

**Kenya: Report on the Observance of Standards and Codes—Data Module,  
Response by the Authorities, Detailed Assessments Using  
the Data Quality Assessment Framework**

This Report on the Observance of Standards and Codes on Data Module for Kenya was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with the member country. It is based on the information available at the time it was completed on October 21, 2005. The views expressed in this document are those of the staff team and do not necessarily reflect the views of the government of Kenya nor the Executive Board of the IMF.

The Response by the Authorities on this report and the Detailed Assessments Using the Data Quality Assessment Framework (DQAF) are also included.

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KENYA

**Report on the Observance of Standards and Codes (ROSC)—Data Module**

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October 21, 2005

The Report on the Observance of Standards and Codes data module provides an assessment of Kenya's macroeconomic statistics against the recommendations of the General Data Dissemination System, complemented by an assessment of data quality based on the IMF's Data Quality Assessment Framework (DQAF July 2003). The DQAF lays out internationally accepted practices in statistics, ranging from good governance in data producing agencies to practices specific to datasets.

The datasets covered in this report are national accounts, government finance, monetary and balance of payments statistics. The agencies that compile the datasets assessed in this report are the Central Bureau of Statistics, the Ministry of Finance, and the Central Bank of Kenya.

The datasets to which this report pertains can be accessed in print and on the Internet at:

- *Central Bureau of Statistics website* (<http://www.cbs.go.ke>)
- *Ministry of Finance website* (<http://www.treasury.go.ke>)
- *Central Bank of Kenya website* (<http://www.centralbank.go.ke>)

This report is based on information provided prior to and during a staff mission from January 12–26, 2005 and publicly available information. The mission team was headed by Mr. Keith Dublin, and comprised Messrs. Simon Quin, Alberto Jiménez de Lucio, and Roman Skarzynski, and Ms. Silvia Matei (all STA), and Mrs. Lady Rodriguez (STA—Senior Administrative Assistant).

Kenya is a participant in the GDDS project for Anglophone African countries that is sponsored by the Department for International Development (DFID) of the UK and is also a member of East AFRITAC.

<b>Contents</b>	<b>Page</b>
Abbreviations.....	3
I. Overall Assessment.....	4
II. Assessment by Agency and Dataset .....	6
III. Staff’s Recommendations .....	15
<b>Tables</b>	
1. Data Quality Assessment Framework July 2003—Summary Results.....	7
2a. Assessment of Data Quality—Dimensions 0 and 1—Central Bureau of Statistics.....	8
2b. Assessment of Data Quality—Dimensions 0 and 1—Ministry of Finance .....	9
2c. Assessment of Data Quality—Dimensions 0 and 1—Central Bank of Kenya .....	10
3a. Assessment of Data Quality—Dimensions 2 to 5—National Accounts.....	11
3b. Assessment of Data Quality—Dimensions 2 to 5—Government Finance Statistics .....	12
3c. Assessment of Data Quality—Dimensions 2 to 5—Monetary Statistics.....	13
3d. Assessment of Data Quality—Dimensions 2 to 5—Balance of Payments Statistics .....	14
<b>Appendix</b>	
I. Overview of Current Practices Regarding Coverage, Periodicity, and Timeliness of Macroeconomic Data Compared to the General Data Dissemination System .....	18

## ABBREVIATIONS

<i>1993 SNA</i>	<i>System of National Accounts 1993</i>
BOP	Balance of Payments
<i>BPM5</i>	<i>Balance of Payments Manual, fifth edition</i>
CBK	Central Bank of Kenya
CBS	Central Bureau of Statistics
COICOP	Classification of Individual Consumption by Purpose
DQAF July 2003	Data Quality Assessment Framework, July 2003 version
DSBB	Dissemination Standards Bulletin Board
GDDS	General Data Dissemination System
GDP	Gross Domestic Product
GFS	Government Finance Statistics
<i>GFSM 1986</i>	<i>A Manual on Government Finance Statistics, 1986</i>
<i>GFSM 2001</i>	<i>Government Finance Statistics Manual 2001</i>
ISWGNA	Inter-Secretariat Working Group on National Accounts
<i>MFSM</i>	<i>Monetary and Financial Statistics Manual</i>
MOF	Ministry of Finance
MPND	Ministry of Planning and National Development
NSS	National Statistical System
ODC	Other Depository Corporations
ROSC	Report on the Observance of Standards and Codes
STA	Statistics Department, IMF

## I. OVERALL ASSESSMENT

1. Kenya subscribed to the General Data Dissemination System (GDDS) on October 29, 2002 and started posting its metadata on the Dissemination Standards Bulletin Board (DSBB) on the same day. Appendix I provides an overview of Kenya's dissemination practices compared to the GDDS.

2. The three data-producing statistical agencies in Kenya assessed in this Report on the Observance of Standards and Codes (ROSC) maintain high professional and ethical standards in collecting, compiling, and disseminating statistical data, which underpin their institutional integrity. Greater clarity is needed in the assignment of functional responsibilities among these three agencies to improve efficiency in the use of resources to compile statistics and to enable the agencies to respond more effectively to the needs of users. Resource constraints constitute an important factor that generally hampers the development and implementation of work programs of the Central Bureau of Statistics (CBS) and the Ministry of Finance (MOF). For the four datasets assessed, deviations from international standards in the area of methodology limit the effectiveness of macroeconomic analysis and international comparability, notably in government finance statistics and national accounts. Deficiencies in accuracy and reliability warrant greater attention. With regard to serviceability, Kenya either meets or exceeds the GDDS recommendations for periodicity and timeliness for all disseminated data. Efforts to enhance the accessibility of statistics have also met a certain degree of success, although greater attention should be paid to improving the utility of statistical products and the procedures for data dissemination. Important reforms are being considered for Kenya's statistical system, and it is envisaged that the proposed Strategic Implementation Masterplan and the new Statistics Act will bring about a significant improvement in the institutional framework. Section II provides a summary assessment by agency and dataset based on a four-part scale. This is followed by staff's recommendations in Section III. The authorities' response to this report and a volume of detailed assessments are presented in separate documents.

3. The mission applied the IMF's Data Quality Assessment Framework (DQAF July 2003) to reach its conclusions; the main ones are presented in the remainder of this section. The presentation is done at the level of the DQAF's quality dimensions, by agency for the first two dimensions and across datasets for the remaining four.

### 4. **Prerequisites of quality and assurances of integrity:**

- The **CBS**, a department of the Ministry of Planning and National Development (MPND), is assigned the legal mandate under the Statistics Act to collect, compile, and disseminate Kenya's official statistics. Within this legal framework, the CBS has primary responsibility for a wide range of statistics. The CBS takes a leadership role in compiling the national accounts and the balance of payments (BOP), and shares the responsibility for the government finance statistics (GFS) with the MOF. A clear definition of the specific responsibilities of these institutions for compiling and disseminating statistics would contribute to a needed rationalization of organizational arrangements. Limited financial resources constrain implementation of the CBS'

statistical work program for national accounts and GFS and should be increased. Appropriate quality management processes are in place, and the CBS promotes a culture that emphasizes professionalism and ethical standards. Public notification of the government's access to statistics prior to their general release would enhance transparency.

- The responsibilities of the **MOF** for collecting, processing, and disseminating fiscal statistics are not legally specified but are derived from a Presidential decree that defines its functions. The MOF compiles data on budget execution and external debt in the context of discharging its responsibilities for budget preparation and monitoring, while the CBS compiles annual statistics for the budgetary central government and local governments, and the Central Bank of Kenya (CBK) compiles domestic financing and debt data. Despite the differences in institutional focus, the MOF, the CBS, and the CBK work collaboratively and routinely share data. The budget execution data compiled by the MOF are relevant for the work of policy analysts, but their usefulness and international comparability are hampered by the lack of consistency with international guidelines. Reconciliation of data sources needs to be improved and the institutional and transactions coverage expanded. The MOF staff lack the technical expertise necessary to compile GFS, and their effectiveness could be strengthened by training in GFS methodology. They, nevertheless, compile statistics that are considered to be impartial and maintain high ethical standards. However, transparency in the performance of statistical functions could be enhanced by public notification of government access to fiscal statistics, prior to their release to the public.
- The **CBK** derives its legal authority to compile and disseminate monetary and balance of payments statistics from the *Banking Act* and the *CBK Act*. However, both these acts define the CBK's mandate to require reporting narrowly, thereby excluding some depository corporations. In the area of the balance of payments statistics, the CBK also exercises authority under the *Banking Act* to establish a data reporting system for transactions in foreign exchange by banks. The CBK uses information gathered from users to review the relevance of the data, although incorporating more formal consultation procedures could provide information that would enhance the CBK's ability to respond to user needs, notably for monetary statistics. The CBK enjoys statutory independence in performing its statistical functions and in implementing its recruitment and promotion policies that are based on professional competence. As evidence of the CBK's commitment to promoting a transparent statistical environment, the public is informed that government officials do not have access to statistics prior to their general release. The staff are made aware of the importance of ethical standards, and guidelines governing standards of conduct are posted on the CBK website.

5. **Methodological soundness** is uneven across datasets and needs significant improvement in GFS and national accounts. In these two datasets, the main weaknesses pertain to limitations in scope and classification. In addition, international concepts and definitions are not closely followed in GFS.

6. **Accuracy and reliability** do not receive adequate attention in any of the datasets. Shortcomings are particularly evident in the national accounts and balance of payments. National accounts suffer from poor source data and limitations in statistical techniques that compromise the reliability of the gross domestic product (GDP) estimates. The BOP is affected, in particular, by data sources that do not sufficiently cover transactions between residents and nonresidents and do not allow for reliable classification according to *BPM5*. Shortcomings with respect to the conduct of revision studies are evident in all datasets.

7. **Serviceability** of the disseminated macroeconomic statistics is generally adequate. The periodicity and timeliness of all disseminated data meet or exceed the GDDS recommendations. The degree of internal consistency with various datasets varies; in particular the internal consistency of the GFS needs improvement. There is a need to rationalize and publicize revision policy and practice in all datasets.

8. **Accessibility** of macroeconomic statistics is adequate, except for the BOP, for which only summary data are published. The availability of metadata for all datasets is, however, mainly limited to links established between the national websites and the IMF's DSBB. For most datasets, greater efforts are needed to enhance assistance to users.

## II. ASSESSMENT BY AGENCY AND DATASET

9. Assessment of the quality of four macroeconomic datasets—national accounts, government finance, monetary, and balance of payments statistics—was conducted using the Data Quality Assessment Framework (DQAF July 2003). In this section, the results are presented at the level of the DQAF elements and using a four-point rating scale (Table 1). Assessments of the prerequisites of data quality and the assurances of integrity (Dimensions “0” and “1” of the DQAF) are presented in Tables 2a–c. For each dataset, the assessment of methodological soundness, accuracy and reliability, serviceability, and accessibility (Dimensions “2” to “5” of the DQAF) is shown in Tables 3a–d.

Table 1. Kenya: Data Quality Assessment Framework July 2003—Summary Results

<b>Datasets</b>		National Accounts	Government Finance Statistics	Monetary Statistics	Balance of Payments Statistics
<p>Key to symbols: O = Practice Observed; LO = Practice Largely Observed; LNO = Practice Largely Not Observed; NO = Practice Not Observed; NA = Not Applicable</p>					
<b>Dimensions/Elements</b>					
<b>0. Prerequisites of quality</b>					
0.1	Legal and institutional environment	LO	LO	LO	LO
0.2	Resources	LNO	LO	O	LNO
0.3	Relevance	LO	LO	LNO	LO
0.4	Other quality management	O	LO	O	LO
<b>1. Assurances of integrity</b>					
1.1	Professionalism	O	O	O	LO
1.2	Transparency	LO	LO	O	LO
1.3	Ethical standards	O	O	O	O
<b>2. Methodological soundness</b>					
2.1	Concepts and definitions	O	LNO	LO	O
2.2	Scope	LNO	LNO	LO	LO
2.3	Classification/sectorization	LNO	LNO	LO	O
2.4	Basis for recording	LO	LO	LO	LO
<b>3. Accuracy and reliability</b>					
3.1	Source data	LNO	LNO	LO	LNO
3.2	Assessment of source data	LO	LO	LO	LO
3.3	Statistical techniques	LNO	LO	O	LO
3.4	Assessment and validation of intermediate data and statistical outputs	LO	LO	O	LO
3.5	Revision studies	LNO	NO	NO	LO
<b>4. Serviceability</b>					
4.1	Periodicity and timeliness	O	O	O	O
4.2	Consistency	O	LNO	O	LO
4.3	Revision policy and practice	LO	LO	LNO	LO
<b>5. Accessibility</b>					
5.1	Data accessibility	LO	LO	LO	LNO
5.2	Metadata accessibility	O	LO	O	LO
5.3	Assistance to users	LO	LO	LO	LO

**Practice observed:** current practices generally in observance meet or achieve the objectives of DQAF internationally accepted statistical practices without any significant deficiencies. **Practice largely observed:** some departures, but these are not seen as sufficient to raise doubts about the authorities' ability to observe the DQAF practices. **Practice largely not observed:** significant departures and the authorities will need to take significant action to achieve observance. **Practice not observed:** most DQAF practices are not met. **Not applicable:** used only exceptionally when statistical practices do not apply to a country's circumstances.

Table 2a. Assessment of Data Quality—Dimensions 0 and 1—Central Bureau of Statistics

<p><b>0. Prerequisites of quality</b></p> <p><b>Legal and institutional environment</b> The Statistics Act assigns the primary responsibility for the collection, compilation, and dissemination of official statistics in Kenya to the CBS. The CBS is solely responsible for compiling the national accounts, but other institutional responsibilities are not clearly defined, and statistical functions in a number of areas are apportioned among the CBS, the MOF, and the CBK, in an arrangement that is not always transparent. While, in practice, coordination among the statistical agencies is adequate, the definition of their respective roles could benefit from greater clarity. As a department within the MPND, the CBS finds its autonomy is constrained in determining statistical policies. The confidentiality of individual information is legally guaranteed. Data reporting is legally mandated, but response rates are low, reflecting, among other reasons, the use of outdated registers by the CBS. The expected enactment of a new Statistics Act will establish the CBS as an autonomous statistical agency with broader responsibilities for developing and supervising the National Statistical System (NSS).</p> <p><b>Resources</b> Reflecting government budgetary policies, considerable cuts in staffing and facilities have been made at the CBS in recent years. Current budget allocations are inadequate to support developmental work such as the conduct of major surveys for the national accounts and balance of payments statistics. Limited career prospects and modest pay scales, based on civil service salary scales, have affected the retention of qualified staff. Computer resources are broadly adequate at headquarters, but their availability is limited in rural areas.</p> <p><b>Relevance</b> The CBS encourages users to provide feedback on its main publications although there is no user advisory committee or other periodic consultation process to review existing or emerging data needs. In anticipation of the implementation of the strategic plan for the NSS, the CBS has consulted with relevant stakeholders on user requirements.</p> <p><b>Other quality management</b> CBS managers strive to ensure the quality of their statistical products and routinely monitor performance in relation to their work plan. Improvements are introduced based on problems identified in the data production processes. Staff training is supported by management.</p>	<p><b>1. Assurances of integrity</b></p> <p><b>Professionalism</b> The Statistics Act gives the director of the CBS the mandate to propose and execute a work program in statistics for the CBS within the context of the NSS without external interference. Statistics are compiled on an impartial basis, with choices of data sources, statistical techniques, and decision relating to data dissemination being made solely on the basis of statistical considerations, within the constraints of resource availability. Programs are undertaken to improve underlying statistical methodologies, consistent with international guidelines. Recruitment and promotion of staff are based on professional qualifications and technical competence. The CBS has exercised its authority to comment on the misuse or misinterpretation of its statistical products.</p> <p><b>Transparency</b> The Statistics Act is published in the Kenya Gazette. References to the CBS’s mandate to collect, compile, and disseminate data are included in letters sent out with surveys and data collection initiatives. Senior officials of the MPND have access to the national accounts, balance of payments statistics, and government finance statistics prior to the release of the statistics, although this practice has not been publicized. The CBS clearly identifies its statistical products and requests attribution when its statistics are reproduced by others. No advance notice is given to the public when major changes are introduced in data sources, statistical techniques, and methodologies.</p> <p><b>Ethical standards</b> Ethical standards of conduct are laid out in the Statistics Act and in the 1992 Code of Regulation (Rules of Conduct) of Kenya, applicable to all civil servants. Upon employment by the CBS, staff are informed of these guidelines, which cover situations of potential conflict of interest, and are asked to sign an oath of secrecy.</p>
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Table 2b. Assessment of Data Quality—Dimensions 0 and 1— Ministry of Finance

<p><b>0. Prerequisites of quality</b></p> <p><b>Legal and institutional environment</b> The responsibility for collecting, processing, and disseminating fiscal statistics is not legally nor formally assigned to the MOF. In the course of performing its functions, defined in a Presidential Decree, the MOF compiles monthly data on budget execution and on external debt. Two other agencies are involved in the compilation and dissemination of fiscal statistics: the CBS and the CBK. The CBS compiles and disseminates annual statistics for the budgetary central and local governments, while the CBK compiles data on domestic financing and debt. No formal data sharing arrangements exist among the MOF, the CBS, and the CBK, but they coordinate closely in exchanging data. The confidentiality of data is protected by the Statistics Act, and aggregation procedures are in place to prevent the disclosure of individual information.</p> <p><b>Resources</b> There is some understaffing in the units of the MOF responsible for compiling fiscal statistics. The staff are academically qualified but lack the technical training necessary for compiling GFS, consistent with international methodologies. The retention rate of staff is good, despite the relatively modest remuneration that is based on civil service salary scales. Computer resources and availability of other working facilities are generally adequate.</p> <p><b>Relevance</b> The budget execution data prepared by the MOF are used primarily by government policy analysts and international financial institutions for monitoring fiscal performance on a monthly/quarterly basis. Feedback on the usefulness of these data for fiscal analysis is provided from these sources, but there is no formal review process to identify emerging data requirements.</p> <p><b>Other quality management.</b> Management is sensitive to data quality issues and supports staff training. However, no formal measures are in place to assess the quality of the statistical products. The main measure used to monitor the quality of data is a peer review process.</p>	<p><b>1. Assurances of integrity</b></p> <p><b>Professionalism</b> The prevailing culture ensures that there is no political interference in the compilation and dissemination of fiscal statistics, as senior government officials support and encourage their staff to produce fiscal statistics on an impartial basis. No laws or other formal arrangements support the professional independence of the staff of the MOF who compile fiscal statistics. Decisions regarding data sources and statistical techniques are based on their suitability for compiling statistical data needed for policy analysis. Professionalism is enhanced by the employment policies administered by the independent Public Service Commission, which requires the hiring and promotion of civil servants to be based on qualification and professional competence. The MOF issues press releases that respond to erroneous interpretation of fiscal statistics.</p> <p><b>Transparency</b> The Presidential Decree that defines the functions of the MOF, including its responsibility to monitor budget execution, is available to the public. Senior officials in the MOF have access to the fiscal statistics prior to their release, but no information concerning this access is made public. Data released to the public clearly identify the MOF as the data-producing agency and include a note authorizing reproduction of data, subject to proper attribution. Major changes in statistical methodologies are not announced prior to the event but are made at the time the changes are introduced.</p> <p><b>Ethical standards</b> The 1992 Code of Regulations (Rules of Conduct) establishes clear guidelines for the professional behavior of MOF staff, including guidance on handling situations of potential conflict of interest. New staff are made aware of these regulations and are asked to sign an oath of secrecy.</p>
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Table 2c. Assessment of Data Quality—Dimensions 0 and 1—Central Bank of Kenya

