5.0	6.1	Met	5.0	7.4	Met
Lower band	...	...	2.5	2.5	...	...	2.5	...		2.5	...		2.5	...	
Indicative targets															
Stock of net domestic assets of the central bank (ceiling) [5]	-230	0	-206	-206	-230	Met	-186	-159	Not met	-111	-121	Met	-124	-165	Met
Priority social expenditures of the national government (floor) [3]	24	24	40	40	42	Met	52	53	Met	12	13	Met	25	18	Not met
Stock of all guarantees issued by the national government (ceiling) [3]	45	45	50	50	0	Met	50	0.0	Met	50	0.0	Met	50	0.0	Met
Memorandum items:															
Maximum upward adjustment of the primary deficit ceiling owing to excess in concessional loans relative to program projections [3]	...	...	59.5	...	...	...	79.3	...	...	16.8	16.8	...	42.0	...	...
Programmed concessional loans [3]	...	...	85.6	...	...	...	119.0	...	...	23.7	23.7	...	69.5	...	...
Budgeted concessional loans [3]	...	...	145.1	...	...	...	198.3	...	...	24.8	72.7	...	111.4	...	...
Programmed external commercial debt (millions of US$) [3]	...	...	750	750	750	...	750	750	...	750	0	...	750	750	...
Program grants [3]	...	...	3.8	3.8	3.5	...	6.1	3.8	...	1.3	1.5	...	2.5	...	...

[1] Performance criteria for end-March 2015 and end-September 2015, and indicative target for end-June 2015 and end-December 2015.
[2] The primary budget balance of the national government is defined as overall balance including grants, plus interest payments, excluding SGR-related expenditure. Targets will be adjusted upwards by the excess in concessional loans relative to the programmed amounts, up to the budgeted amounts, and downwards by the shortfall in concessional loans relative to the programmed amounts.
[3] Targets for end-March 2015 and end-June 2015 are cumulative flows from July 1, 2014 (beginning of the 2014/15 fiscal year). Targets for end-September 2015 and end-December 2015 are cumulative flows from July 1, 2015.
[4] For program monitoring, the daily average for the month when testing dates are due.
[5] The NIR floor will be adjusted upward by half of the excess , and downward fully by the shortfall in external budgetary support (program grants) and external commercial debt relative to the programmed amounts. The NDA ceiling will be adjusted downward by half of the excess and upward fully for the shortfall of external budgetary support (program grants) and external commercial debt relative to the programmed amounts.
[6] Excludes encumbered reserves.
[7] Using exchange rates as at end-October 2014.
[8] Cumulative flow of contracted debt, from July 1, 2014.
[9] The targets on the ceiling of non-concessional external debt combine nonconcessional project loans, syndicated loan and sovereign bond.
[10] Continuous. Cumulative flow in gross terms from July 1, 2014 for the period through end-June 2015, and from July 1, 2015 thereafter.
[11] Compliance will be evaluated based on the 12-month inflation average of the latest three months.

Table 2. Kenya: Structural Benchmarks Under the SBA-SCF Program, September–December 2015

Measure	Target Date	Status
Take measures to strengthen the staffing of the Public Debt Management Office at the National Treasury (IMF Country Report No. 15/269, MEFP ¶12).	End-September 2015	Completed.
Submit to Parliament a new Central Bank of Kenya Bill that sets price stability as primary CBK objective (IMF Country Report No. 15/269, MEFP Table 3).	End-September 2015	Completed.
Complete the audit of assets and liabilities of all counties including those inherited at the onset of devolution (IMF Country Report No. 15/269, MEFP ¶12).	End-December 2015	Not completed. A first-ever list of assets and liabilities is ready for all but one of the 47 counties. The auditing phase will start in June 2016.
Produce GFS-compliant consolidated fiscal accounts for the national government and parastatals (IMF Country Report No. 15/269, MEFP ¶13).	End-September 2015	Completed. Authorities have produced consolidated fiscal accounts for the national government on a cash basis, and separate consolidated accounts for the parastatals on an accrual basis.
Publish Foreign Investment Survey covering years 2012-13 (IMF Country Report No. 15/269, MEFP ¶22).	End-September 2015	Completed.
Complete the migration of all National Government MDAs to IFMIS/ Internet Banking (with the exception of security agencies); capture exchequer, debt payments and other Consolidated Fund Services transactions in IFMIS; reach a Service Level Agreement between the National Treasury and the CBK on agency operations; and start automating of Exchequer release process (IMF Country Report No. 15/269, MEFP ¶13).	End-September 2015	Not completed. The inclusion of debt payments into IFMIS is pending, which is expected to be completed by end-September 2016.

