



Appendix Table 2. Kenya: Structural Benchmarks for the ECF Arrangement

Item	Measure	Time Frame	Status
Tax measures			
	Submit Value Added Tax (VAT) legislation to help improve administration and compliance. <i>Macro criticality: The VAT reform will allow for higher mobilization of revenue which will reduce the fiscal imbalance.</i>	Second Review	Completed. To be discussed by the National Assembly. *
	VAT Audits of the 50 largest taxpayers. * <i>Macro criticality: Restore compliance with VAT by large taxpayers following the phasing out of withholding requirements.</i>	Sixth Review	1st Reading - July 2 2nd Reading - July 9
Expenditure control			
	Submit Public Finance Management legislation to the Commission of Implementation of the Constitution, to help accelerate reforms in public financial management. <i>Macro criticality: PFM management legislation is crucial for increasing both spending efficiency and improving the fiscal management.</i>	Third Review	Completed.
	Adopt a Single Treasury Account to strengthen cash management and improve resource management. <i>Macro criticality: Single Treasury Account (STA) adoption will improve both liquidity management and expenditure control.</i>	Fourth Review	Completed.
Banking supervision			
	Amend the Banking Act to reinforce prompt corrective action by the banking supervision authority. <i>Macro criticality: Reinforcing the banking supervision authority is crucial to reducing the risk of macroeconomic instability.</i>	First Review	Completed on December 24, 2010 (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. <i>Macro criticality: Demutualization of the Nairobi Stock Exchange is essential for the both development of deeper financial markets that will enhance financial stability, and attracting capital inflows to reduce the balance of payments financing need.</i>	First Review	Completed in January 2011 (guidelines were introduced Attorney General ruled that a new law was not needed).