<p><b>0. Prerequisites of quality</b></p> <p><b>Legal and institutional environment</b> The CBK’s statistical responsibilities for monetary and BOP statistics are defined in the <i>Banking Act</i> and the <i>CBK Act</i>. The requirement to compile and disseminate these data to the public is clearly mandated in the <i>Banking Act</i>. For balance of payments statistics, this authority has been used to collect data on the foreign currency transactions of banks and to compile quarterly balance of payments estimates, both in support of the work of the CBS. Data sharing and coordination among data-producing agencies are adequate, and sufficient safeguards exist to ensure data confidentiality. Owing to a restrictive wording in the <i>Banking Act</i> and the <i>CBK Act</i>, the legal mandate to require reporting is narrowly defined and does not cover all depository corporations. With regard to the balance of payments, the CBK has also interpreted its legal authority restrictively and collects data only from depository corporations.</p> <p><b>Resources</b> Units compiling monetary statistics and the CBK’s contribution to BOP statistics have adequate personnel and material resources, including sufficient computer equipment and software. Salary levels and staff benefits are competitive, and staff turnover is manageable. Source data used for compiling the monetary and BOP statistics are only partially provided electronically, but plans are underway to have all reporting computerized. Measures to ensure effective use of available resources are implemented.</p> <p><b>Relevance</b> Users’ comments are sought, and contact information is routinely provided in the CBK’s statistical publications. However, no questionnaires or surveys are conducted to solicit users’ feedback in a more structured and specific manner. There is no user advisory committee or other periodic consultation process to review existing data practices and emerging data needs.</p> <p><b>Other quality management</b> Procedures are in place that verify information at each stage of the collection, processing, and dissemination of data. Quality control is performed through built-in cross-checks and analysis of the data produced.</p>	<p><b>1. Assurances of integrity</b></p> <p><b>Professionalism</b> The statutory provisions under which the CBK compiles monetary and BOP statistics are adequate to support its impartiality in conducting these functions. Professional competency plays a key role in recruitment and promotion policy in the Research Department of the CBK. Staff involved in compiling monetary and BOP statistics enjoy adequate professional independence and are given opportunities to enhance their professional skills through participation in external courses and on-the-job training. The choice of data sources and statistical methods is determined solely by the need to produce data that are analytically meaningful. The Research Department is entitled to comment on the erroneous use of monetary statistics in the media and seeks to prevent misinterpretations by providing explanatory materials and notes.</p> <p><b>Transparency</b> The <i>Banking Act</i> and the <i>CBK Act</i> are publicly available and posted on the CBK website. In addition, the CBK publicizes on its website two detailed documents on the terms and conditions under which statistics are collected, processed, and disseminated: <i>Statistics Sources and Methods</i> and <i>Guidelines for Compiling Banking Statistics Returns</i>. Monetary statistics are released simultaneously to all users, and there is no internal government access prior to their release. This policy is publicized on the CBK’s website. The CBK’s statistical publications are clearly identified as products of the Research Department. Notes on specific changes in methodology for compiling monetary statistics are publicized in the introductory section of the <i>Statistical Bulletin</i>.</p> <p><b>Ethical standards</b> Staff members are bound by the <i>Code of Conduct and Staff Rules and Regulations</i>, which are posted on the CBK website. These documents address issues of transparency, accountability, confidentiality, and conflict of interest.</p>
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Table 3a. Assessment of Data Quality—Dimensions 2 to 5—National Accounts

2. Methodological soundness	3. Accuracy and reliability	4. Serviceability	5. Accessibility
<p><b>Concepts and definitions</b> The national accounts broadly follow the concepts and definitions of the <i>System of National Accounts 1993 (1993 SNA)</i>. Work is ongoing to develop the quarterly national accounts.</p> <p><b>Scope</b> The 1993 SNA tables and some of the accounts required by the Inter-Secretariat Working Group on National Accounts (ISWGNA) for its implementation are not compiled. The scope of production and assets boundaries does not fully accord with international standards.</p> <p><b>Classification/sectorization</b> The classification of units and transactions is largely in accordance with the 1993 SNA. However, classifications of product and government functions are not implemented. The classification of household consumption is largely based on Classification of Individual Consumption by Purpose (COICOP), but used at an aggregated level. Sectorization is not complete. Only government accounts are distinguished so far.</p> <p><b>Basis for recording</b> Valuation and recording of most transactions broadly accord with international standards. However, government accounts are not recorded on an accrual basis, and imports are not valued on a free-on-board (f.o.b.) basis.</p>	<p><b>Source data</b> Source data are not sufficiently detailed and of adequate coverage to compile reliable estimates of GDP. The business register is outdated, and limited use is made of administrative data. Delays are recorded for most surveys and trade data.</p> <p><b>Assessment of source data</b> Routine assessment of regular surveys is not carried out. Information on sampling errors and nonresponse rates is limited to major surveys.</p> <p><b>Statistical techniques</b> Adjustments to source data are limited, particularly for undercoverage. Indicator valuation relies heavily on outdated fixed ratios. Constant price estimates are not in line with good practices, particularly with regard to expenditure components of GDP.</p> <p><b>Assessment and validation of intermediate data and statistical outputs</b> Estimates are validated against other information to the extent possible. Statistical discrepancies are not routinely assessed.</p> <p><b>Revision studies</b> Revision studies are not carried out on a regular basis.</p>	<p><b>Periodicity and timeliness</b> Kenya meets GDDS requirements on periodicity and timeliness.</p> <p><b>Consistency</b> Statistical discrepancy between GDP by production and expenditure is shown explicitly. Consistent time series are available from 1996 onwards. Statistics are generally consistent with other datasets.</p> <p><b>Revision policy and practice</b> Data revisions generally follow a regular schedule, which is not made public. Methodological revisions, undertaken as source data allow, are made public. Preliminary and revised data are clearly identified in publications.</p>	<p><b>Data accessibility</b> The national accounts are disseminated in a clear manner and at different levels of disaggregation in hard copy. Limited information is also posted on the website. The publications contain charts and tables to facilitate analysis. No preannounced schedule is available to public. Users can obtain unpublished data upon request.</p> <p><b>Metadata accessibility</b> Documentation on concepts, scope, classifications, source data and compilation techniques is available with various levels of detail. The CBS website contains a link to the IMF's GDDS metadata.</p> <p><b>Assistance to users</b> CBS publications and website contain general contact information (name, e-mail and telephone number of the Director), as well as publication prices. However, assistance to users is not monitored. There is no catalog of publications.</p>

Table 3b. Assessment of Data Quality—Dimensions 2 to 5—Government Finance Statistics

2. Methodological soundness	3. Accuracy and reliability	4. Serviceability	5. Accessibility
<p><b>Concepts and definitions</b> Statistics are not compiled according to GFS methodology. Fiscal statistics follow national concepts and definitions, though their presentation generally resembles the presentation of <i>A Manual on Government Finance Statistics, 1986 (GFSM 1986)</i>. The authorities have not adopted a migration path to the <i>GFSM 2001</i>.</p> <p><b>Scope</b> Subannual statistics are only compiled for budgetary central government, while annual statistics are also compiled for local governments. The transaction scope does not follow international guidelines for revenue and expenditure and does follow them for financing and debt.</p> <p><b>Classification/sectorization</b> Revenue, expenditure, and financing transactions, as well as debt stocks, are not classified using the <i>GFSM 1986</i> methodology. The data can be reclassified to follow international guidelines but only with access to expert knowledge and to additional information not publicly available.</p> <p><b>Basis for recording</b> Except for expenditure (commitment), flows are valued on the basis of cash payments. Gross debt is valued at face value. Foreign currency transactions are converted using the mean of buying and selling market rates on the date of recording.</p>	<p><b>Source data</b> Data covering a broad range of flows and stocks are provided from administrative and accounting records. A major gap concerns external financing and expenditure directly financed from abroad. The various data sources for budgetary central government are not reconciled. Source data are timely.</p> <p><b>Assessment of source data</b> Data inconsistencies and out-of-trend values are investigated and confirmed with reporting units. Source data are not routinely analyzed for misreporting.</p> <p><b>Statistical techniques</b> Preliminary data for annual statistics for budgetary central government are replaced when final (audited) data becomes available. Sub-annual statistics remain preliminary. Compilation procedures are not documented.</p> <p><b>Assessment and validation of intermediate data and statistical outputs</b> Large fluctuations or discrepancies are investigated, including for classification errors. Data discrepancies among national compilers are not regularly reconciled.</p> <p><b>Revision studies</b> Statistics are not regularly archived. No studies of revisions are conducted.</p>	<p><b>Periodicity and timeliness</b> Statistics for budgetary central government operations, and for central government debt, meet or exceed the GDDS periodicity and timeliness requirements.</p> <p><b>Consistency</b> Both subannual and annual statistics have a significant difference between the deficit/surplus and financing. Quarterly statistics of the MOF are not consistent with the annual statistics of the CBS. Fiscal statistics are generally consistent with the data on other datasets, because they have common sources.</p> <p><b>Revision policy and practice</b> Subannual statistics are revised as source data become available over the following quarters, except for the last quarter, which is not revised. Given the cumulative nature of the subannual statistics, it is not possible to identify the quarter where revisions were made. All data for subannual statistics are preliminary but are not identified as such. Annual statistics are identified as preliminary or final. Thus, there are no studies that could be made public.</p>	<p><b>Data accessibility</b> Fiscal statistics are not disseminated according to the standard components of the <i>GFSM 1986</i> but follow instead a national presentation. The MOF and CBS publications are only available in hardcopy. Statistics are not released according to a preannounced schedule, though they tend to follow a regular cycle. Senior officials of the corresponding ministry have prior access to the statistics. Statistics not routinely disseminated are made available on an ad hoc basis.</p> <p><b>Metadata accessibility</b> No sources and methods document is published. However, there is a link to the GDDS metadata on the IMF's DSBB.</p> <p><b>Assistance to users</b> A postal address is provided in the MOF publication for comments, suggestions, and requests for clarification. Usually, interested users go in person to the MOF. The CBS publications provide postal, telephone, fax, and e-mail information for interested users to contact the institution. The MOF has a single publication. The websites of the CBS and CBK include a list of publications available and how to obtain them.</p>

Table 3c. Assessment of Data Quality—Dimensions 2 to 5—Monetary Statistics

<p><b>2. Methodological soundness</b></p> <p><b>Concepts and definitions</b> The analytical framework is broadly consistent with the <i>Monetary and Financial Statistics Manual (MFSM)</i>, but data presentation formats are outdated.</p> <p><b>Scope</b> The coverage is incomplete as it does not include several groups of depository corporations, in particular building societies, savings and credit cooperatives, and the Postal Savings Bank. Also, banks in liquidation are not included. Mutual funds and investment banks need to be investigated for possible inclusion as depository corporations.</p> <p><b>Classification/sectorization</b> Classification principles are broadly consistent with the <i>MFSM</i>, although the level of detail of both classification by economic sector and by type of instrument is insufficient. The distinction of nonresident units and the treatment of securities repurchase agreements are in line with the <i>MFSM</i>.</p> <p><b>Basis for recording</b> Valuation principles are in general consistent with the <i>MFSM</i>, but holdings of domestic securities are valued at face rather than market value, and the market exchange rate used for currency conversion is a bid rate rather than a midpoint rate. Interest accruals on loans and foreign assets are incorporated in underlying instruments, but interest accrued on deposits is included in other items net.</p>	<p><b>3. Accuracy and reliability</b></p> <p><b>Source data</b> Central bank accounts are compiled from an aggregated CBK balance sheet that does not provide sufficient detail for sectoral and instrument breakdowns. A more detailed trial balance sheet is not used as a source for deriving monetary statistics. Monthly returns of other depository corporations (ODCs) are adequate for compiling monetary statistics.</p> <p><b>Assessment of source data</b> Source data are checked for intertemporal consistency, and their internal consistency is tested through a system of formal consistency checks; however, the consistency of corresponding interbank positions is not routinely assessed.</p> <p><b>Statistical techniques</b> Data compilation is fully based on administrative sources, and statistical adjustments are not carried out. Data work is to a great extent automated and minimizes processing time and errors.</p> <p><b>Assessment and validation of intermediate data and statistical outputs</b> Supplementary data from ODCs are used to validate the accuracy of ODC balance sheets. Unexplained fluctuations in monetary aggregates are investigated.</p> <p><b>Revision studies</b> Revision studies are not carried out.</p>	<p><b>4. Serviceability</b></p> <p><b>Periodicity and timeliness</b> Periodicity and timeliness comply fully with GDDS guidelines. Major aggregates are disseminated within a month, and a full set of monetary data is disseminated semiannually, which results in a lag of 1-6 months of the end of the reporting period.</p> <p><b>Consistency</b> Data are reasonably consistent within the datasets. The discrepancies between net reciprocal claims and liabilities of the CBK and ODCs are negligible, and the discrepancies in interbank positions of ODCs did not exceed 1.4 percent of their total assets during the last 12 months. Intertemporal consistency is adequate, and the consistency with the BOP and GFS data is ensured through using the same data sources on bank foreign assets and on bank financing of government.</p> <p><b>Revision policy and practice</b> Monthly data are considered final when published except for end-of-June data, which are revised based on an audited CBK balance sheet. Preliminary and revised data, however, are not clearly identified in CBK's publications.</p>	<p><b>5. Accessibility</b></p> <p><b>Data accessibility</b> Data are disseminated on paper and in electronic format; however, data posted on the website are not downloadable. To facilitate analysis, data published in the <i>Monthly Economic Review</i> are accompanied by charts and commentaries on current period developments. Although the release of monetary statistics follows a fixed schedule known to users, no advance release calendars are publicized. Statistics are made available to all users at the same time. This policy is publicized on the CBK website. The dissemination of data in paper publications and on the website is simultaneous.</p> <p><b>Metadata accessibility</b> Two major methodological documents, <i>Statistics Sources and Methods</i> and <i>Guidelines for Compiling Banking Statistics Returns</i>, are posted on the CBK's website. A link is provided to GDDS metadata posted on the IMF's DSBB.</p> <p><b>Assistance to users</b> CBK's publications include a note on the contact person and provide an email address for users' inquiries and comments. A list of CBK's publications is available on its website, but no catalog or publication list is included in the paper publications.</p>
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Table 3d. Assessment of Data Quality—Dimensions 2 to 5—Balance of Payments Statistics

2. Methodological soundness	3. Accuracy and reliability	4. Serviceability	5. Accessibility
<p><b>Concepts and definitions</b> Concepts and definitions used are in accord with internationally accepted statistical frameworks.</p> <p><b>Scope</b> The scope is not fully in accord with internationally accepted standards, guidelines, or good practice. Shuttle trade and smuggling are not covered by the collection system. Neither is for the most part, noncash financing (such as aid-in-kind).</p> <p><b>Classification/sectorization</b> Data compiled by the CBS largely meet <i>Balance of Payments Manual</i>, fifth edition (<i>BPM5</i>) recommendations for classification and sectorization. However, balance of payments data published by the CBS follow <i>BPM5</i> recommendations for classification in a summary way, and component detail is largely omitted. The sectorization of published data follows <i>BPM5</i>.</p> <p><b>Basis for recording</b> Flows are generally recorded according to internationally accepted standards, guidelines, or good practices for valuation. However, reliance on foreign exchange reporting limits the scope for accrual reporting.</p>	<p><b>Source data</b> Data collection system based on surveys is not comprehensive. Private sector financing is for the main part not covered. Monthly foreign exchange statistics are limited in scope.</p> <p><b>Assessment of source data</b> Most source data are routinely assessed. However, there is little scope for assessing the monthly foreign exchange statistics because the CBK does not have access to transaction or transactor information.</p> <p><b>Statistical techniques</b> Sound statistical techniques are generally used appropriately but could be broadened to include unrecorded trade and improve coverage in tourism. Techniques are needed to assess monthly foreign exchange statistics against other sources (e.g., for tourism expenditure).</p> <p><b>Assessment and validation of intermediate data and statistical outputs</b> There is limited scope for validating intermediate results against other information, such as cash flow for inward direct investment against other sources. Trends in errors and omissions are studied and conclusions drawn.</p> <p><b>Revision studies</b> Studies are limited and not undertaken on a formal basis.</p>	<p><b>Periodicity and timeliness</b> Both periodicity and timeliness fully meet the requirements of GDDS. Official balance of payments data are published on an annual basis in the CBS <i>Economic Survey</i> about 5-6 months from the reference date. Unofficial quarterly balance of payments data are compiled by the CBK about three months from the reference date, as soon as customs data for merchandise trade are published by the CBS.</p> <p><b>Consistency</b> Annual data are internally consistent and consistent over time. Errors and omissions are fairly small over a period of years, but there may be substantial unreported credits and debits. The sum of quarterly data is not consistent with annual data</p> <p><b>Revision policy and practice</b> Revisions in data follow a regular schedule, which is not made public. Users are informed whether data are preliminary or revised.</p>	<p><b>Data accessibility</b> Only very summary data are published, although a more detailed presentation consistent with <i>BPM5</i> standard components is compiled. The CBS has a policy of responding to user requests for additional information, but the CBS website or CBS publications do not indicate what additional information is available. Dissemination is only through general purpose publications. There is no schedule of release, but the publication schedules are well known to the public and are reliable. Because the release of balance of payments data and revisions are part of an annual <i>Economic Survey</i> prepared for the budget, there is prior access to those involved in preparing this document.</p> <p><b>Metadata accessibility</b> A sources and methods document is not compiled for annual or quarterly balance of payments. Summary methodologies are prepared for the GDDS, posted on the IMF's DSBB, and hyper-linked to the CBS website. General use information, background papers, and working documents are not made public.</p> <p><b>Assistance to users</b> The CBS provides contact points in its publications. The availability of more detailed balance of payments statistics is not publicized.</p>

### **III. STAFF'S RECOMMENDATIONS**

10. Based on the review of Kenya's statistical practices on four macroeconomic datasets, discussions with three data-producing agencies, and responses from data users (see Appendix III of the Detailed Assessments volume), the mission has a set of recommendations. These recommendations are designed to increase further Kenya's adherence to internationally accepted statistical practices and would, in the mission's view, enhance the analytical usefulness of Kenya's statistics. Some additional technical suggestions are included in the Detailed Assessments volume.