Table 3. Kenya: Proposed Quantitative Performance Criteria and Indicative Targets, March-December 2016

(in billion of Kenyan shilling, unless otherwise indicated)

	2015	2016			
	Act/Est	Performance Criteria (PC)/Indicative targets (IT)			
	End-Dec.	End-Mar (IT)	End-Jun (PC)	End-Sep (IT)	End-Dec (PC)
Quantitative performance criteria [1]					
Fiscal targets					
Primary budget balance of the national government (-=deficit, floor) [2, 3]	-99.5	-164.1	-206.0	-46.0	-82.9
Monetary targets [4, 5]					
Stock of central bank net international reserves (floor, in millions of US$) [6, 7]	6,367	5,784	5,900	5,852	6,283
Public debt target					
National government external payment arrears (ceiling, millions of US$) [8]	0	0	0	0	0
Monetary policy consultation clause					
Upper band	…	8.5	7.5	7.5	7.5
Center inflation target [9]	7.4	5.0	5.0	5.0	5.0
Lower band	…	2.5	2.5	2.5	2.5
Indicative targets					
Stock of net domestic assets of the central bank (ceiling)	-246	-169	-151	-139	-165
Priority social expenditures of the national government (floor) [3]	25	41	60	14.5	20.5
Stock of all guarantees issued by the national government (ceiling) [3]	50	50	50	50	50
Change in the stock of national government domestic bills pending for 90 days or more [3]	…	…	…	…	To be set at 1st review
Memorandum items:					
Maximum upward adjustment of the primary deficit ceiling owing to excess in concessional loans relative to program projections [3]	42.0	36.7	37.7	13.6	27.1
Programmed project loans [3, 10]	69.5	61.6	86.4	20.0	56.8
Budgeted project loans [3, 10]	111.4	98.3	124.1	33.6	83.9
Programmed external commercial debt (millions of US$) [3]	750	1,350	1,350	0	1,000
Program grants [3]	2.9	4.5	6.4	1.5	2.7

[1] Performance criteria for end-June 2016 and end-December 2016, and indicative target for end-March 2016 and end-September 2016.

[2] The primary budget balance of the national government and related adjusters are defined, respectively, in paragraph 6 and paragraph 7 of the TMU.

[3] Targets for end-March 2016 and end-June 2016 are cumulative flows from July 1, 2015 (beginning of the 2015/16 fiscal year). Targets for end-September 2016 and end-December 2016 are cumulative flows from July 1, 2016.

[4] For program monitoring, the daily average for the month when testing dates are due.

[5] The adjustors to the NIR and NDA targets are specified, respectively, in paragraph 8 and paragraph 13 of the TMU.

[6] Excludes encumbered reserves. Includes Kenya's reserve tranche position in the Fund starting from March 16, 2016.

[7] Using exchange rates as at end-January 2016 (see TMU ¶9).

[8] Continuous.

[9] Compliance will be evaluated based on the 12-month inflation average of the latest three months.

[10] Excludes the first phase of the Standard Gauge Railway (Mombasa to Nairobi).

Table 4. Kenya: Proposed Structural Benchmarks

Measure	Target Date	Macro criticality
Publish consolidated financial statements of all entities in the public sector (includes SAGAs, AGAs, and other state-owned enterprises), as part of the regular annual reporting (¶16)	End-March 2016	To improve the coverage of fiscal reports
Establish an interest rate corridor for the interbank interest rate around CBR (¶16)	End-September 2016	To improve the effectiveness of monetary policy
Establish a tracking system to closely monitor the accumulation of pending bills and produce monthly Aging Pending Bills reports starting in June 2016 (¶16)	End-June 2016	To prevent the accumulation of pending bills
Incorporate personnel payments into the Integrated Financial Management Information System (IFMIS) by interfacing it with the human resources management information systems (IPPD) (¶16)	End-June 2016	To improve the processing of personnel payments and the comprehensiveness of fiscal reports
Finalize an action plan containing measures to further strengthen banking regulations and supervision to align them with best practices (¶19)	End-June 2016	To safeguard financial stability
Complete a study on tax expenditures, in order to identify their size, type (e.g., tax exemptions, reduced tax rates), their evolution over time, and the category of taxation to which they apply (¶15)	End-September 2016	To reduce tax expenditures and help achieve the fiscal deficit target in 2016/17
Issue and adopt Cabinet guidelines on the selection, appraisal, and funding for major investments projects (¶15)	End-September 2016	To improve the efficiency of public investment
As part of the Treasury Single Account reform, capture all public debt payments in IFMIS (¶15)	End-September 2016	To improve liquidity management and facilitate monetary policy implementation.
Submit to parliament draft legislation to clarify powers by counties to set taxes/user fees, aimed at increasing revenue at the county level, while maintaining a business-friendly tax system (¶16)	End-December 2016	To reduce pressures on transfers to counties while maintaining a business-friendly tax system