#### **Crosscutting Recommendations**

- Enact new Statistics Bill establishing the CBS as an autonomous agency with broad responsibilities for developing and coordinating the National Statistical System.
- Delineate and assign clearly the statistical responsibilities of the CBS, the MOF, and the CBK.
- Allocate sufficient resources to data-producing agencies to support implementation of their work program.
- Make more effective use of the Internet to disseminate comprehensive data and metadata.
- Carry out regular revision studies to improve the statistical process and publicize the results, along with the underlying revision policies.
- Seek feedback from users regularly to better meet their needs.

#### **National Accounts**

- Update the statistical register and conduct major enterprise surveys on a regular basis.
- Make full use of all available administrative data.
- Conduct regular household expenditure surveys (at least every five years).
- Continue development of institutional sector accounts.
- Use the results of major surveys and other source data to prepare supply and use tables.
- Develop a producer price index and update the industrial production index to improve constant price estimates; alternatively, organize a common data collection program for the two indices.
- Advance work on development of the quarterly national accounts system.

### **Government Finance Statistics**

- Compile and disseminate fiscal statistics following *GFSM 2001* classifications and tables, as a first step in the migration to the *GFSM 2001* methodology.
- Compile and disseminate annual fiscal statistics for extrabudgetary units and social security funds, and for consolidated central government and general government.
- Reconcile the various sources for budgetary central government on a regular basis, and limit the discrepancy between the deficit/surplus and financing.
- Obtain more complete information on external financing and expenditure directly financed from abroad.
- Reconcile data discrepancies between the MOF and the CBS on a regular basis.
- Compile and disseminate monthly and quarterly budget execution data on a discrete basis.
- Train MOF staff in GFS methodology by sending them to GFS courses.
- Prepare and disseminate a document on data sources and methods.

### **Monetary Statistics**

- Revise the *Banking Act* and the *CBK Act* to expand the CBK's legal mandate to require reporting from all depository corporations in Kenya.
- Implement the data presentation framework comprising sectoral balance sheets and surveys, as recommended in the *MFSM*.
- Expand the coverage of monetary statistics to include all depository corporations, including building societies, savings and credit cooperatives, and the Postal Savings Bank, as well as depository corporations in liquidation.
- Investigate mutual funds and investment banks for possible inclusion as depository corporations.
- Initiate modifications in the accounting system to permit market price valuation of domestic securities and accrual recording of interest on these securities; sectorize interest accrual on deposits.
- Implement procedures for routine testing of the consistency of interbank positions.
- Clearly mark preliminary and revised data.

- Post a full set of monetary data on the website as soon as they are available rather than semiannually.

### **Balance of Payments Statistics**

- Assign to the CBK the responsibility for compiling official quarterly balance of payments statistics.
- Assign to the CBK the responsibility for collecting from the financial sector the data needed for balance of payments compilation.
- With donor funding undertake an investment survey for all enterprises engaged in significant balance of payments transactions.
- Develop estimates for tourism expenditure based on the survey conducted by the Kenya Tourist Board in 2004.
- Establish a survey and a working agreement with nongovernment organizations for the reporting of annual data needed for balance of payments compilation.
- Undertake a review of the design of the Monthly Foreign Exchange Statistics to enhance its usefulness for balance of payments compilation.

Kenya: Overview of Current Practices Regarding Coverage, Periodicity, and Timeliness of Macroeconomic Data Compared to the General Data Dissemination System  
(Based on GDDS Metadata Posted on DSBB)

D=daily; W=weekly; M=monthly; Q=quarterly; A=annual; NA = not applicable/not yet disseminated					
GDDS Data Category	Coverage (meets GDDS)	Periodicity		Timeliness	
		GDDS	Kenya	GDDS	Kenya
<b>COMPREHENSIVE FRAMEWORK</b>					
Real sector: <i>National accounts</i>	No	A	A	10–14 months	4–5 months
Fiscal sector: <i>Central government operations</i>	Yes	A	A	6–9 mos	4–5 months
<i>General government operations</i>	No	A	NA	6–9 mos	NA
<i>Central government debt</i>	Yes	A	Q	6–9 mos	2 months
Financial sector: <i>Depository corporations survey</i>	Yes	M	M	2–3 mos	Within 3 weeks
External Sector: <i>Balance of payments: International investment position</i>	Yes No	A A	M NA	6–9 mos 6–9 mos	3–4 months NA
<b>DATA CATEGORIES AND INDICATORS</b>					
<b>Real Sector</b>					
GDP (nominal and real)	Yes No	Q, A A	A NA	6–9 mos 6–9 mos	4–5 months NA
<i>Gross national income, capital formation, saving</i>					
Manufacturing or industrial production index/indices	Yes	M	A	6 wks	4–5 months
<i>Primary commodity, agricultural, or other indices, as relevant</i>		As relevant	NA	3 mos	NA
Consumer price index	Yes	M	M	1 or 2 mos	2 weeks
<i>Producer price index</i>	No	M	NA	1 or 2 mos	NA
Employment	No	A	NA	6–9 mos	NA
Unemployment	No	A	NA	6–9 mos	NA
Wages/earnings (all sectors)	No	A	NA	6–9 mos	NA
<b>Fiscal Sector</b>					
Central govt. budgetary aggregates: revenue, expenditure, balance, and financing with breakdowns (debt holder, instrument, currency)	Yes	Q	Q	1 qtr	2 months
<i>Interest payments</i>	Yes	Q	Q	1 qtr	2 months
Central govt. debt: domestic and foreign debt, as relevant, with appropriate break-downs (debt holder, instrument, currency)	Yes	Q, A	Q	1–2 qtrs	2 months
<i>Government guaranteed debt</i>	Yes	A	Q	1–2 qtrs	2 months
<b>Financial Sector</b>					
Broad money and credit aggregates	Yes	M	M	1–3 mos	Within 3 weeks
Central bank aggregates	Yes	M	Daily	1–2 mos	3 weeks
Short- and long-term govt. security rates, policy variable rate	Yes	M	D, W, M	In high-frequency publication	1 day lag, 1 week lag, 1 month lag
<i>Money or interbank market rates and a range of deposit and lending rates</i>	Yes	M	M	In high frequency publication	1 month
<i>Share price index, as relevant</i>	Yes	M	D, M	In high frequency publication	1 day lag
<b>External Sector</b>					
Balance of payments aggregates	Yes	A (Q encouraged)	A	6 mos	5–6 months
Public and publicly guaranteed external debt outstanding, with maturity breakdown	Yes	Q	M	1–2 qtrs	1 month
Public and publicly guaranteed debt service schedule	No	Twice yearly	NA	3–6 mos	NA
<i>Private external debt not publicly guaranteed</i>	No	Annual	NA	6–9 mos	NA
Gross official reserves denominated in US dollars	Yes	M	D	1–4 wks	1 day lag
<i>Reserve-related liabilities</i>	No	M	NA	1–4 wks	NA
Total exports and total imports	Yes	M	M	8 wks–3 mos	3–4 months
<i>Major commodity breakdowns with longer time lapse</i>	Yes	M	M	8 wks–3 mos	3–4 months
Exchange rates: spot rates	Yes	Daily	D	In high-frequency publication	Daily

*Italics indicate encouraged categories.*

INTERNATIONAL MONETARY FUND

KENYA

**Report on the Observance of Standards and Codes (ROSC)—Data Module**

**Response by the Authorities**

October 21, 2005

<b>Contents</b>	<b>Page</b>
I. Introduction.....	2
II. National Accounts.....	2
A. Comments on the Recommendations from IMF Staff.....	2
B. Comments on Assessment of Data Quality.....	3
III. Government Finance Statistics .....	4
A. Comments on the Recommendations from IMF Staff.....	4
B. Comments on Assessment of Data Quality.....	5
IV. Monetary Statistics.....	7
A. Comments on Recommendations from IMF Staff and Assessment of Data Quality ..	7
V. Balance of Payments.....	9
A. Comments on the Recommendations from IMF Staff.....	9
B. Comments on Assessment of Data Quality.....	10

## I. INTRODUCTION

This document provides the response by the Kenyan authorities to the data module of the Report on Observance of Standards and Codes (ROSC), following the mission that took place during January 12–26, 2005. The Ministry of Finance (MOF), the Central Bureau of Statistics (CBS), and the Central Bank of Kenya (CBK) welcome the findings of the ROSC mission on all macroeconomic accounts and data producing agencies. The ROSC report contains a fairly in-depth analysis of the compilation practices and a number of useful recommendations, which we are taking into consideration to improve our statistical methodology.

The findings of the mission on data module of ROSC are a true reflection of the current compilation and dissemination practices of these accounts. Although the mission identified several problems regarding the compilation and dissemination of various accounts, including tight resource constraints, it was gratifying to note the mission's appreciation of the efforts that were being made by the Kenyan authorities to strengthen the statistical system.

Since the mission's visit, the government has undertaken (and intends to undertake) a number of steps to improve the compilation and dissemination practices to make the Kenyan data consistent with the General Data Dissemination System (GDDS) framework.

## II. NATIONAL ACCOUNTS

National accounts estimates are based on the *1993 System of National Accounts (1993 SNA)*. The first estimates for 2004 calendar year, based on the new system, were released in May 2005. In addition, revised series from 1996 to 2003 was also included. However, it is important to note that the system has not been fully implemented but the process is ongoing, for the remaining components (e.g., quarterly GDP, SUT, other accounts among others). The partial implementation is mainly attributed to lack of basic data.

Under the CBS statistics plan, a number of high priority surveys have been identified and plans are underway to conduct them in order to enhance the *1993 SNA* implementation process as more data is realized.

### A. Comments on the Recommendations from IMF Staff

*Update the statistical register and conduct major enterprise surveys on a regular basis.* Plans are in process to develop an updated master-file for conducting establishment based surveys. The master file is expected to be ready for use by May 2006.

*Make full use of all available administrative data.*

Kenya Revenue Authority provides administrative data, which currently is not fully exploited by National Accounts in computing estimates. The CBS intends to pursue this as one of the ways to fill the existing data gaps for improved estimates.

*Conduct regular household expenditure surveys (at least every five years).*

The authorities acknowledge that the development and maintenance of regular surveys is fundamental to further sustainable improvements of National Accounts. In the CBS Strategic Plan, the requirements for improved data sources have been identified, and financial and technical support is expected under the STATCAP (Statistical Capacity Development) program, as well as, through regional IMF-program, AFRITAC, towards the development of official statistics.

Currently, the CBS is undertaking the Kenya Integrated Household Budget Survey (KIHBS) that was launched in March 2005. The Bureau intends to adopt this recommendation by ensuring that the household expenditure surveys are conducted periodically in at least every five years.

*Continue the development of institutional sector accounts.*

Out of the five institutional units (1993 SNA), only the government sector account has been developed. However, as more data becomes available from the on going and planned surveys, development of the remaining accounts will be pursued.

*Use the results of major surveys and other source data to prepare supply and use tables.*

This recommendation has already been taken into consideration and National Accounts Section (NAS) is currently in the process of developing a Supply and Use table based on the data available.

*Develop a producer index and update the industrial production index to improve constant price estimates; alternatively, organize a common data collection program for the two indices.*

NAS mainly rely on Consumer Price Index (CPI) and Building and Construction Index (BCT) to deflate. However, with the on going survey on International Comparison Program (ICP) (launched in June 2005), and the planned Census of Industrial Production (CIP) and thereafter development of Producer Price Index, the price statistics developed from the two studies are expected to greatly improve the constant price estimates.

*Advance work on development of the quarterly national accounts system.*

NAS is already on with development of quarterly GDP and the data entry process is on going.

Other planned surveys under the STATCAP program are: Census of Agriculture; Informal Sector Survey; Survey of Distribution and Services: and Development of IO tables.

## **B. Comments on Assessment of Data Quality**

Generally, the IMF report on Assessment of Data Quality reflects the reality of the National Accounts practices in Kenya. However, there are a few areas that warrant comments as highlighted below:

*Delays are generally experienced with trade data (sometimes four months) as well as surveys, most of which require repetitive follow-up.*

Due to computerization of the Customs Authority it has been possible to reduce the time lag of trade data from four months to between two and three months. Similarly, the response rate of most establishment-based surveys is expected to greatly improve once the master file is updated.

*Deterioration and discontinuity of a number of regular surveys and censuses that provided good information in the past lead to a heavy reliance on fixed ratios.*

The revival of key surveys under STATCAP program will eliminate the current practice of relying on fixed ratio for intermediate consumption estimates, as is the case for most industries.

#### *Statistical techniques*

In order to analyze the behavior of the GDP over time independently of the influence of price changes, calculations are made at constant prices. The calculations for national accounts estimates at constant prices are based on 2001 prices from previously 1982 prices. To conform to the 1993 SNA recommendations, the base year will henceforth be updated regularly, about every five years.

*Household final consumption expenditure is mainly derived from commodity flow method. It is preferable to have a source that tracks household final consumption expenditure more directly, such as the household expenditure survey.*

This recommendation will be adopted once the currently on-going household budget survey is completed and analyzed.

#### *Assistance to users*

The report states that there is no catalog of publication. The CBS regularly produces a list of its current publications, which provides short title summaries, pagination, year of publication, unit price of each publication. On the same list of publications, e-mail address, fax, telephone and name of our institution is provided. The short summaries are also posted on the CBS Website.

### **III. GOVERNMENT FINANCE STATISTICS**

#### **A. Comments on the Recommendations from IMF Staff**

*Compile and disseminate fiscal statistics following Government Finance Statistics Manual 2001 (GFSM 2001) classifications and tables, as a first step in the migration to the GFSM 2001 methodology.*

The GFSM 2001 classification has been adopted and the FY 2005/06 expenditure estimates were formulated based on the GFSM 2001 and hence new codes. However, the first review is being undertaken to establish the effectiveness of the new methodology in public expenditure management and solutions to the shortcomings of the same, if any. .

*Compile and disseminate annual fiscal statistics for extra budgetary units and social security funds, and for consolidated central government and general government.*

The government had initiated compilation of annual fiscal statistics on extra budgetary activities starting from 2005/06. However, information submitted by the concerned institutions was not adequate and as such could not be published. Despite this, the government intends to have this information published on annual basis as an annex to the expenditure estimates book.

*Obtain more complete information on external financing and expenditure directly financed from abroad.*

External Resource Department (MOF) is preparing a breakdown on external financing and expenditure by donor.

*Train MOP staff on GFS methodology by sending them on GFS courses.*

Most of the main users (Departments) of fiscal statistics in the Ministry of Finance have been trained only on the basics of the GFS though very brief. However, further and in-depth training is very necessary for all compilers and users of any fiscal statistics including the district officers, to enhance future coding and classification for improvement and emerging issues.

*Prepare and disseminate a document on data sources and methods.*

The government is preparing a user manual on GFS statistics.

## **B. Comments on Assessment of Data Quality**

### ***Legal and institutional environment***

*There are no formal procedures for effective and timely flow of source data in place.*

Procedures will be put in place to ensure effective and timely flow of data from data-producing departments.

### ***Resources***

*There is some understaffing in the units responsible for compiling fiscal data.*

The number of staff involved in the compilation of GFS and classification issues was increased in February 2005. However, not all the officers are trained on GFS methodology.

*Computers are not connected to a local network.*

The Treasury Building is networked and all officers (with computers) are able to access a local area network. The ministry has also acquired additional computers.

### ***Concepts and definitions***

*There are significant differences with concepts and definitions of the A Manual on Government Finance Statistics, 1986 (GFSM 1986). No migration path to the GFSM 2001 has been adopted.*

With the introduction of *GFSM 2001* in the current FY 2005/06 budget, the concepts and definitions used in GFS will follow international standards. The fiscal statistic will also migrate to data analysis in *GFSM 2001* system.

### ***Classification/sectorization***

*Revenue, expenditure and financing transactions, as well as debt stocks, are not classified using the methodology of A Manual on Government Finance Statistics, 1986 (GFSM 1986). The data are being reclassified to GFSM 2001. Additional information, especially for revenue and expenditure, are being sought from the relevant units. Classification of data is being implemented; the ministry is working on new codes as recommended in the GFSM 2001.*

### ***Scope***

#### ***Budgetary central government***

There are 36 votes which include ministries, commissions and offices.

#### ***Timeliness follows dissemination standards.***

Quarterly statistics for central government operations are now up to date after the transfer of the Budget Monitoring Department from the Ministry of Planning and National Development to the Ministry of Finance. The latest data are for March 2005, which are soon to be published.

### ***Consistency***

*The sub annual fiscal statistics by MOF and annual fiscal statistics by the CBS differ.*

The two Ministries will perform annual reconciliation of fiscal statistics.

#### ***Revision policy and practice***

The data in the sub-annual fiscal statistics are preliminary until the source data units confirm that the data is final.

### ***Accessibility***

*MOF/CBS publications are only available in hardcopy format.*

The MOF has already placed the Quarterly Budget Review for December 2004 in its website.

*Fiscal statistics are not released on a pre-announced schedule, though they tend to follow a regular cycle.*

The schedule will be put in place once the publications are put on the website, since the delay has been due to the long interval between when the document is taken for publishing and when actual publishing is done. Posting information on the website will also minimize delays in the release of fiscal statistics.

#### ***Assistance to users***

*Only a postal address is provided in the MOF publication for the comments, suggestions, and requests for clarification.*

In future, the ministry intends to include telephone/fax numbers and e-mail for interested users to contact the ministry.

### **IV. MONETARY STATISTICS**

#### **A. Comments on Recommendations from IMF Staff and Assessment of Data Quality**

##### ***Legal and institutional environment***

*Legal mandate to require reporting does not cover all depository corporations.*

The Central Bank of Kenya is in the process of seeking amendments to the CBK and Banking Acts to expand the legal mandate to require reporting from all depository corporations. Meanwhile, CBK will use other mechanisms within the existing Acts, including developing an understanding with relevant institutions, to collect information that covers all depository corporations. Immediate institutions targeted include the Building Societies, Kenya Post Office Savings Bank and large SACCOS.

*Data sharing and coordination among producing units*

Monetary Statistics are also re-disseminated by the CBS in its historical time series data published in *Annual Statistical Abstracts*.

##### ***Relevance***

*No questionnaires, user advisory group, or other forms of periodic consultation to seek users' feedback*

CBK will introduce user survey questionnaire to be attached to its publications beginning financial year 2005/06.

##### ***Concepts and definitions***

*Data presentation framework is still based on the old format of presenting monetary statistics.*

CBK is in the process of issuing new data reporting forms and guidelines to depository corporations consistent with the new classification according to the *Monetary and Financial Statistics Manual 2000 (MFSM 2000)*. It is expected that the shift to the new manual will be accomplished during the financial year 2005/06.

### ***Scope***

*Not all depository corporations are included in statistics; banks in liquidation not included.*  
While the legal mandate to require reporting by all depository institutions is being improved, banks in liquidation will be brought in board once the necessary revisions of the reporting forms are completed and implemented in the financial year 2005/06.

### ***Classification/sectorization***

*Classification by sector and instrument insufficiently detailed*  
This problem will be resolved when CBK implements the revised reporting format consistent with *MFSM 2000* during the financial year 2005/06.

### ***Basis for recording***

*Domestic securities valued at face value; interest on deposits not sectorized: bid rate used for currency conversion*

Clarification on valuation of domestic securities has been taken into account in the revised guidelines notes to be given to reporting institutions once the new reporting format is adopted. Similarly, sectorization of interest on deposits will also be implemented with revised reporting. CBK will consider applying the midpoint (average of bid/ask) exchange rate for currency conversion beginning financial year 2005/06.

### ***Assessment of source data***

*No routine assessment of consistency of interbank positions.*  
Procedures have been put in place for consistency checks of interbank positions.

### ***Revision policy and practice***

*Preliminary and revised data not clearly marked; revision policy not publicized; revision studies not carried out*

CBK will indicate preliminary and revised data starting with the June 2005 statistical bulletin. Modalities of carrying out revision studies are being developed.

### ***Data accessibility***

*No advance release calendars*

CBK will produce an advance release calendar for all its publications in the financial year 2005/06.

*Need for posting a full set of monetary data on the website as soon as it is available.*

CBK is developing a publication policy with a view of ensuring that all relevant data are provided through the website.

*Assistance to users*

*No publication catalogues; list of publications available only on the website*  
CBK has started giving a list of publications in all its hard copy publications.

**V. BALANCE OF PAYMENTS**

**A. Comments on the Recommendations from IMF Staff**

*Assign to the CBK the responsibility for compiling official quarterly balance of payments statistics.*

The mandate to compile BOP statistics remains with the CBS. However, CBS may delegate this responsibility to CBK through a memorandum of understanding with CBK.

*Assign to the CBK the responsibility for collecting from the financial sector the data needed for balance of payments compilation.*

Two committees—the National Steering Committee and the National Technical Committee on Statistics—are currently in place. The CBK is represented in both committees. Sectoral working groups have been proposed; one of these is the Macroeconomic and Financial Statistics Working Group comprising of representatives from CBK, KRA, MOF (including CMA, RBA, etc.). This brings together institutions within the financial sector.

*With donor funding, undertake an investment survey for all enterprises engaged in significant balance of payments transactions.*

Benchmark foreign investment survey is now prioritized under the CBS 18-months work plan under the STATCAP project, although its implementation depends on completion of census of industrial establishments. The foreign investment survey will also allow the authorities to determine the international investment position.

*Develop estimates for tourism expenditure based on the survey conducted by the Kenya Tourism Board in 2004.*

This possibility will be explored.

*Establish a survey and a working agreement with non-government organizations for the reporting of annual data needed for balance of payments compilation.*

This recommendation will be adopted. As part of the development of quarterly BOP, the CBS plans to revive the NGO survey and establish a working agreement with non-government organizations for the reporting of annual data needed for balance of payments compilation.

*Undertake a review of the design of the Monthly Foreign Exchange Statistics to enhance its usefulness for balance of payments compilation.*

The Kenyan authorities view this recommendation as vitally important and is being considered under the Foreign Investment survey. CBS and CBK will discuss the necessary modalities.

## **B. Comments on Assessment of Data Quality**

### ***Resources***

*Staff, facilities, computing resources, and financing are commensurate with statistical programs.*

*Paragraph 1:* The Balance of Payments section is now connected to the Local Area Network in CBS. However, this Internet service is occasionally out of service. There are two professional members of staff compiling balance of payments statistics in CBS.

INTERNATIONAL MONETARY FUND

KENYA

**Detailed Assessments Using the Data Quality Assessment Framework (DQAF)**

Prepared by the Statistics Department

Approved by Robert W. Edwards and Abdoulaye Bio-Tchané

October 21, 2005

This document contains a detailed assessment by dataset of the elements and indicators that underlie the data quality dimensions discussed in Kenya's Report on the Observance of Standards and Codes (ROSC)—Data Module. It also includes as appendices a summary of the General Data Dissemination System (GDDS), the generic framework of the Data Quality Assessment Framework (DQAF), and the results of the users' survey.

<b>Contents</b>	<b>Page</b>
Abbreviations.....	3
I. National Accounts.....	4
II. Government Finance Statistics .....	30
III. Monetary Statistics.....	50
IV. Balance of Payments Statistics .....	67
<b>Tables</b>	
1. DQAF (July 2003): Summary of Results for National Accounts .....	28
2. DQAF (July 2003): Summary of Results for Government Finance Statistics.....	47
3. DQAF (July 2003): Summary of Results for Monetary Statistics.....	65
4. DQAF (July 2003): Summary of Results for Balance of Payments Statistics.....	87
<b>Appendices</b>	
I. Summary of the General Data Dissemination System (GDDS) .....	90
II. Data Quality Assessment Framework—Generic Framework (July 2003) .....	92
III. Users’ Survey.....	95

## ABBREVIATIONS

<i>1993 SNA</i>	<i>System of National Accounts 1993</i>
BMD	Budget Monitoring Department, MOF
BOP	Balance of Payments
<i>BPM5</i>	<i>Balance of Payments Manual</i> , fifth edition
CBS	Central Bureau of Statistics
CBK	Central Bank of Kenya
COFOG	Classification of the Functions of Government
COICOP	Classification of Individual Consumption by Purpose
CPC	Central Product Classification
CPI	Consumer Price Index
CS-DRMS	Commonwealth Secretariat—Debt Recording and Management System
DQAF	Data Quality Assessment Framework
DSBB	Dissemination Standards Bulletin Board
GDDS	General Data Dissemination System
GDP	Gross Domestic Product
GFS	Government Finance Statistics
<i>GFSM 1986</i>	<i>A Manual on Government Finance Statistics</i> , 1986
<i>GFSM 2001</i>	<i>Government Finance Statistics Manual 2001</i>
<i>GFSY</i>	<i>Government Finance Statistics Yearbook</i>
<i>ISIC</i>	<i>International Standard Industrial Classification of all Economic Activities</i>
ISWGNA	Intersecretariat Working Group on National Accounts
ITRS	International Transactions Reporting System
HES	Household Expenditure Survey
KIPPRA	Kenya Institute of Public Policy and Research Analyses
KRA	Kenya Revenue Authority
KTB	Kenya Tourism Board
LES	Labor Enumeration Survey
LFS	Labor Force Survey
<i>MFSM</i>	<i>Monetary and Financial Statistics Manual</i>
MOF	Ministry of Finance
MPND	Ministry of Planning and National Development
MSES	Micro and Small Enterprise Survey
NAS	National Accounts Section, CBS
NGO	Non-Government Organization
ODCs	Other Depository Corporations
OECD	Organisation for Economic Co-operation and Development
PARD	Policy Analysis and Research Department, CBK
PSC	Public Service Commission
ROSC	Report on the Observance of Standards and Codes
SNA	System of National Accounts
SPC	Statistical Policy Committee
STA	Statistics Department, IMF
VAT	Value Added Tax
WMS	Welfare Monetary Survey

## **DETAILED ASSESSMENT USING THE DATA QUALITY ASSESSMENT FRAMEWORK (DQAF)**

The following detailed information on indicators of statistical practices in the areas of the national accounts, prices, government finance, money and banking, and balance of payments statistics was gathered from publicly available documents and information provided by the Kenyan officials. This information, organized along the lines of the generic DQAF (see Appendix II), was used to prepare the summary assessment of data quality elements, based on a four-part scale of observance, shown in Kenya's Report on the Observance of Standards and Codes (ROSC)—Data Module.

### **I. NATIONAL ACCOUNTS**

#### **0. Prerequisites of quality**

##### **0.1 *Legal and institutional environment***

###### *0.1.1 The responsibility for collecting, processing, and disseminating the statistics is clearly specified*

The Statistics Act, Chapter 112 of the Laws of Kenya adopted in 1961, assigns the primary responsibility for the collection, compilation, and dissemination of the official statistical information in Kenya to the Central Bureau of Statistics (CBS). Under the Statistics Act, the Director of the CBS has the mandate to collect, compile, analyze, and publish official statistical information covering a large list of topics, practically all economic and social areas.

Since its adoption, the Statistics Act has undergone several revisions (the most recent being in 1982) without a significant impact on the status of the CBS. The operational autonomy of the CBS is constrained by its status as a department within the Ministry of Planning and National Development (MPND).

An institutional restructuring is foreseen through the adoption of a new Act (the Statistics Bill, 2005) that has been drafted and will be presented to the Parliament for debate and enactment. The new Act provides for the institutional autonomy of the CBS, that will be the principal agency responsible for collecting, analyzing, and disseminating statistical information of the country, with extensive attributions in the design, coordination, and implementation of the national statistical system.

###### *0.1.2 Data sharing and coordination among data-producing agencies are adequate*

While the Statistics Act clearly specifies the authority of the CBS to collect individual data, such as census or survey data, it does not assign clear responsibilities for the compilation of datasets by agency. Therefore, overlapping responsibilities exist in the compilation of government finance statistics (GFS) and balance of payment statistics (BOP), where

responsibilities are shared among the CBS, Ministry of Finance (MOF), and the Central Bank of Kenya (CBK).

Coordination arrangements with the other government agencies in data provision to the CBS are considered satisfactory, particularly with the parastatal agencies. The delays encountered in administrative data transmission by some agencies (e.g., Customs Authority, local government agencies) are mainly due to delays in data processing by these agencies. As for the survey data, the response rates are not satisfactory in certain areas, partially because of an outdated statistical register.

Contacts with major data compilers and policy and research bodies, such as within MPND, Ministry of Labor, CBK, Kenya Institute of Public Policy and Research Analyses (KIPPRA), and Treasury, are maintained, particularly for the validation of datasets.

With regard to the national statistical system, there is little coordination among data producing agencies, owing mainly to a feeble recognition of the central role of the CBS and the lack of general appreciation at the political level of the need for sound statistics in policy and decision-making.

It is expected that the new Act will enhance the role of the CBS, a fact that would translate into a better coordination with data producers and users in both the public and the private sector.

### *0.1.3 Individual reporters' data are to be kept confidential and used for statistical purposes only*

The Statistics Act contains provisions guaranteeing the confidentiality of data provided to the CBS and penalties against the staff who disclose confidential data. The confidentiality provisions apply to “any person employed in the execution of a duty under this Act.” Similar provisions are reinforced in the new Act, and penalties for such offenses are updated because the current ones have become obsolete.

Generally, the confidentiality of data is appropriately guarded, and the archives are well guarded. Offices are secured with keys when staff are not present, and the CBS premises are guarded. Computers, including the main server, are password protected, and the local network under development is being designed to provide different access levels according to needs. Sensitivity of data is considered, and special aggregation rules are applied to prevent disclosure of individual information.<sup>1</sup> Requests of data for research purposes by legal entities are accommodated in a form that will not enable identification of individual data.<sup>2</sup> There is

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<sup>1</sup> The aggregates should include data from at least three enterprises.

<sup>2</sup> Usually as an anonymous 5 percent sample of the population.

only one known case of breach in the confidentiality at the time of the bomb blast (1998), when the person was taken to the court and subsequently dismissed from the service.

Main surveys inform, generally at the top of the questionnaire, the respondents of their rights and obligations with regard to the provision of information. The surveys include a statement that data provided by respondents will be treated as “confidential” and used for statistical purposes.

*0.1.4 Statistical reporting is ensured through legal mandate and/or measures to encourage response*

The Statistics Act provides for mandatory reporting and penalties for noncompliance. However, the penalties for such offenses are not significant, and the CBS does not make use of its right to prosecute, but rather seeks cooperation of nonresponding persons or businesses. Some resistance to data provision has been experienced in the past with individual households, but the authority of CBS to request information is now well recognized.

The penalties for noncompliance have been properly adjusted in the Statistics Bill, including a fine not exceeding 100,000 shillings or imprisonment for a term not exceeding twelve months or both.

The CBS considers the burden placed on respondents. Assistance given to respondents in completing and submitting forms often takes the form of personal contacts by regional staff,<sup>3</sup> contacts by CBS by telephone, and explanatory notes on the questionnaires. These contacts also serve to create goodwill among the respondents.

**0.2 Resources**

*0.2.1 Staff, facilities, computing resources, and financing are commensurate with statistical programs*

Staff and financial resources are generally not commensurate with the work program. Over the last decade, the CBS’s staff has been significantly downsized (more than 50 percent), affecting in particular the clerical/enumerator cadres. Currently, total staff at the CBS consists of 558 employees, placing an increased burden in carrying out the work program. For certain operations, such as censuses or large surveys, temporary personnel are hired. There are low expectancies that the staff resources at the CBS would increase in the short run, given the government policy to reduce the wage bill.

The number of six staff assigned to the National Accounts Section (NAS) falls short of what would be needed to allow them to undertake extensive analysis or to speed up expansion of

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<sup>3</sup> The CBS has a well-established field infrastructure for data collection, including 69 district statistical offices.

the statistical system, for instance, by producing quarterly accounts and further implementing the *System of National Accounts 1993 (1993 SNA)*.

Qualification of the NAS staff is good, including professional cadres holding university degrees in economics/statistics or diplomas in statistics, and some even a master's degree. All staff have benefited from formal and/or hands-on training provided by technical assistance experts from the IMF, and four have participated in courses/seminars organized by the IMF or other organizations.

Given the rigid career stream that restricts promotion and salary levels for civil servants, the CBS has not been successful in retaining staff. Staff turnover is high particularly among the well-qualified and trained staff of a young age. With the elevation of its status proposed in the Statistics Bill, the CBS expects an upgrading in the salary structure that would compare the institution favorably with overall government and would offer more incentives to staff.

Computing resources are below needs, particularly in the regional/district centers. Most often, they are in need of upgrade to support installation of more advanced software. A local network is under development at the CBS. Within the NAS, each person has a personal computer, but only two are of adequate capacity to support installation of the national accounts application that is envisaged.

Budget allocation is not sufficient to support development work, and significant cutbacks have been experienced lately with direct impact on the operational activities. Over the last years, the CBS has benefited from the donor support that allowed sponsorship of important surveys. The Strategic Plan for National Statistical System for 2003/4–2007/8 (Strategic Plan) includes components of work activities and capacity-building programs at the CBS. The Strategic Plan was designed to set strategic directions for the improvement of national statistics, taking into consideration existing strengths and weaknesses of the national statistical system.

#### *0.2.2 Measures to ensure efficient use of resources are implemented*

Annual reviews of staff performance are conducted according to the legislation governing the administration. The individual performance counts towards promotions or redundancies, whichever case arises.

Efforts are made to ensure an efficient use of limited staff and operational resources. Where possible, CBS staff use available administrative information (e.g., from the *Annual Book of Accounts* prepared by the National Social Security Fund) to reduce the survey cost. New possibilities could be explored, however, for a better internal coordination among divisions in the use of consistent concepts, coverage, and classifications across datasets. Also, effectiveness of surveys could be improved with the overhaul and regular update of the master file.

Over the last years, the CBS has benefited from extensive external expertise<sup>4</sup> to evaluate methodologies and compilation systems and to assist with their improvement and development of related statistics. Actions for the improvement of data quality are included in the project for the Strategic Plan.

### **0.3    *Relevance***

#### *0.3.1    The relevance and practical utility of existing statistics in meeting users' needs are monitored*

Feedback from users is encouraged at the time of release of the main annual publication—*Economic Survey*—or on various other occasions (e.g., launching of Kenya database—KENINFO, Kenya demographic health care, and census). Other actions involve participation of a limited category of users, most often the main data-producing agencies, research media, or policymakers in workshops, where an exchange of views is encouraged for the improvement of statistics. Such is the case of the workshops organized for the finalization of the Strategic Plan, study on the informal sector, participation at the Annual African Statistics Day, and the Annual Buffet workshop. The users' views are considered to the extent possible. However, there is no user advisory committee or other periodic consultation process to review existing or emerging data needs; the concept of users is limited to the so-called principal users, including government agencies, nongovernment organizations (NGOs), universities, media, and most important businesses. A catalog of publications is not set up to inform the public at large about available statistics at the CBS. Consideration is being given to conducting a users' survey.

### **0.4    *Other quality management***

#### *0.4.1    Processes are in place to focus on quality*

Managers are sensitive to various dimensions of data quality and promote a shared concern for the quality of statistics at all stages. A working plan is developed annually basis and is monitored on an ongoing basis. Efficient use of resources and improvements are actively sought. For example, the topical chapters of the annual Economic Survey are reviewed by relevant ministries<sup>5</sup> before being released. The Training Committee at CBS reviews regularly the needs for training, as well as its relevance. This committee works closely with the Ministerial Training Committee involved in the recruitment and promotion of administrative staff.

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<sup>4</sup> Assistance in national accounts has been provided mainly by the IMF through its GDDS project and in cooperation with the regional center—East AFRITAC.

<sup>5</sup> MPND—Chapter on Domestic Economy; Ministry of Labor—Chapter on Employment; CBK—Chapter on International Trade; Treasury—Chapter on Public Finance; etc.

*0.4.2 Processes are in place to monitor the quality of the statistical program*

CBS monitors processes and identifies problems at various stages of data collection, processing, and dissemination, particularly through technical projects, survey analysis, and data revision.

*0.4.3 Processes are in place to deal with quality considerations in planning the statistical program*

The CBS monitors its work programs with regard to trade-offs between improvements and available resources. The alternatives among the dimensions of data quality are carefully considered; for example, between timeliness and accuracy and reliability. Survey results are analyzed, and findings are most often used for further improvement. For example, deficiencies found in some questionnaires or in survey processing were corrected. The planning process considers actions aiming at data quality improvement, such as definitions, questionnaire design, trend-checks, and internal consistency of data.

**1. Assurances of integrity**

***1.1 Professionalism***

*1.1.1 Statistics are produced on an impartial basis*

The CBS, currently a department in the MPND, is headed by a director selected by the Public Service Commission (PSC) on professional and managerial merits. By law, the director has the mandate to propose and execute the work program at the CBS, with no external interference in the performance of the statistic function. The Minister of Planning and National Development, to whom he reports, oversees the activity of the CBS at the general level and represents the institution to the government.

Professionalism plays an important role in recruiting and promoting staff. Regarding recruitment, vacancies are advertised. Regarding promotion, the PSC interviews candidates for higher grades and advancement in grade. However, staff do not consider the current system to be incentive for promotion since it is based on a rigid scheme that limits career advancement.

Training in methodology and compilation methods is generally provided by external experts. Internal training is also organized by division/section according to needs. Staff have participated at national, regional, and international seminars and courses covering topical subject matter. Within the internal traineeship program and depending on program relevance and work availability, staff can also engage in mastership programs.

To maintain a good reputation for its statistics, the CBS has engaged in programs to improve the statistics and develop new ones. In line with the plans to implement the *1993 SNA*, a

revised series of national accounts covering the period 1996–2003 has been released recently. Development of the quarterly national accounts is also underway, along with source data development.