Attachment II. 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 24-month Stand-By Arrangement and the arrangement under the Standby Credit Facility.

2. For the purposes of the program, the National Government of Kenya corresponds to the budgetary central government encompassing the activities of the national executive, legislative and judicial powers covered by the National Budget. Specifically, it includes the parliament, presidential office, national judiciary, Ministries, Departments, Agencies, and Constitutional Commissions and Independent Offices.

I. QUANTITATIVE PERFORMANCE CRITERIA AND BENCHMARKS

3. Quantitative performance criteria are established for June 30, 2016, and December 31, 2016 with respect to:

- the primary balance of the national government including grants, and excluding spending related to the first phase of the Standard Gauge Railway project (connecting Mombasa to Nairobi), cash basis (**floor**);
- the net official international reserves (NIR) of the Central Bank of Kenya (CBK) (**floor**);
- national government medium- and long-term external public debt arrears (**continuous ceiling**);
- monetary policy consultation clause (**band**).

4. The program sets indicative targets for March 31, 2016 and September 30, 2016 with respect to the above variables, and for March 31, 2016, June 30, 2016, September 30, 2016, and December 31, 2016 unless otherwise specified with respect to:

- the net domestic assets (NDA) of the CBK (**ceiling**);
- change in the stock of national government domestic bills pending for 90 days or longer (**ceiling**) effective from end-December, 2016;
- priority social spending of the national government (**floor**); and
- stock of guarantees issued by the national government (**ceiling**).

II. PERFORMANCE CRITERION ON THE PRIMARY BALANCE OF THE NATIONAL GOVERNMENT

5. **The national government primary balance** on cash basis is defined as national government revenues and grants minus expenditures and net lending, plus due interest payments, and spending related to the Standard Gauge Railway project, adjusted for cash basis.

6. For program purposes, the **national government primary balance**[1] on cash basis will be measured from the financing side as the sum of the following: (a) the negative of net domestic financing of the national government, excluding securitization of VAT refund arrears; (b) the negative of net external financing of the national government, excluding the executed amount of disbursements related to the first phase of the Standard Gauge Railway project (connecting Mombasa to Nairobi); and (c) domestic and external interest payments of the national government. For the March 31, 2016 and June 30, 2016 test dates, the national government primary balance will be measured cumulatively from July 1, 2015, and for the September 30, 2016 and December 31, 2016 test dates cumulatively from July 1, 2016.

The above items are defined as follows:

- **Net domestic financing** of the national government is defined as the sum of:
  - net domestic bank financing;
  - net domestic nonbank financing; and
  - proceeds from privatization.

- **Net external financing at actual transaction exchange rates** is defined as the sum of:
  - disbursements of **external project loans**, including securitization and excluding executed amounts of disbursements related to the first phase of the Standard Gauge Railway project;
  - disbursements of **budget support loans;**
  - the negative of principal repayments due 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.

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

[1] The definition of the national government primary balance presented in the TMUs published as IMF Country report No. 15/31 and 15/269 contained inadvertent errors. The actual data reporting was done based on the understandings reached at the time of the initial program discussions. The current version of the TMU reflects these understandings.

7. Adjustors. The national government primary balance target will be: (i) adjusted downward by the amount of the shortfall in program grants, which are expected as refunds for Kenya's participation in African Union Mission in Somalia (AMISOM), as specified in TMU Table 1 below; and (ii) adjusted downwards by the excess in project loans (excluding first phase of the Standard Gauge Railway project) relative to the programmed amounts, as specified in MEFP Table 3, up to the maximum amounts, as specified in MEFP Table 3.