*1.1.2 Choices of sources and statistical techniques as well as decisions about dissemination are informed solely by statistical considerations*

Choices of sources and statistical techniques are made on the basis of statistical considerations and international standards but have also to take into account data availability. Source data limitations and methods used are explained where needed in the chapter on revised national accounts series in the *Economic Survey 2004*. The decisions about the timing, format, and media for dissemination are principally based on statistical considerations but have also to carefully consider the resource factor.

*1.1.3 The appropriate statistical entity is entitled to comment on erroneous interpretation and misuse of statistics*

The CBS is entitled to comment and respond to any misused or misinterpreted data. Only a few cases of misinterpreting have been recorded so far in newspapers, and the director handled them bilaterally, providing explanations via e-mail or fax. When new statistics are released, the CSO explains to government the rationale behind the sources and methods used in applying international standards.

**1.2 Transparency**

*1.2.1 The terms and conditions under which statistics are collected, processed, and disseminated are available to the public*

The Statistics Act governing the terms and conditions under which CBS collects, compiles, and disseminates statistics is published in the *Kenya Gazette*. The CBS does not reproduce passages of the Statistics Act or the Oath of Secrecy of the Kenya Code of Regulations for Civil Servants on its website or in its publications. Most important surveys, however, refer to CBS's mandate to request data, and the role of CBS is mentioned in seminars and other official gatherings.

Users need prior consent from the CBS to reproduce statistics contained in its publications. This fact is mentioned in CBS' publications.

*1.2.2 Internal governmental access to statistics prior to their release is publicly identified*

The overseeing ministry—the MPND—and MOF have access to statistics prior to their release. However, this fact is not publicized since it is presumed to be known.

*1.2.3 Products of statistical agencies/units are clearly identified as such*

All publications of the CBS are clearly identified by name and government logo. Where there are joint publications, the national accounts data are clearly identified as being produced by the CBS.

*1.2.4 Advance notice is given of major changes in methodology, source data, and statistical techniques*

Major changes in the methodology, source data, and statistical techniques are announced at the time of the data release to the larger public. A limited group of users are, however, informed in advance of data release. For example, shortly before the release of the revised series of national accounts, following the introduction of the *1993 SNA*, a workshop was organized where the main government agencies, research institutions, academia, and media were invited. The actions connected to the implementation of the *1993 SNA* are also mentioned in the Strategic Plan, and documents distributed among main users including CBS staff and are available to the public at the CBS.

**1.3 Ethical standards**

*1.3.1 Guidelines for staff behavior are in place and are well known to the staff*

Ethical standards for staff behavior are laid out in the *Code of Regulations* (1992) of Kenya applicable to civil servants. Upon their employment, staff are informed of these regulations by the Human Resource Department (HRD) and asked to sign an oath of secrecy. They are not, however, reminded periodically of these regulations. HRD regularly prepares an orientation program and sends circulars periodically to inform staff of new developments.

**2. Methodological soundness**

**2.1 Concepts and definitions**

*2.1.1 The overall structure in terms of concepts and definitions follows internationally accepted standards, guidelines, or good practices*

The revised series of national accounts for 1996–2003 uses the *1993 SNA* as a general framework. In addition to introducing the change of base year (2001), the revised series introduces the concepts and definitions of the *1993 SNA* to the extent possible. Work is ongoing to further implement the *1993 SNA* and to develop quarterly national accounts.

## 2.2 *Scope*

### 2.2.1 *The scope is broadly consistent with internationally accepted standards, guidelines, or good practices*

The Kenyan national accounts are limited to recording transactions. They do not cover information on holding gains or losses, other changes in the volume of assets, and balance sheets. The scope of the national accounts is more restrictive than the minimum requirements as defined by the Intersecretariat Working Group on National Accounts (ISWGNA) for implementation of the *1993 SNA*.

Specifically, the following minimum information is compiled on a regular basis:

- annual value added and GDP at current and constant prices by activity;
- annual expenditures of GDP at current and constant prices;
- annual value added components at current prices by activity; and
- production and generation of income accounts for the total economy, as well as for government with an annual frequency (not published).

The following recommended accounts and tables are not yet compiled:

- annual supply and use tables, and
- sequence of accounts for the total economy (up to financial accounts) with an annual frequency.

The definition of residency is generally in accordance with the recommendations of the *1993 SNA*. In particular, the following are included as part of the economy:

- territorial enclaves in the rest-of-the world and
- free zones (Export Processing Zone).

It is difficult to distinguish workers who work part of the year in another country (who should be considered as residents) from workers who stay one year or longer abroad (who should be classified as nonresidents). For practical reasons, both groups are presently treated as nonresidents.

The scope of output measurement includes among other things the following items:

- own-account production of goods for own-final consumption, mostly agricultural products;
- output of goods for own-account fixed-capital formation, to a certain extent; and
- mineral exploration (not, however, a large-scale activity).

The production boundary is, however, not fully in accordance with the *1993 SNA*. At variance with the *1993 SNA* recommendations, excluded items are:

- research and development on own account;
- production of entertainment, literary, or artistic originals;
- production of computer software; and
- illegal output. Several major illegal activities have been identified, such as drugs sold to willing buyers, prostitution, and weapon traffic, but no estimates are presently made.

The asset boundary is not fully in accordance with the recommendations of the *1993 SNA*. In particular, defense-related assets that could be used for civilian purposes, growth of plantations and orchards, and mineral exploration are estimated in the gross fixed capital formation. On the other hand, valuables and historical monuments, agricultural work-in-progress, patented entities, leases, entertainment, literary, or artistic originals, and other intangible assets are not in the scope of the assets boundary.

### **2.3 Classification/sectorization**

#### *2.3.1 Classification/sectorization systems used are broadly consistent with internationally accepted standards, guidelines, or good practices*

Classification and sectorization as recommended by the *1993 SNA* are only partially implemented.

The sectorization of institutional units is not yet completed. At this stage, only government accounts have been distinguished from the total economy. CBS plans to compile separate accounts for the other sectors in the near future as more source data become available. Financial accounts should follow shortly.

The transaction classification as recorded in the accounts broadly follows the *1993 SNA*. However, “other flows” as distinguished in the *1993 SNA*<sup>6</sup> are not included in the scope of the Kenyan national accounts.

Regarding other classifications, the *International Standard Industrial Classification of All Economic Activities (ISIC)*, Rev. 3, is used to classify economic activities, products, as well as the government final consumption. *Classification of the Functions of the Government (COFOG)* is not yet applied to classify functions of government, and Central Product Classification (CPC) is not yet implemented. Classification of Individual Consumption by Purpose (COICOP) is used to classify household final consumption, but work is done at an aggregated level.

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<sup>6</sup> *1993 SNA* records “other flows” in the accumulation accounts (other changes in volume of assets and the revaluation accounts).

## **2.4 Basis for recording**

### *2.4.1 Market prices are used to value flows and stocks*

The valuation of transactions is broadly in accordance with the *1993 SNA*. The following details may be given:

- market output is valued at basic prices;
- output for own use is valued at equivalent market prices, and the value of nonmarket output is estimated on the basis of costs of production (intermediate consumption, compensation of employees, and consumption of fixed capital);
- excise taxes (on cigarettes and beer) and value-added tax (VAT) are included in the valuation of intermediate consumption, excluding the deductible part of the VAT;
- imports are valued on a c.i.f. basis while exports are valued on an f.o.b. basis. Information on insurance and freight for the imported merchandise is available and could be used to estimate the imports f.o.b.; and
- transactions in foreign currency are converted using the average midpoint exchange rate prevailing in the market during the month they take place.

### *2.4.2 Recording is done on an accrual basis*

Most transactions are recorded on an accrual basis. Only the government account transactions are on a cash basis. Some transactions have to be adjusted from the fiscal year to the calendar year to be used in the national accounts.

Work-in-progress, where compiled, is recorded in the period it is produced.

### *2.4.3 Grossing/netting procedures are broadly consistent with internationally accepted standards, guidelines, or good practices*

Transactions between establishments within the same enterprise are generally recorded on a gross basis, in accordance with the recommendations of the *1993 SNA*.

### **3. Accuracy and reliability**

#### **3.1 Source data**

##### *3.1.1 Source data are obtained from comprehensive data collection programs that take into account country-specific conditions*

The current register of establishments (master file), set up in 1960s by the CBS, includes information on over more than 40,000 establishments mostly operating in the formal sector. The master file has not been properly updated since its creation, although the main sources<sup>7</sup> for those updates that are undertaken are identified. This leads to poor sample frames for surveys conducted every year. An overhaul of the master file is listed among priorities in CBS's work plan. It should be noted that an outdated business register leads to an underestimate of GDP, because newly created enterprises are not taken into account from the moment they start their activities.

Although new source data have been used recently in compiling the revised series of accounts, they are insufficient to ensure a proper coverage of all economic activities. Currently, main sources include (1) annual, quarterly, and monthly surveys of enterprises covering various segments of activity, (2) ad hoc surveys, and (3) administrative data.

The table below summarizes the main data sources for the national accounts estimates and their coverage. The positive contributions to the coverage are considered to be information covering the formal sector, mainly provided by government agencies. Estimates using indirect methods, particularly for the informal sector, are rated as "poor" information. The absence of major annual surveys or regular business censuses<sup>8</sup> worsens the situation. These would provide sufficient information on turnover and other receipts, cost structure, inventories, personnel costs, and employment by economic activity. In addition, there is a lack of exploitation of administrative data (i.e., balance sheets) collected by the Kenya Revenue Authority (KRA). As a result, the coverage achieved for a large segment of economic activities could not be considered satisfactory. In particular, coverage for some of the manufacturing activities and certain services is insufficient. On the use side, the coverage of the household final consumption, representing the largest share in GDP, is also weak due to the absence of a recent household expenditure survey (HES).<sup>9</sup> Preparations to conduct a new HES, this time covering the nation, are well under way. The survey is scheduled to be launched in March 2005.

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<sup>7</sup> Register of Companies (Ministry of Justice and Constitution Affaires), VAT Register Kenya Revenue Authority, and Business Directory ("Nation" newspaper, Kenya Tourist Operators Association, and National Social Security Fund).

<sup>8</sup> Last census dates back to 1976, and last annual business survey was conducted in 1982.

<sup>9</sup> The latest HES was conducted in 1993/1994 covering the urban area.

<b>Production Approach</b>		
<b>ISIC Categories</b>	<b>Main Sources</b>	<b>Assessment of Coverage for Current Years</b>
<i>Agriculture, hunting, and forestry</i>	<p><i>Direction of Agriculture of CBS: ready-made production accounts based on:</i></p> <ul style="list-style-type: none"> <li>- <i>Quarterly and monthly agricultural surveys: output and input data for main products (maize, cotton, tea, coffee, pyrethrum, milk, and meat);</i></li> <li>- <i>main creameries: output data on milk</i></li> <li>- <i>annual data for individual main products from special boards and authorities (for maize, coffee, tea, cane sugar, and flowers);</i></li> <li>- <i>Ministry of Livestock and Fisheries: complementary information to validate data;</i></li> <li>- <i>Welfare Monetary Survey (WMS) of 1997, population census (1999): benchmarks for production on own account using rural population growth</i></li> <li>- <i>input-output ratios;</i></li> </ul> <p><i>Forestry and logging: public sector- budget expenditure, and private sector—Department of Forestry, welfare survey, and census data.</i></p> <p><i>Agricultural services: public sector- budget expenditure, and private sector— annual Labor Enumeration Survey (LES) data.</i></p>	Good/Poor (own account production; no information on game hunting)
<i>Fishing</i>	<p><i>Fishery Department: output and input data;</i></p> <p><i>Informal sector: adjustment by a fixed ratio from the Labor Force Survey (LFS) of 1998.</i></p>	<i>Satisfactory/poor (informal sector)</i>
<i>Mining and quarrying</i>	<p><i>Mines and Geology Department: annual quantity and value data;</i></p> <p><i>Website: international prices for gold;</i></p> <p><i>Informal sector: LFS 1998.</i></p>	<i>Satisfactory/poor (informal sector)</i>
<i>Manufacturing</i>	<p><i>Micro and Small Enterprise Survey (MSES) of 1999;</i></p> <p><i>Monthly Survey of Industrial Production Index (IPI); LES; WMS; benchmark estimates of 2001 based on a survey by KIPPRA.</i></p> <p><i>Informal sector (beverages, sugar, textile, clothes, tobacco, and handicraft sector): MSES, LES.</i></p>	<i>Poor</i>
<i>Electricity and water supply</i>	<p><i>Electricity:</i></p> <p><i>Accounting statements of national companies: Kenya Electricity Generating Company (production of electricity) and Kenya Power and Lighting Company (supply of energy).</i></p> <p><i>Water: data from local authorities and central government complemented by WMS and (1989, 1999) population census data to cover the informal sector.</i></p>	<i>Good (electricity)/ Poor (water supply)</i>

<b>Production Approach</b>		
<i>Construction</i>	<i>Production data based on annual survey of large-scale construction companies, complemented by information from central government, local authorities, imports, and LES; Informal: model using the (1989, 1999) population census data.</i>	<i>Satisfactory (large companies)/poor</i>
<i>Wholesale and retail trade, repair of motor vehicles, and personal and household goods</i>	<i>-Survey of the small scale enterprises of 1999 used as benchmark for both formal and informal sectors; - LES.</i>	<i>Poor</i>
<i>Hotels and restaurants</i>	<i>Hotels: - Average room rates and volume indicators of 2002; - Monthly survey data; Restaurants: benchmarks to hotels.</i>	<i>Good (hotels)/ Poor (restaurants)</i>
<i>Transport, post, and communication</i>	<i>Transport: -Annual survey of transport by type; -Accounting statements of related companies—Kenya Pipeline Company, Kenya Port Authority, Kenya Airport Authority, Kenya Airways, Register of motor vehicles, and travel agencies; Informal (road): benchmark data from a 1983 survey, price changes.  Post and communication: annual survey of communication, complementary information from Kenya Communication Commission, and previous years for non-respondents.</i>	<i>Satisfactory (Poor for some activities; no information on Internet services)</i>
<i>Financial intermediation and insurance</i>	<i>-Survey of financial institutions by CBK; LES -Commissioner of Insurance and annual survey to insurance companies.</i>	<i>Good/ Poor (broker activity)</i>
<i>Real estate, renting, and business activities</i>	<i>- Number of dwellings from 1989 and 1999 population censuses and information on new dwellings; -LES.</i>	<i>Satisfactory/Poor (for some activities)</i>
<i>Public administration and defense</i>	<i>-MOF for central government budget data; -Local authorities; -National Social Security Fund.</i>	<i>Good</i>
<i>Education, health and social work</i>	<i>-MOF and local authorities for public education and health data; Private sector: Ministry of Education, Ministry of Health, benchmark data from the survey of services of 1975, and LES.</i>	<i>Good (public) / Poor (private sector)</i>
<i>Other community, social, and personal service activities</i>	<i>- MOF data for public activities; Private sector: 1998 LFS, LES, and benchmark data from the business survey of 1975.</i>	<i>Satisfactory / poor (private sector)</i>
<i>Taxes and subsidies on products</i>	<i>MOF.</i>	<i>Good</i>

<i>Expenditure Approach</i>		
<b>Expenditure Category</b>	<b>Main Sources</b>	<b>Assessment of Coverage for Current Years</b>
<i>Household final consumption expenditure including the final consumption expenditure of nonprofit institutions serving households (NPISHs)</i>	<i>-Commodity flow method; - 1997 WMS; -Trade statistics.</i>	<i>Poor</i>
<i>Government final consumption expenditure</i>	<i>Same sources as for public administration.</i>	<i>Good</i>
<i>Gross fixed capital formation (GFCF)</i>	<i>Public: MOF, local authorities; Private: imports data, and Ministry of Agriculture; -Commodity flow method.</i>	<i>Satisfactory/Poor (for some activities)</i>
<i>Changes in inventories</i>	<i>- National Cereals and other marketing boards; -Commodity flow method.</i>	<i>Poor</i>
<i>Exports and imports of goods and services</i>	<i>CBK - Balance of Payments Kenya Revenue Authority.</i>	<i>Good</i>

*Note: The above sources are supplemented by a series of price and volume measures, such as the consumer price index (CPI), the unit value indices for foreign merchandise trade, an industrial volume index covering the manufacturing sector, as well as agricultural and construction price indices for internal use.*

When sampling takes place, CBS uses scientific random sampling techniques, but results are affected by the outdated frames. This is the case of the 1999 MSES of national coverage and the 1998 LFS. Other major surveys conducted recently are the 1997 WMS and the 1999 population and housing census.

A critical factor affecting most surveys conducted by the CBS is the low response rate, particularly for certain small intra-annual surveys, ranging from 25 percent (transport and communication surveys) to 40 percent (hotels). Nevertheless, the insurance and agricultural surveys record good response rates (about 100 and 80 percent, respectively).

Comprehensive government statistics are available regularly. Data received from government (MOF) cover central government, parastatals, and also the operations of the National Social Security Fund. Local government data are collected separately, via a survey among these units. Responses to this survey arrive with some delays; the response rate could also be improved. The revised series has adequately eliminated the market activities (government construction activities, water supply by local authorities, and the Airport Authority) that were previously considered as part of government.

A series of actions aiming at further refinement of source data and national accounts estimates are listed in the working plan<sup>10</sup> of the CBS. These actions are included in the World

<sup>10</sup> Medium- and long-term plans include launching a comprehensive survey program including enterprise surveys, agricultural census, and special surveys covering selected areas.

Bank's capacity-building program for the CBS, as well as in the technical assistance from the IMF through the East AFRITAC.

*3.1.2 Source data reasonably approximate the definitions, scope, classifications, valuation, and time of recording required*

The definitions and classifications are largely in line with those used in the national accounts. Nevertheless, changes in inventories reflect commercial practices, and the output of some agricultural products (e.g., maize) that overlap two calendar years are recorded in the year of harvest. In addition, government finance statistics are recorded on a fiscal year basis, requiring adjustments. Adjustments have also to be made to the information collected through the LES that cover only the first half of the year.

The use of cash accounting for government operations is not consistent with the principle of accrual accounting in national accounts, but no adjustments are made.

The actual coverage of source data cannot be easily assessed because the sample frames are incomplete and outdated. It is felt that the coverage of activities (in terms of value added) by all data sources is about 70 percent.

*3.1.3 Source data are timely*

Delays are generally experienced with trade data (sometimes four months), as well as surveys—most of which require repetitive follow-up.

**3.2 Assessment of source data**

*3.2.1 Source data—including censuses, sample surveys and administrative records—are routinely assessed, e.g., for coverage, sample error, response error, and nonsampling error; the results of the assessments are monitored and made available to guide statistical processes*

Information on sampling and nonsampling errors (e.g., over/undercoverage, misclassification, measurement problems, and response errors) is only available for the major surveys, such as the MSES or the LFS. No routine assessment of intra-annual surveys is made.

In general, unusual values (outliers) are confirmed with respondents, and checking on changes over time is done regularly.

Census data are verified for the accuracy of individual data. The accuracy of budgetary data, international trade, agriculture data, price statistics, and other sources used to compile national accounts statistics are assessed as the source data available permit. As a matter of practice, all statistics produced by the CBS and the other agencies are reviewed by the respective producers before being transmitted to the NAS.

### 3.3 *Statistical techniques*

#### 3.3.1 *Data compilation employs sound statistical techniques to deal with data sources*

- Computer software is usually used to detect errors, such as in editing, coding, or tabulation. However, this is not reliable in all cases. For example, in the case of the *Quarterly Business Expectation Enquiry (BEE)*, the computer software (dBase processing) failed.
- Adjustment to data sources takes place to a limited extent. Only in a few cases, relevant divisions were contacted to verify accuracy of data. Usually, indicator-data provided by various divisions/sections are discussed before they are incorporated into the national accounts.
- Information on imputation methods for nonresponse is hardly available.
- The deterioration and discontinuity of regular surveys and censuses that provided good information in the past has led to a heavy reliance on fixed ratios. As a result, the intermediate consumption is estimated for most industries as a fixed ratio to output.
- Adjustments for possible underreporting by enterprises or for undercoverage are made to the extent possible. However, it is believed that the undercoverage is more significant in certain areas, such as horticulture, restaurants, and communication (Internet services), but no adjustments have been made.

#### 3.3.2 *Other statistical procedures (e.g., data adjustments and transformations, and statistical analysis) employ sound statistical techniques*

Adjustment to data sources takes place to a limited extent. No statistical procedures are followed to incorporate hidden and illegal activities. Although the illegal activities are identified in some areas, it is difficult to venture an estimate of its size. Potential target source data have been discussed. The borderline formal/informal sector is not clear-cut. The estimates on the informal sector cover several activities, mainly in the manufacturing sector and services.

Output and intermediate consumption estimates are compiled for 23 industries (2-digit ISIC Rev. 2 aggregates), with further details at the 3-digit level or even 4-digit level in manufacturing and agriculture.

The reliance on fixed ratios more than five years old is large, particularly for fishing, construction, trade, and some agricultural products.

Concerning specific issues of GDP compilation, the following is noted:

- The output of owner-occupied dwellings is estimated as rentals that tenants would pay for similar accommodation. For modern houses it is based on actual rental values collected for the CPI, while for the traditional houses from both urban and rural areas, cost estimates of 2003 are used as a benchmark. For the forthcoming household expenditure survey, a self-assessment by the owner-occupiers will be included for that purpose.
- Data for the work in progress are derived from administrative data (Department of Forestry and MOF). They include mainly growth of plantations and large construction projects by government.
- Financial services indirectly measured (FISIM) is allocated to users (households, general government, businesses, and nonprofit institutions serving households) as recommended by the *1993 SNA*.
- Inventory data, as reported by enterprises, are used to estimate output. No effort is undertaken to adjust these data for holding gains or losses, as the international guidelines recommend.
- Consumption of fixed capital is compiled for the government sector only, using the perpetual inventory method.
- For most transactions, basic information on a cash basis is converted to an accrual basis by allocating them to the period to which they relate. However, government operations are on a cash basis.

To compile volume measures of GDP, both the double-deflation and single-indicator methods are used. The following are noted:

- Deflators are compiled at the same level as the data at current values. The available price indices are not always consistent in terms of concept, coverage, and reference period with the variables being deflated. In the absence of a producer price index, output is deflated most often by elements of the CPI without making any adjustment to account for the different coverage of the two indices. In other cases, the overall CPI is used to deflate value added (e.g., government).
- Single-indicator method is often used to compile volume measures of value added (e.g., the manufacturing sector uses the subindices of the industrial production index). This procedure assumes that price changes of output and inputs are the same. A better approach would be to derive a volume index for the output, by deflating output with a price index, and use the resulting volume index to extrapolate the value added.

- Output volume of trade margins is properly derived by applying the base year margin rates to the various volume indicators.
- Exports and imports of goods and services at constant prices are obtained by deflating the current values by unit value indices of exports and imports. However, constant price estimates of exports and imports of services should have their own price indices. Depending on their importance within the CBS, separate price indices could be calculated.
- GDP volume change is measured by expressing the data in the prices of a base year. The base year is not changed regularly and at every five years as recommended. The previous base year was 1982, while the new series has 2001 as base year.

In the new series of accounts, all components of the GDP by expenditure are derived independently. Regarding compilation procedures, the following applies:

- Household final consumption expenditure and gross-fixed capital formation data are mainly derived from the commodity flow method. Household final consumption is inclusive of NPISHs' final consumption. It is preferable to have a source that tracks household final consumption expenditure more directly, such as the household expenditure survey.
- Household final consumption expenditure is compiled using the commodity flow method at the 1-digit level of the COICOP (five groups), and data are published. General government final consumption expenditure is broken down for eight groups of ISIC based on administrative information, but this information is not published. The level of detail is not sufficient.
- Gross-fixed capital formation is broken down by type of assets (buildings, transport equipment, other machinery and equipment, etc.).
- Changes in inventories are compiled only for a few commodities including main agricultural products, fuel, and mineral products, by balancing supply and sales data.
- Government final consumption expenditure is exclusive of incidental sales, which is correct.
- Expenditures of households abroad are correctly included in imports and final consumption expenditure. Expenditures by nonresident households are correctly included in exports.
- Stores of wealth, such as jewelry, works of art, and similar, cannot be identified.
- Price information used to deflate GDP expenditure components could be improved, particularly for final consumption of both households and government.

- Volume measures for the household final consumption are derived through the commodity flow method instead of using the CPI. Overall, however, the implicit deflator of the household final consumption is consistent with the CPI.
- Government final consumption expenditure at constant prices is derived by deflating with the total CPI. The correct approach would be to deflate the cost components of output.
- Volume measure for the GFCF is appropriately derived as a compound price index of main components, including imported machinery and equipment (related unit value index), building materials (weighted average price index of relevant materials), and wages (index of average wages in the construction industry).
- Changes in inventories are not comprehensively estimated due to lack of basic data. They are calculated for a few commodities by balancing supply and sales data and are deflated by relevant CPI components.

### ***3.4 Assessment and validation of intermediate data and statistical outputs***

#### *3.4.1 Intermediate results are validated against other information where applicable*

The data compiled from the main sources used to compile national accounts statistics are checked with other sources to the extent possible. Independent information for validation procedures is, however, limited. Correspondence of related indicators is usually verified.

#### *3.4.2 Statistical discrepancies in intermediate data are assessed and investigated*

There are no systematic procedures to routinely identify potential discrepancies in intermediate data. Eventual discrepancies detected are assessed and investigated when they occur.

#### *3.4.3 Statistical discrepancies and other potential indicators of problems in statistical outputs are investigated*

The statistical discrepancies between components of GDP by activity and GDP by expenditure are not investigated. The discrepancy between the two estimates is shown explicitly. Input/output tables (IOT), as a useful tool for investigating discrepancies, are, unfortunately, not compiled. Production of IOT, along with the social accounting matrix, are listed among the work objectives at the CBS.

### **3.5 Revision studies**

#### *3.5.1 Studies and analyses of revisions are carried out routinely and used internally to inform statistical processes (see also 4.3.3)*

The direction and magnitude of revisions between the old and new national accounts series are investigated, and the results along with explanations are published (the *Economic Survey 2004*). However, revisions between preliminary and final data are not closely followed. Except for the major revisions, the results of current revisions are not used to inform compilation processes.

## **4. Serviceability**

### **4.1 Periodicity and timeliness**

#### *4.1.1 Periodicity follows dissemination standards*

Annual GDP estimates meet the General Data Dissemination Standards (GDDS) on periodicity.

#### *4.1.2 Timeliness follows dissemination standards*

Annual GDP estimates meet the GDDS requirement on timeliness. The first estimates are released within 4–5 months after the reference year.

### **4.2 Consistency**

#### *4.2.1 Statistics are consistent within the dataset*

GDP estimates are internally consistent<sup>11</sup> by activity and expenditure components, respectively. However a statistical discrepancy between the two estimates exists, and it is shown separately. The estimates are consistent within the “value is equal to price multiplied by volume” framework.

#### *4.2.2 Statistics are consistent or reconcilable over a reasonable period of time*

The revised series of national accounts data covers the period 1996–2003. CBS plans to adjust historical series back to 1990. The revised series is published with detailed methodological notes that explain the reasons for adjustments and resulting differences.

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<sup>11</sup> Calculations are done at an aggregated level.

#### *4.2.3 Statistics are consistent or reconcilable with those obtained through other data sources and/or statistical frameworks*

Overall, the national accounts are consistent with the balance of payments since the imports and exports are taken directly from the balance of payments. However, the CBK adjusts the valuation of imports from c.i.f. to f.o.b., while imports in national accounts are valued on a c.i.f. basis. That is acceptable since the two systems use different valuation.

### **4.3 Revision policy and practice**

#### *4.3.1 Revisions follow a regular and transparent schedule*

The revision cycle for the national accounts is as follows:

- provisional estimates—after four–five months;
- revised estimates—the following two–three years; and
- final estimate—after four years.

This revision policy is well-established and generally stable from year to year. Users are not informed of this revision policy, except from deriving indirect conclusions based on data labels (“revised” or “provisional”). Besides brief explanations on methodological or source data changes, the annual publications do not include any documentation of revisions.

The revisions of benchmarks, base years, and methodology do not follow a regular schedule. Detailed methodological notes on such revisions are presented when first published.

#### *4.3.2 Preliminary and/or revised data are clearly identified*

Preliminary and revised data are clearly identified in the national accounts publication by means of footnotes referring to the status of the published data. While this practice has been regular for the previous series, it fails to identify the most recent series of revised accounts (the 1996–2003 series following the *1993 SNA*) as “provisional.”

#### *4.3.3 Studies and analyses of revisions are made public (see also 3.5.1)*

Only analysis and causes of major revisions (e.g., change in methodology, base year) are made public. Analyses on the extent and causes of current revisions are not undertaken, and therefore not published.

## **5. Accessibility**

### **5.1 Data accessibility**

#### *5.1.1 Statistics are presented in a way that facilitates proper interpretation and meaningful comparisons (layout and clarity of text, tables, and charts)*

Published national accounts indicators, referring mostly to GDP estimates and its component analysis, are presented in a clear manner. In hard copy publications, tables and charts of national accounts estimates are included to facilitate data analysis. Different levels of aggregation are presented, of which the most detailed contains 23 industries. Analyses of recent developments are also disseminated with the data. Previous editions of the *Economic Survey* and the *Statistical Abstract* included more information and details on the old national accounts series than the chapter on the revised series included in the *Economic Survey 2004*. This situation could be explained by the period of transition to the new methodology (1993 SNA). To prevent confusion among users, the CBS decided to present the revised series as a new chapter, in addition to the usual presentation of national accounts.

#### *5.1.2 Dissemination media and format are adequate*

The primary dissemination media are the hardcopy publications (*Economic Survey*, *Statistical Abstract*). A limited amount of information is also posted on the CBS's website ([www.cbs.go.ke](http://www.cbs.go.ke)). The latest hardcopy publication (*Economic Survey 2004*) includes data for the period 1996–2003. Longer time series cannot be accessed electronically. They are, nevertheless, available at the CBS for consultation free of charge. Enquiries could also be made via e-mail at [director@cbs.go.ke](mailto:director@cbs.go.ke) or [herufi@cbs.go.ke](mailto:herufi@cbs.go.ke). The e-mail addresses are indicated in publications as well.

#### *5.1.3 Statistics are released on a preannounced schedule*

No preannounced schedule for the release of data is available to the public. However, the statistics are released according to an internal schedule known to the “main users.” Although the *Kenya Fact and Figures* flyer includes the list of available publications, no schedule of their release is included.

#### *5.1.4 Statistics are made available to all users at the same time*

The national accounts series are made available to all users at the same time. Brief information on GDP is also posted on the Internet some time with a lag of about two months after the release of the publication. The press is not briefed in advance.

#### *5.1.5 Statistics not routinely disseminated are made available upon request*

General statistics not disseminated, as well as customized tables, can be provided to interested users free of charge. Information is available in the CBS's library. Requests can

also be addressed to the Director who consents to their release to the extent that confidentiality of individual data is protected.

## **5.2 *Metadata accessibility***

*5.2.1 Documentation on concepts, scope, classifications, basis of recording, data sources, and statistical techniques is available, and differences from internationally accepted standards, guidelines, or good practices are annotated*

The CBS has prepared a methodological document on the revised annual national accounts. This document, for internal use, is fairly comprehensive; it could, however, benefit from further updates to incorporate latest developments. A summary description of methodological notes on the revised series versus old ones is included in the latest publication.

*5.2.2 Levels of detail are adapted to the needs of the intended audience*

The CBS website contains a link to the IMF's GDDS metadata, which are updated regularly. A new update is expected to be done shortly to reflect the passage to the 1993 SNA. In order to better assist the users with metadata information, a short explanation on the content of the IMF's link to the GDDS metadata should be provided on the website. The internal document including detailed methodological notes on national accounts statistics is available for consultation at the CBS. CBS plans to publish it as well.

## **5.3 *Assistance to users***

*5.3.1 Contact points for each subject field are publicized*

Recent publications of CBS include contact details of the Director (telephone, e-mail), but no specific individuals or departments are identified. Similar information is provided by the GDDS metadata, to which a link is provided by the CBS's website. Inquiries can be made by mail or by phone to the Director's office. Requests of users are mostly accommodated through the library, but this assistance is not monitored.

*5.3.2 Catalogs of publications, documents, and other services, including information on any charges, are widely available*

Recent publications include the name and contact details of the Director, who is responsible for approving the requests and channeling them according to the statistical areas of request. Their price is also marked on the cover. Similar information is also posted on the website. However, no annual catalog of publications provides additional information, such as the venues of sales and order forms.

Table 1. Kenya: Data Quality Assessment Framework (July 2003): Summary of Results for National Accounts  
(*Compiling Agency: Central Bureau of Statistics*)

Element	NA	Assessment				Comments on Assessment	Plans for Improvement and Target Dates
		O	LO	LNO	NO		
<b>0. Prerequisites of quality</b>							
0.1 Legal and institutional environment			X			Coordination among data producing agencies is weak for the National Statistical System. Feeble recognition of the central role of CBS.	
0.2 Resources			X			Staff and financial resources are not commensurate with work program. Staff turnover is high and promotions are slow.	Development of a local network and allocation of new computers are included in the capacity building program.
0.3 Relevance				X		Periodic user surveys are not conducted.	
0.4 Other quality management			X				
<b>1. Assurances of integrity</b>							
1.1 Professionalism		X	X				
1.2 Transparency						Government's internal access to data prior to their release is not made known to public. Advance notice of major changes is given to a limited group of users.	
1.3 Ethical standards		X					
<b>2. Methodological soundness</b>							
2.1 Concepts and definitions							
2.2 Scope		X		X		Production and assets boundary do not fully accord with the 1993 SNA. Annual SUT and income and capital accounts are not prepared.	Work is underway to further implement the 1993 SNA and to develop the quarterly accounts.
2.3 Classification/sectorization				X		Sectorization is not complete. Not all recommended classifications are implemented.	Development of institutional sector accounts is planned to continue in steps. The identification of the financial sector is planned in the short term.
2.4 Basis for recording			X			Government accounts recorded on a cash basis.	

Table 1. Kenya: Data Quality Assessment Framework (July 2003): Summary of Results for National Accounts  
(Compiling Agency: Central Bureau of Statistics)

Element	NA	Assessment				Comments on Assessment	Plans for Improvement and Target Dates
		O	LO	LNO	NO		
<b>3. Accuracy and reliability</b>							
3.1 Source data			X			Business register is outdated. Narrow range of major surveys. Low response rate to surveys and limited use of administrative data. Coverage of economic activity is inadequate. Delays are common in most surveys.	Short-term plans include (i) update of the business register and (ii) conduct of a household survey. Medium- to long-term plans include launching a comprehensive survey program including enterprise surveys, agricultural census, and special surveys covering selected areas.
3.2 Assessment of source data			X			Routine assessment of regular surveys is not carried out.	
3.3 Statistical techniques				X		Adjustments to source data are limited, particularly for undercoverage. Heavy reliance on outdated fixed ratios. Constant price estimates are not in line with good practices.	
3.4 Assessment and validation of intermediate data and statistical outputs				X		Ad-hoc assessment of discrepancies in intermediate data when they occur.	
3.5 Revision studies					X	Revision studies are not carried out to inform the statistical process.	
<b>4. Serviceability</b>							
4.1 Periodicity and timeliness		X					
4.2 Consistency		X					
4.3 Revision policy and practice			X			Public is not informed of revision policies.	
<b>5. Accessibility</b>							
5.1 Data accessibility			X			No preannounced schedule is available to public.	
5.2 Metadata accessibility		X					
5.3 Assistance to users			X			Assistance to users is limited.	

Key to symbols: NA = Not Applicable; O = Practice Observed; LO = Practice Largely Observed; LNO = Practice Largely Not Observed; NO = Practice Not Observed; SDDS = Complies with SDDS Criteria

## II. GOVERNMENT FINANCE STATISTICS

### 0. Prerequisites of quality

#### 0.1 *Legal and institutional environment*

##### 0.1.1 *The responsibility for collecting, processing, and disseminating the statistics is clearly specified*

Three agencies are involved in the compilation and dissemination of fiscal statistics: the Ministry of Finance (MOF), the Ministry of Planning and National Development (MPND), and the Central Bank of Kenya (CBK). However, the responsibility for collecting, processing, and disseminating fiscal statistics is not legally nor formally assigned to any agency.

The Presidential Decree that defines the functions of the MOF includes, among other functions, fiscal policy; budget monitoring; government revenue, expenditure, and borrowing; and bilateral and multilateral development financing. In the course of performing these functions, the MOF compiles and disseminates budget execution data for the budgetary central government and data on the external public debt. Nevertheless, the MOF has no legal obligation to compile or disseminate fiscal statistics.

The MPND conducts its statistical activities through the Central Bureau of Statistics (CBS), a department of the ministry. The Statistics Act (Chapter 112 of the Laws of Kenya) empowers the CBS to collect, compile, analyze, and publish statistical information covering a broad array of areas, including finance. Under this mandate, the CBS compiles and disseminates fiscal statistics on the operations of budgetary central government and local governments, and also disseminates data on public debt. Nevertheless, the CBS has no specific responsibility to compile or disseminate fiscal statistics.

The Central Bank of Kenya Act empowers the CBK to collect and publish data from banks and certain financial institutions. Under this mandate, the CBK compiles data on domestic financing and the domestic debt position of the central government. The CBK also disseminates in its publications the fiscal statistics compiled by the MOF. Nevertheless, the CBK has no specific responsibility to compile or disseminate fiscal statistics.