TMU Table 1. Kenya: African Mission in Somalia (AMISOM) Grant Schedule

(Billions of Kenyan Shillings)

	2016			
	Mar.	Jun.	Sep.	Dec.
Program Amount [1]	4.5	6.4	1.2	2.7

Source: Authorities' data.

1 For FY2015/16 cumulative from July 1, 2015, and for FY2016/17 cumulative from July 1, 2016.

III. PERFORMANCE CRITERION ON THE NET INTERNATIONAL RESERVES OF THE CENTRAL BANK OF KENYA

8. The net official international reserves (NIR) (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);
  - CBK holdings of convertible currencies in cash or in nonresident financial institutions (deposits, securities, or other financial instruments).
  - Kenya's reserve tranche position with the IMF.
- **Gross official international reserves** exclude:
  - 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.
- **Gross official reserve liabilities** are defined as:
  - the total outstanding liabilities of the CBK to the IMF, excluding the SDR allocations;
  - 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 external program grants and external commercial debt exceed the programmed amounts set out in TMU Table 2 below, the target for NIR will be adjusted upward by half of the difference.

  - If budgetary external program grants and external commercial debt fall short of the programmed amounts set out in TMU Table 2 below, the target for NIR will be adjusted downward by the difference.

TMU Table 2. Projected Budgetary External Grants and Loans

(US$ millions)

	2016			
	Mar.	Jun.	Sep.	Dec.
Program grants [1]	4.5	6.4	1.5	2.7
External commercial debt [2]	1,350	1,350	0	1,000

Source: Kenyan authorities.

[1] For FY2015/16 cumulative from July 1, 2015, and for FY2016/17 cumulative from July 1, 2016.

[2] For end-March and end-June cumulative from July 1, 2015, and for end-September and end-December cumulative from July 1, 2016.

9. 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 TMU Table 3 below, and net international reserves will be computed as the daily average for the month when the testing date is due.

TMU Table 3. Kenya: Program Exchange Rates

(Rates as of January 26, 2016)

Currency	Kenyan Shillings per currency unit	US Dollars per currency unit
US Dollar	102.24	1.00
STG Pound	145.48	1.42
Japanese Yen	0.87	117.52
Canadian Dollars	71.53	1.43
Euro	110.91	1.08
Swiss Franc	100.85	1.01
Swedish Kronor	11.93	8.57
Danish Kronor	14.87	6.88
Chinese Yuan	15.54	6.58
Australian Dollars	71.02	1.44
SDR	140.87	1.38

Source: Central Bank of Kenya.

IV. CONTINUOUS PERFORMANCE CRITERION ON THE NATIONAL GOVERNMENT EXTERNAL PAYMENT ARREARS

10. National government external payment arrears to official and private external 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 by the national government. National government guaranteed external debt payment arrears (principal or interest) to official and private creditors are defined as overdue payments beyond 30 days after the original contract due date in order to allow the national government sufficient time to process the due repayment after the original debtor has notified of its inability to pay. The definition excludes arrears relating to debt subject to renegotiation (dispute) or rescheduling.

11. The performance criterion on the national government external payment arrears is defined as a cumulative flow in gross terms from July 1, 2015 and applies on a continuous basis.

V. MONETARY POLICY CONSULTATION CLAUSE

12. The quarterly bands around the projected 12-month rate of inflation in consumer prices (as measured by the headline consumer price index (CPI) published by the Kenya National Bureau of Statistics), are specified in the TMU Table 4 below.

- If the observed average for the latest three months of the 12-months rate of CPI inflation falls outside the lower or upper bands specified in the TMU Table 4 below for end-June 2016 and end-December 2016 test dates, the authorities will complete a consultation with the Executive IMF Executive Board which would focus on: (i) the stance of monetary policy and whether the Fund-supported program remains on track; (ii) the reasons for program deviations, taking into account compensating factors; and (iii) proposed remedial actions if deemed necessary. When the consultation with the IMF Executive Board is triggered, access to Fund resources will be interrupted until the consultation takes place.

- If the observed average for the latest three months of the 12-month rate of CPI inflation falls outside the lower or upper bands specified in the TMU Table 4 below for end-March 2016 and end-September 2016 test dates, the authorities will conduct discussions with the Fund staff.