The task of compiling and disseminating fiscal statistics is performed by the following units: (1) the Budget Monitoring Department (BMD) of the MOF, which prepares the monthly central government budget outturn; (2) the Public Finance Section of the CBS, which prepares annual data on the operations of the budgetary central government and local governments; (3) the Policy Analysis and Research Department (Fiscal and Debt Analysis Division) of the CBK, which prepares monthly data on the domestic debt position of the central government; and (4) the Debt Management Department of the MOF, which, prepares monthly data on the external public debt. It should be noted that the former Ministry of Finance and Planning was split into two ministries (the MOF and the MPND) at the

beginning of 2002. In September 2004, the functions and personnel of the BMD were transferred from the MPND to the MOF. The Budget Supply Department of the MOF has prepared the most recent monthly budget outturns, but it is expected that this function would be assigned to the Fiscal and Monetary Affairs Department beginning in the coming months. Working arrangements are consistent with the assignment of tasks.

*0.1.2 Data sharing and coordination among data-producing agencies are adequate*

Most of the data needed to compile fiscal statistics are available within the MOF. There are close communication and information flows among the MOF units responsible for compiling budget execution data, but no formal procedures are in place. There is also close coordination between the MOF and the CBK concerning the budget outturn, and domestic financing and debt data, and between the MOF and the CBS, concerning the appropriation accounts, and foreign financing and debt data. Again, no formal procedures for the effective and timely flow of source data are in place among the data-producing agencies, but the informal arrangements appear to be satisfactory.

*0.1.3 Individual reporters' data are to be kept confidential and used for statistical purposes only*

The confidentiality of data reported by individual persons and entities is protected by the Statistics Act. Section 8 states that no individual particulars of a respondent can be published, unless authorization in writing is granted. Section 9 establishes penalties for persons that disclose information acquired in the course of their employment. Finally, Section 10 mandates that every officer employed in the execution of any duty under the act must take and subscribe to an "oath of office and secrecy," concerning disclosure of information. A similar oath must be taken by all civil servants. Respondents are aware of the confidential nature of the information they provide.

Aggregation practices are in place to prevent disclosure of individual particulars. Data must always be kept inside the officer's office, which must always be locked when the officer is away. No special measures to prevent unauthorized access to data stored in computers have been established.

*0.1.4 Statistical reporting is ensured through legal mandate and/or measures to encourage response*

All three data-producing agencies have the necessary legal authority to collect the information required to compile statistics. The Statistics Act in Section 9 establishes penalties for noncompliance (including misreporting), but these are rarely enforced. Instead, the CBS seeks to secure cooperation by creating goodwill, for example, by distributing free copies of its publications to respondents.

A Treasury circular mandates reporting budget execution data by all votes. The Exchequer Committee enforces compliance with reporting by withholding funds to nonreporters. Assistance is provided to respondents in completing and submitting report forms.

## **0.2 Resources**

### *0.2.1 Staff, facilities, computing resources, and financing are commensurate with statistical programs*

There is some understaffing in the units responsible for compiling fiscal statistics. The qualifications of the staff are generally adequate; limited and mostly on-the-job training is provided. No MOF officer is trained in GFS methodology, and only one CBS officer has such training (though a second one will attend the 2005 GFS course in Washington, D.C.). Staff turnover is manageable, because the potential adverse effect of relatively low salary levels is attenuated by the limited opportunities for employment at better paying entities. Nevertheless, low salary levels limit the ability to retain qualified staff.

Computer resources are generally adequate, as each officer has an assigned computer. However, these computers are not connected to a local network. The MOF is short on printers. Software utilized for compiling statistics is adequate, although the anti-virus software used is outdated. Technical support is available, but it is slow. No emergency back-up systems are in place. Officers adopt individual precautions in an ad hoc manner, for example, by copying files to diskettes.

Office buildings provide adequate working facilities. Office furniture and equipment are also adequate to perform required tasks. Transportation arrangements are seldom used but are available. Funding for statistical activities is secure.

### *0.2.2 Measures to ensure efficient use of resources are implemented*

At the end of each calendar year, an immediate supervisor appraises each officer. This appraisal is relevant for promotion and, thereby, salary increases. No periodic reviews of work processes to enhance efficiency are conducted. Technical assistance to improve statistical methodologies and compilation systems is requested as necessary. Over the past two years technical assistance has been provided through the GDDS Project and East AFRITAC.

The resources used to compile fiscal statistics are not measured periodically. The annual budget process identifies the budget allocated to each department.

### **0.3    *Relevance***

#### *0.3.1    The relevance and practical utility of existing statistics in meeting users' needs are monitored*

Regular feedback is only received from internal users and some international organizations. Feedback from other external data users is not actively sought, though a street address, and in some cases an e-mail address, is provided for users to send comments or questions. There is no structured and periodic process of consultation with data users. The data-producing agencies occasionally participate in statistical meetings and seminars. No studies to identify new and emerging data requirements are undertaken.

### **0.4    *Other quality management***

#### *0.4.1    Processes are in place to focus on quality*

Management is generally sensitive to data quality. Staff training is considered a key element of quality and is thereby supported by management. Specifically, MOF management stresses the importance of correctly filling the uniform forms used for data collection, and conducts workshops for finance officers and accountants from reporting bodies. The CBS has as its vision “to become a center of excellence in statistical production and management for national development.” However, the activities or processes that focus on quality are limited.

#### *0.4.2    Processes are in place to monitor the quality of the statistical program*

No formal measures are in place to assess the quality of ongoing statistical products and activities. The main measure to monitor the quality of the data produced is peer review. Drafts of the tables compiled are shared with relevant sections for review. In addition, some specific efforts are undertaken to enhance the quality of data. For example, the timeliness of submission by reporting bodies is closely followed, and follow-up calls are placed if the deadlines are not met.

#### *0.4.3    Processes are in place to deal with quality considerations in planning the statistical program*

No processes are in place to address quality issues in planning the statistical program. Some efforts are made to address identified problems.

## **1. Assurances of integrity**

### **1.1 Professionalism**

#### *1.1.1 Statistics are produced on an impartial basis*

The Statistics Act is considered to support the professional independence of CBS, although there is no specific provision to this effect. The CBS is currently established as a department of the MPND; therefore, its director and staff, and its funding, are under the Minister's authority. In practice, though, a tradition of professional independence exists in the compilation of statistics.

Also a Code of Regulations that includes Rules of Conduct (Section G) is in place for the civil service. These rules provide protection to civil servants from outside interference in the professional discharge of their duties. In addition, senior officers support and encourage their staff to compile statistics on an impartial basis.

An independent Public Service Commission recruits all civil servants, based on the qualifications for the position being filled prepared by the hiring agency. Thus, recruitment is based on the qualifications of applicants. Promotions are based on the annual appraisal forms, that is, based on merit. On-the-job training is the norm, complemented by limited formal training.

#### *1.1.2 Choices of sources and statistical techniques as well as decisions about dissemination are informed solely by statistical considerations*

The choice of source data is based on measurement objectives and data requirements. Decisions to disseminate data are based solely on statistical considerations. The timing of dissemination takes into account policy needs, for instance, preparation and monitoring of the budget. Statisticians are free of political influence in choosing of the most appropriate data sources and techniques for compiling and disseminating fiscal statistics.

#### *1.1.3 The appropriate statistical entity is entitled to comment on erroneous interpretation and misuse of statistics*

The Ministry's Public Relations Officer monitors media coverage and coordinates responses to address cases of misinterpretation or misuse of fiscal statistics. Press statements are the usual response to these cases. At the time of release of some publications, a note on the highlights of the publication is prepared to facilitate interpretation of the statistics.

## **1.2 Transparency**

### *1.2.1 The terms and conditions under which statistics are collected, processed, and disseminated are available to the public*

The Presidential Decree that defines the functions of the MOF is available to the public. Copies of the Statistics Act and the Central Bank of Kenya Act are also available to the public and may be obtained directly from the Government Press Office. The latter act is also available on the CBK's website. Statistical publications identify where users can find more information about the data-producing agencies and its products.

### *1.2.2 Internal governmental access to statistics prior to their release is publicly identified*

Prior to their general dissemination, the fiscal statistics compiled by the MOF and the CBS are available to senior officers of the corresponding ministry for review and internal information. This internal access is not made public, but it is widely known by the public. The GDDS metadata posted on the IMF's Dissemination Standards Bulletin Board (DSBB) do identify such prior access.

### *1.2.3 Products of statistical agencies/units are clearly identified as such*

Statistical products are clearly identified by the name of the data-producing agency. In addition, the tables in the publications identify the source of the data. The publications of the MOF, CBS, and CBK include a note authorizing reproduction of data without restriction, subject to proper attribution.

### *1.2.4 Advance notice is given of major changes in methodology, source data, and statistical techniques*

No advance notice is given to the public when major changes are introduced in methodology, sources, and statistical techniques. An announcement is made at the time the changes are introduced.

## **1.3 Ethical standards**

### *1.3.1 Guidelines for staff behavior are in place and are well known to the staff*

Both the Code of Regulations (Rules of Conduct) and the Statistical Act mentioned earlier establish clear guidelines concerning potential conflict of interest situations. Guidelines are also provided in these documents concerning the misuse or misinterpretation of statistics. The prevailing culture ensures no political interference in the compilation and dissemination of fiscal statistics. New staff are made aware of the ethical standards when they join the agency but are not afterwards reminded periodically of the standards.

## **2. Methodological soundness**

### **2.1 Concepts and definitions**

#### *2.1.1 The overall structure in terms of concepts and definitions follows internationally accepted standards, guidelines, or good practices*

The presentation of fiscal statistics for budgetary central government in the MOF, CBS, and CBK publications generally resembles the presentation of *A Manual on Government Finance Statistics*, 1986 (*GFSM 1986*). This is mainly the result of efforts to accommodate the requirements of key external data users, and not a deliberate decision to follow the guidelines of the manual. There are significant differences with the concepts and definitions of the *GFSM 1986*. It is possible to compile fiscal statistics according to GFS methodology from the national format. However, such a task requires access to additional information not publicly available and to expert knowledge.

No migration path to the *Government Finance Statistics Manual 2001 (GFSM 2001)* has been adopted, although technical assistance to that effect has been provided to CBS by two missions under the GDDS Project for Anglophone African countries. The latest submission of Kenyan fiscal statistics to STA for publication in the *Government Finance Statistics Yearbook 2004 (GFSY 2004)* was reported in *GFSM 2001* format, using bridge tables developed by the technical assistance missions.

### **2.2 Scope**

#### *2.2.1 The scope is broadly consistent with internationally accepted standards, guidelines, or good practices*

To facilitate understanding of the coverage of fiscal statistics, the institutional structure of Kenya's general government sector is presented and explained below.

## **A. Central Government**

### **Budgetary central government**

Office of the President, State House, Directorate of Personnel Management, Office of the Vice-President and Ministry of Home Affairs, Department of Defense, State Law Office, Judicial Department, Public Service Commission, National Audit Office, National Assembly, Electoral Commission of Kenya, National Security Intelligence Service, Kenya Anti-corruption Commission, and 16 ministries.

### **Extrabudgetary units**

- (a) Local Authorities Transfer Fund
- (b) Road Maintenance Levy Fund

- (c) Petroleum Development Fund
- (d) Rural Electrification Programme
- (e) National universities, 5
- (f) Over 30 minor extrabudgetary accounts
- (g) A number of entities currently considered to be parastatals

### **Social Security Funds**

- (a) National Social Security Fund
- (b) National Hospital Insurance Fund

### **B. Local Governments**

- (1) City councils, 3
- (2) Municipal councils, 42
- (3) Town councils, 62
- (4) County councils, 67

### **C. General Government Sector (I+II)**

Kenya has two levels of government: central government and local governments. The central government is composed of the budgetary central government, extrabudgetary units, and two social security funds. The extrabudgetary units most likely include a number of entities currently considered parastatals, which under closer examination would probably be reclassified as central government entities. The local governments include city councils, municipal councils, town councils, and county councils. As detailed below, subannual fiscal statistics are only compiled and disseminated for budgetary central government, while annual statistics are compiled and disseminated for budgetary central government and for local governments. No subannual or annual fiscal statistics are compiled for extrabudgetary units and social security funds—and thereby consolidated central government and general government. Thus, fiscal statistics do not cover the whole of central government nor the general government institutional sector.

The MOF compiles monthly year-to-date (i.e., cumulative) budget execution data for the budgetary central government (annual data are thus automatically produced at the end of the fiscal year). These data are disseminated quarterly, without a monthly breakdown, by the MOF in its *Quarterly Budget Review*. The data published include a summary table with a limited breakdown for revenues and grants, expenditure and net lending, and financing; tables with a partial economic classification for revenues and grants, and for expenditure and net lending, expenditure by vote, domestic financing by holder and by instrument, and external financing; as well as a few charts and text explaining the main budget developments during the quarter.

The *Quarterly Budget Review* also includes data on central government debt: a summary table with a breakdown for public and publicly guaranteed debt by holder; tables with a

breakdown for domestic debt by holder and by instrument, external debt by holder, and external debt service by type of creditor; as well as a few charts and text explaining the main debt developments during the quarter.

The CBS compiles and disseminates unconsolidated annual fiscal statistics on the operations of budgetary central government and local governments and also disseminates annual data on public debt. The CBS publications are the *Economic Survey* and the *Statistical Abstract*.

The data published in the *Economic Survey* include a summary table for budgetary central government revenue, expenditure, and financing; a table for budgetary central government with a breakdown for gross receipts on recurrent account; tables for budgetary central government with a breakdown of expenditures by main services and by economic classification; tables on central government outstanding debt by creditor, and domestic and external debt service; a table on central government transfers to local authorities; a table on the total expenditure by local authorities; and tables for municipal councils with a breakdown for revenue, expenditure by main services and by economic classification. A number of other detailed tables and text explaining major developments are also included.

The data published in the *Statistical Abstract* include several tables for budgetary central government with detailed breakdown for revenue, expenditure by purpose and by economic classification; tables with a breakdown for outstanding public debt and for debt service; tables for municipal councils, with a partial economic classification for revenue and for expenditure; and tables for town and county councils, with a breakdown for expenditure by main services and by economic classification.

The CBK publishes in its *Monthly Economic Review* the monthly budget execution data compiled by the MOF, though in a more aggregated manner and with a slightly different presentation. The data published include a summary table for revenues and grants, expenditure and net lending, and financing; tables with a partial economic classification for revenues and grants, and for expenditure; a table on the government's financing requirements and sources; as well as a few charts and text explaining the main budget developments during the month. The publication is also disseminated through the CBK's website (<http://www.centralbank.go.ke>).

The *Monthly Economic Review* also includes data on central government debt: a summary table with a breakdown by creditor for public debt; a table with a breakdown for domestic debt by instrument; tables with a breakdown for outstanding treasury bills and bonds by holder, and by maturity; as well as a few charts and text explaining the main debt developments during the month.

The CBK also disseminates budget execution and public debt data in its biannual *Statistical Bulletin* and in its *Annual Report*. These two publications are also available on the CBK's website.

Briefly stated, the transaction scope of fiscal statistics does not follow international guidelines for revenue and expenditure and does follow them for financing and debt, although debt data are provided jointly for public and publicly guaranteed debt, without a breakdown between the two.

In terms of data reporting to the IMF, the MOF reports monthly central government budget execution data to the African Department for operational purposes, while the CBK reports from the same source monthly data to STA, for the major GFS aggregates, for publication in the *IFS*. Finally, the CBS reports annual data to STA for publication in the *GFSY*, based on the data in its *Economic Survey*.

### **2.3 Classification/sectorization**

#### *2.3.1 Classification/sectorization systems used are broadly consistent with internationally accepted standards, guidelines, or good practices*

The classifications for subannual and annual fiscal statistics on the operations of budgetary central government, and annual statistics on the operations of local governments, follow national concepts and definitions. Revenue, expenditure, and financing transactions, as well as debt stocks, are not classified using the methodology of the *GFSM 1986*. The data can be reclassified to follow the guidelines of the *GFSM 1986*. However, as indicated in 2.1.1, such reclassification requires additional information not publicly available, especially for revenue and expenditure (financing and debt data can be easily reclassified).

GFS data are provided separately for budgetary central government and local governments. Fiscal statistics for the budgetary central government are compiled on both a subannual and annual basis, while statistics for the local governments are only compiled on an annual basis. As indicated in 2.2.1, no fiscal statistics are compiled for extrabudgetary units and social security funds, and, as a result, no statistics covering the consolidated central government and general government are available.

### **2.4 Basis for recording**

#### *2.4.1 Market prices are used to value flows and stocks*

Flows are valued on the basis of the amount of payments in cash or in cash equivalents. Gross debt is valued at face value, that is, the amount the government is obligated to pay when the debt matures. Transactions denominated in foreign currency are transformed to national currency using the mean of the buying and selling rate established by the CBK on the date of recording. Stocks are converted using the mean of the buying and selling rate for the end of the period.

#### *2.4.2 Recording is done on an accrual basis*

A mixture of cash and noncash bases of recording is used for central government operations. Revenue is recorded on a cash basis. Tax revenue is recorded when collections are made by the Kenya Revenue Authority (KRA), and non-tax revenue is recorded when cash or checks are deposited with the receiving government agency, KRA, or CBK. In the case of grants and loans in-kind to development projects, the grant and the associated expenditure are recorded when the goods and services are received. Expenditure is recorded mostly on a commitment basis. Financing and debt are recorded on a cash basis.

#### *2.4.3 Grossing/netting procedures are broadly consistent with internationally accepted standards, guidelines, or good practices*

All transactions are shown on a gross basis, except for financing transactions and corrective transactions, such as tax refunds, which are shown net.

### **3. Accuracy and reliability**

#### **3.1 Source data**

##### *3.1.1 Source data are obtained from comprehensive data collection programs that take into account country-specific conditions*

Data covering a broad range of economic flows and stocks are provided from administrative and accounting records. A major gap in source data concerns external financing and expenditure directly financed from abroad, for which limited information is available. The main sources of information for the compilation of subannual fiscal statistics on the budgetary central government are the following: (1) reports from the Accountant General Department (MOF), (2) reports from budget execution entities (votes), (3) information from the External Resources Department (MOF), (4) information from the Policy Analysis and Research Department of the CBK, and (5) information from the Debt Management Department (MOF).

The main sources of information for the compilation of annual fiscal statistics for the budgetary central government are (1) the unaudited appropriation accounts from the Accountant General Department (MOF), (2) the audited appropriation accounts from the Controller and Auditor General, (3) information from the External Resources Department (MOF), and (4) information from the Policy Analysis and Research Department of the CBK.

The main source of information for the compilation of annual fiscal statistics for local governments is data obtained from their budgets through the Ministry of Local Government. The information is partial and of mixed quality, and its coverage varies from one period to the next. It should be noted that the Local Authorities Transfer Fund (LATF), which provides grants to local governments, prepares an annual report with comprehensive institutional coverage of local governments. This report includes information on the revenue, expenditure,

financing, and debt of local governments in a uniform format. However, the quality of the information is suspect, given the accounting limitations of local governments. Efforts are being made to improve the quality of the information in the report, which could be used in the future as a source of information for compiling fiscal statistics for local governments.