TMU Table 4. Inflation Consultation Band

	2015				2016			
	Jan.-Mar. Actual	Apr.-Jun. Actual	Jul.-Sep. Actual	Oct.-Dec. Actual	Jan.-Mar. Indicat.	Apr.-Jun. Target	Jul.-Sep. Indicat.	Oct.-Dec. Target
Upper band					8.5	7.5	7.5	7.5
Actual/*Center point*	5.8	7.0	6.1	7.4	*5.0*	*5.0*	*5.0*	*5.0*
Lower band					2.5	2.5	2.5	2.5

VI. INDICATIVE TARGET ON THE NET DOMESTIC ASSETS OF THE CENTRAL BANK OF KENYA

13. **Net domestic assets (NDA)** are defined as reserve money minus NIR converted in shillings at the accounting exchange rate specified in TMU Table 3, plus medium- and long-term liabilities (i.e., liabilities with a maturity of one year or more) of the CBK; minus the value in shillings of encumbered reserves converted at the accounting exchange rate specified in TMU Table 3.

- NDA is composed of:
  - net CBK credit to the national 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 half of 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.

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

VII. INDICATIVE TARGET ON PRIORITY SOCIAL SPENDING

15. For the purposes of the program, priority social spending of the national government is defined as the sum of:

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

VIII. INDICATIVE TARGET ON GUARANTEES ISSUED BY THE NATIONAL GOVERNMENT

16. The guarantees issued by the national government include all guarantees extended by the national government to counties, public enterprises and all parastatal entities. Indicative targets for end-March 2016 and end-June 2016 are cumulative flows from July 1, 2015, and the indicative target for end-September 2016 and end-December 2016 are cumulative from July 1, 2016.

IX. DATA REPORTING

17. To monitor program performance, the National Treasury and the CBK will provide to the IMF the information at the frequency and within the reporting deadlines specified in TMU Table 5 below.

TMU Table 5. Kenya: Summary of Data to Be Reported

Information	Frequency	Reporting Deadline	Responsible Entity
1. Primary balance of the national government			
Net domestic bank financing (including net commercial bank credit to the national government and net CBK credit to the national government)	Monthly	Within 15 days after the end of the month.	CBK
Net nonbank financing of the national government	Monthly	Within 15 days after the end of the month.	CBK
Proceeds from privatization	Monthly	Within 15 days after the end of the month.	National Treasury (NT)
Interest due and paid on domestic debt	Monthly	Within 15 days after the end of the month.	CBK
Interest due and paid on external debt	Quarterly	Within 4 weeks after the end of the quarter.	CBK
Disbursements of external concessional and nonconcessional project loans, including securitization	Quarterly	Within 45 days after the end of the quarter.	NT
Disbursements of budget support loans	Quarterly	Within 45 days after the end of the quarter.	NT
Principal repayments due and paid on all external loans	Quarterly	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.	NT
Net changes in the stock of short-term external debt	Quarterly	Within 45 days after the end of the quarter.	NT
Net change in external arrears, including interest and principal, and penalties	Monthly	Within 45 days after the end of the quarter.	NT
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

TMU Table 5. Summary of Data to Be Reported (concluded)

3. Official reserve liabilities			
Total outstanding liabilities of the CBK to the IMF excluding the SDR allocations.	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 national 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. Other indicators			
Currency in circulation.	Monthly	Within 21 days after the end of the month.	CBK
Required and excess reserves	Monthly	Within 21 days after the end of the month.	CBK
Concessional and nonconcessional medium- and long-term external debt contracted or guaranteed by the national government.	Quarterly	Within 45 days after the end of the quarter.	NT
Accumulation of national government external payment arrears.	Monthly	Within 45 days after the end of the quarter.	NT
Change in the stock of national government domestic bills pending for 90 days or more starting June 2016.	Quarterly	Within 45 days after the end of the quarter.	NT
Social priority spending of the national government	Quarterly	Within 45 days after the end of the quarter.	NT
Grants to government entities and total subsidies.	Quarterly	Within 45 days after the end of the quarter.	NT
Guarantees issued by the national government to counties, public enterprises and all parastatal entities.	Monthly	Within 45 days after the end of the quarter.	NT
Inflows/outflows related to the SGR project.	Quarterly	Within 45 days after the end of the quarter.	NT
12-month CPI inflation.	Monthly	Within 15 days after the end of the month.	KNBS