The main sources of information for the compilation of domestic central government debt are (1) information from the National Debt Office of the CBK, that issues and redeems government securities; (2) information from the Banking Department of CBK, for overdraft and items in transit; and (3) reports from commercial banks, for advances. The main source of information for the compilation of external central government debt is the debt management database maintained by the Debt Management Department of the MOF. The sources for debt data are regularly reconciled.

No comprehensive register exists of individual public sector units. Source data coverage is limited to budgetary central government (subannual and annual) and local governments (annual). Qualitative information on the data sources is not collected. The data sources are kept under regular review to identify material gaps in coverage and thereby ensure the comprehensiveness of data collection. However, the various data sources for budgetary central government are not regularly reconciled.

*3.1.2 Source data reasonably approximate the definitions, scope, classifications, valuation, and time of recording required*

Oriented towards compiling budget execution data according to national concepts and definitions, the data sources reasonably approximate the requirements for compiling fiscal statistics. However, classification following GFS methodology would require significant changes to the existing chart of accounts. In this connection, the government of Kenya has prepared with assistance from East AFRITAC a new chart of accounts, consistent with the guidelines of the *GFSM 2001*, which it intends to introduce at the beginning of the next fiscal year, that is, in July 2005.

*3.1.3 Source data are timely*

The information needed for compiling the monthly budget outturn is usually available three weeks after the end of the month. Thus, source data for subannual fiscal statistics for budgetary central government are timely. The information needed to compile annual fiscal statistics for budgetary central government and local governments is available with a six-month lag, and therefore is also timely. However, source data to compile final (audited) annual fiscal statistics are only available with a long lag. The information needed to compile domestic debt is timely, while there are often long lags in receiving disbursement information on external loans. Reporting units are made aware of the deadlines for reporting, and their observance is monitored.

### **3.2 Assessment of source data**

*3.2.1 Source data—including censuses, sample surveys and administrative records—are routinely assessed, e.g., for coverage, sample error, response error, and nonsampling error; the results of the assessments are monitored and made available to guide statistical processes*

Data inconsistencies and out-of-trend values are investigated and confirmed with reporting units. Source data are not routinely analyzed for misreporting.

### **3.3 Statistical techniques**

*3.3.1 Data compilation employs sound statistical techniques to deal with data sources*

A budget program in each budget execution entity facilitates data entry and helps reduce processing errors, such as in coding and tabulation. The previous period's information or the budget estimate is used to fill the gap originated by missing data. Data are revised when more accurate data become available. Preliminary data for annual fiscal statistics for budgetary central government are subsequently replaced when audited data become available. This is not the case for subannual fiscal statistics. Compilation procedures are not documented. Discrepancies between subannual and annual data are not removed.

*3.3.2 Other statistical procedures (e.g., data adjustments and transformations, and statistical analysis) employ sound statistical techniques*

Compilation of fiscal statistics in accordance with GFS methodology for reporting to STA for publication in the *GFSY* relies on the use of bridge tables between national classifications and GFS classifications.

### **3.4 Assessment and validation of intermediate data and statistical outputs**

*3.4.1 Intermediate results are validated against other information where applicable*

Intermediate results are generally not available for fiscal statistics. The sum of components is verified against the total, for instance, expenditure for each vote and total expenditure.

*3.4.2 Statistical discrepancies in intermediate data are assessed and investigated*

Large fluctuations or discrepancies are investigated, including for classification errors.

*3.4.3 Statistical discrepancies and other potential indicators of problems in statistical outputs are investigated*

Statistical outputs are checked horizontally and vertically to reduce discrepancies, and values outside expected ranges are investigated. Data discrepancies among national compilers are

not regularly reconciled. External debt data are compared with creditor information nonroutinely.

### **3.5 Revision studies**

#### *3.5.1 Studies and analyses of revisions are carried out routinely and used internally to inform statistical processes (see also 4.3.3)*

Statistics are not regularly archived. No studies of revisions are conducted.

## **4. Serviceability**

### **4.1 Periodicity and timeliness**

#### *4.1.1 Periodicity follows dissemination standards*

Statistics for budgetary central government operations are disseminated monthly and quarterly, and statistics for central government debt are disseminated annually (as well as quarterly and monthly). Thus, the periodicity of fiscal statistics follows the GDDS standard. It should be noted that the statistics for budgetary central government operations are disseminated on a cumulative basis (data for individual quarters require subtracting data from consecutive quarters).

#### *4.1.2 Timeliness follows dissemination standards*

The MOF usually disseminates quarterly statistics for budgetary central government operations with a 2- to 3-month lag, thereby meeting the GDDS standard. However, owing to organizational changes within the MOF and the MPND, the latest available quarterly data are for March 2004 (data for June 2004 are soon to be published). Monthly statistics are disseminated by the CBK with a 6- to 9-week lag. The latest available monthly data are for October 2004, which became available in December 2004. Annual statistics are disseminated by CBS with an 11-month lag.

The CBK disseminates annual statistics for central government debt with a 6-9 week lag, thereby meeting the GDDS standard. It also disseminates quarterly and monthly statistics with the same lag. Quarterly statistics are disseminated by the MOF with a 2- to 3-month lag. Annual statistics are disseminated by the CBS with an 11-month lag.

### **4.2 Consistency**

#### *4.2.1 Statistics are consistent within the dataset*

The concepts, definitions, and classifications for producing subannual fiscal statistics by the MOF and annual statistics by the CBS are different. The sum of the quarterly statistics

compiled by the MOF differs from the annual statistics compiled by the CBS, and the differences are usually significant.

For subannual statistics, there is usually a significant difference between the deficit/surplus and financing; major aggregates equal the sum of components; functional and economic expenditure totals cannot be reconciled; domestic and foreign financing are consistent with changes in debt; transfers paid can not be compared with transfers received; and interest in the functional and economic expenditure cannot be compared.

For annual statistics, there is usually a significant difference between the deficit/surplus and financing; major aggregates equal the sum of components; functional and economic expenditure are equal; domestic and foreign financing are consistent with changes in debt; transfers paid differ significantly from transfers received; and interest in the functional and economic expenditure are equal.

#### *4.2.2 Statistics are consistent or reconcilable over a reasonable period of time*

The *Quarterly Budget Review* includes a summary table with data for the past seven years, while the *Economic Survey* includes a summary table with data for the past five years. Source data and methodology have not changed significantly in recent years. When the CBS changed the source of data for external debt, it reconstructed the historical series. Both publications include commentary on main developments.

#### *4.2.3 Statistics are consistent or reconcilable with those obtained through other data sources and/or statistical frameworks*

The compiling unit of CBS provides the government finance statistics to the National Accounts Section of the same institution. The data for government finance statistics come from the same sources as the relevant balance of payments data, monetary and financial statistics, and debt statistics. Thus, government finance statistics are, in principle, consistent with the data in other datasets.

### **4.3 Revision policy and practice**

#### *4.3.1 Revisions follow a regular and transparent schedule*

Subannual fiscal statistics are revised as source data become available over the next two quarters, except for the last quarter, which is not revised. Given the cumulative nature of the quarterly statistics, it is not possible to identify the quarter where revisions were made. Annual fiscal statistics are revised only when final (audited) source data become available. The data are identified as actual (preliminary) or final. Errors detected in the editing process for the *Economic Survey* are made known to the public through an insert in the publication.

#### *4.3.2 Preliminary and/or revised data are clearly identified*

All data for subannual fiscal statistics are preliminary, although the only distinction conveyed to the public is whether data are actual or estimates. Data for annual fiscal statistics are identified as preliminary or final in the tables. Users are not specifically informed whenever data are revised; a notation is just made in the corresponding tables.

#### *4.3.3 Studies and analyses of revisions are made public (see also 3.5.1)*

Not applicable, as no revision studies are conducted.

### **5. Accessibility**

#### **5.1 Data accessibility**

##### *5.1.1 Statistics are presented in a way that facilitates proper interpretation and meaningful comparisons (layout and clarity of text, tables, and charts)*

The layout and clarity of the MOF and CBS publications could be improved to facilitate understanding and usefulness. The fiscal statistics are not disseminated according to the standard components of the *GFSM 1986*. Although the national presentation generally resembles the standard GFS tables, there are major differences in the components. Different levels of detail are disseminated for the national presentation. Commentaries on current period developments are included.

##### *5.1.2 Dissemination media and format are adequate*

The MOF and CBS publications are only available in hardcopy format. The CBK publications are also available on the institution's website.

##### *5.1.3 Statistics are released on a preannounced schedule*

Fiscal statistics are not released according to a preannounced schedule, though they tend to follow a regular cycle. The public is only informed when annual statistics are released.

##### *5.1.4 Statistics are made available to all users at the same time*

Senior officials in the MOF and MPND have prior access to the statistics. The statistics are made available to all other users simultaneously.

##### *5.1.5 Statistics not routinely disseminated are made available upon request*

Statistics not routinely disseminated are made available on an ad hoc basis. Customized tabulations are not usually provided.

## **5.2 Metadata accessibility**

### *5.2.1 Documentation on concepts, scope, classifications, basis of recording, data sources, and statistical techniques is available, and differences from internationally accepted standards, guidelines, or good practices are annotated*

No sources and methods document is published by the MOF nor the CBS. The only available information appears in the GDDS metadata on the IMF's DSBB, to which the CBS has a link on its website. The GDDS metadata for the fiscal sector was last updated on February 2004 and remains essentially accurate. The CBK has posted on its website a draft document titled "Sources and Methods for Compilation of Monetary and Financial Statistics," which includes information for domestic financing and domestic debt.

### *5.2.2 Levels of detail are adapted to the needs of the intended audience*

No effort is made to adapt the metadata to the needs of users.

## **5.3 Assistance to users**

### *5.3.1 Contact points for each subject field are publicized*

A postal address is provided in the MOF publication for comments, suggestions, and requests for clarification. Usually, interested users go in person to the MOF. The CBS publications provide postal, telephone, fax, and e-mail information for interested users to contact the institution.

The GDDS metadata include information on a contact person, address, telephone, and for central government operations, a fax and an e-mail.

### *5.3.2 Catalogs of publications, documents, and other services, including information on any charges, are widely available*

The MOF has a single publication. The website of the CBS includes a list of publications available and how to obtain them, while the website of the CBK has its publications available in pdf format.

Table 2. Kenya: Data Quality Assessment Framework (July 2003): Summary of Results for Government Finance Statistics  
(*Compiling Agency: Ministry of Finance and Central Bureau of Statistics*)

Element	NA	Assessment				Comments on Assessment	Plans for Improvement and Target Dates
		O	LO	LNO	NO		
<b>0. Prerequisites of quality</b>							
0.1 Legal and institutional environment			X			The responsibility for compiling and disseminating fiscal statistics is not clearly assigned.	Work on the Integrated Financial Management System is underway.
0.2 Resources			X			There is some understaffing, and the staff are generally not trained in GFS methodology. No periodic reviews of work processes to enhance efficiency are conducted.	
0.3 Relevance			X			There is no structured and periodic process of consultation with data users.	
0.4 Other quality management			X			The activities or processes that focus on quality are limited. There are no formal measures in place to assess the quality of ongoing statistical products and activities, and the informal measures are limited. No processes are in place to address quality issues in planning the statistical program.	
<b>1. Assurances of integrity</b>							
1.1 Professionalism		X					
1.2 Transparency			X			Prior access by senior officials to statistics is not made public. No advance notice of major changes is given to the public.	
1.3 Ethical standards		X					

Key to symbols: NA = Not Applicable; O = Practice Observed; LO = Practice Largely Observed; LNO = Practice Largely Not Observed; NO = Practice Not Observed; SDDS = Complies with SDDS Criteria

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(*Compiling Agency: Ministry of Finance and Central Bureau of Statistics*)

Element	NA	Assessment				Comments on Assessment	Plans for Improvement and Target Dates
		O	LO	LNO	NO		
<b>2. Methodological soundness</b>							
2.1 Concepts and definitions				X		Fiscal statistics are not compiled according to GFS methodology. There is no migration path to the <i>GFSM 2001</i> framework.	
2.2 Scope				X		No subannual or annual fiscal statistics are compiled for extrabudgetary units and social security funds, and coverage of local governments is limited.	
2.3 Classification/sectorization				X		Revenue, expenditure, and financing transactions, as well as debt stocks, are not classified according to international guidelines.	
2.4 Basis for recording					X	Expenditure recorded on commitment basis.	
<b>3. Accuracy and reliability</b>							
3.1 Source data				X		There is a major gap in source data on external financing and expenditure directly financed from abroad. The various data sources for budgetary central government are not regularly reconciled.	
3.2 Assessment of source data					X	Source data are not routinely analyzed for misreporting.	
3.3 Statistical techniques					X	Preliminary subannual statistics are not revised when final data become available. Compilation procedures are not documented.	
3.4 Assessment and validation of intermediate data and statistical outputs					X	Data discrepancies among national compilers are not regularly reconciled.	
3.5 Revision studies						Statistics are not regularly archived. No studies of revisions are conducted.	X

Key to symbols: NA = Not Applicable; O = Practice Observed; LO = Practice Largely Observed; LNO = Practice Largely Not Observed; NO = Practice Not Observed; SDDS = Complies with SDDS Criteria

Table 2. Kenya: Data Quality Assessment Framework (July 2003): Summary of Results for Government Finance Statistics  
(*Compiling Agency: Ministry of Finance and Central Bureau of Statistics*)

Element	NA	Assessment				Comments on Assessment	Plans for Improvement and Target Dates
		O	LO	LNO	NO		
<b>4. Serviceability</b>							
4.1 Periodicity and timeliness		X		X		For subannual and annual statistics there is usually a significant difference between the deficit/surplus and financing. Quarterly statistics of the MOF are not consistent with the annual statistics of the CBS. Given the cumulative nature of subannual statistics, it is not possible to identify the quarter where revisions were made. Subannual statistics are not identified as preliminary.	
4.2 Consistency							
4.3 Revision policy and practice			X				
<b>5. Accessibility</b>							
5.1 Data accessibility			X			The fiscal statistics are not disseminated according to the standard components of the <i>GFSM 1986</i> . The MOF and CBS publications are only available in hardcopy. Fiscal statistics are not released according to a preannounced schedule, though they tend to follow a regular cycle. Statistics not routinely disseminated are made available on an ad hoc basis. The only documentation on sources and methods is through the link to the GDDS metadata. Metadata not presented in different ways to meet user needs. Only a postal address is provided in the MOF publication for comments, suggestions, and requests for clarification.	
5.2 Metadata accessibility				X			
5.3 Assistance to users				X			

Key to symbols: NA = Not Applicable; O = Practice Observed; LO = Practice Largely Observed; LNO = Practice Largely Not Observed; NO = Practice Not Observed; SDDS = Complies with SDDS Criteria

### III. MONETARY STATISTICS

#### 0. Prerequisites of quality

##### 0.1 *Legal and institutional environment*

###### 0.1.1 *The responsibility for collecting, processing, and disseminating the statistics is clearly specified*

The Central Bank of Kenya (CBK) is the sole official agency responsible for the compilation and dissemination of the monetary statistics in Kenya. The CBK statistical responsibilities are governed by the *Banking Act* and the Central Bank of Kenya Act (*CBK Act*). In accordance with Section 4 of the *CBK Act*, the primary function of the CBK is to formulate and implement monetary policy directed to achieving and maintaining stability in the general level of prices and foster the liquidity, solvency, and proper functioning of a stable market-based financial system. Other functions of the CBK include the formulation and implementation of foreign exchange policy, holding and management of foreign exchange reserves, regulation and supervision of a payment, clearing, and settlement system, acting as a banker and fiscal agent of government, and issuing of currency and coins. The CBK's responsibilities with regard to collecting, processing, and disseminating monetary statistics have been specifically addressed in Section 4(B)(3) of the *CBK Act*, which imposes on the CBK an obligation to disseminate key financial data and information on monetary policy to the public. In addition, the CBK is required to publish its monthly balance sheet and its monetary policy statements.

Within the CBK, the responsibility for compiling monetary statistics rests with the Policy Analysis and Research Department (PARAD). Specific responsibilities of this department with regard to collecting, processing, and disseminating the statistics are regulated by internal instructions of the CBK.

###### 0.1.2 *Data sharing and coordination among data-producing agencies are adequate*

The arrangements for data sharing and coordination with other data-producing agencies (CBS, Ministry of Finance) are adequate. While the process of monetary statistics compilation does not require inputs from other statistical agencies, monetary statistics are re-disseminated by the CBS in its monthly *Leading Indicators* and annual *Economic Survey*.

Within the CBK, adequate internal procedures are in place to ensure the smooth flow of information between the PARAD, the Finance Department, the Supervision Department, and the Information Technology Department for the purpose of compiling monetary statistics. The Finance Department provides the CBK monthly balance sheet to the PARAD within a week after the end of the reference month. Commercial banks' and nonbank financial institutions' monthly returns are reported to the PARAD within 15 days of the end of the reference month. The CBK compilers of monetary statistics interact directly with the reporting institutions.

*0.1.3 Individual reporters' data are to be kept confidential and used for statistical purposes only*

In accordance with Section 31 of the *Banking Act* and Section 43 of the *CBK Act*, the CBK has a right to publish any information or data received from reporting institutions, providing that the published information would not disclose the financial affairs of individual reporters. In implementing these legal provisions, the CBK considers individual reporters' data as confidential and disseminates only aggregated and consolidated data. In addition, consistent with Section 31(2) of the *Banking Act*, officials of the CBK are prohibited from disclosing any information acquired as a result of the performance of duties or responsibilities. Upon appointment, each official of the CBK is required to acknowledge in writing familiarity with the Act's provisions regarding secrecy and commitment to obey these provisions.

Monetary statistics are produced mainly from balance sheet data provided by the commercial banks and nonbank financial institutions in their monthly returns. Only staff of the PARD and Supervision Department have access to data of individual reporters before the data are aggregated and consolidated for publication. Individual reporters' data stored by the PARD are protected by passwords to prevent unauthorized access.

*0.1.4 Statistical reporting is ensured through legal mandate and/or measures to encourage response*

The CBK's legal mandate with regard to statistical reporting is restricted and does not cover all depository corporations operating in Kenya. While the *Banking Act* gives the CBK sufficiently broad mandate to collect information, some depository corporations are explicitly exempt from this mandate. In accordance with Section 28 of the *Banking Act*, the CBK may require any bank or financial institution to provide any information that the CBK may reasonably need for the proper discharge of its functions. However, Section 54 of the *Banking Act* states that this act does not apply to the Kenya Post Office Savings Bank, the Agricultural Finance Corporation, and cooperative societies registered under the Cooperative Societies Act. In addition, Section 43(1) of the *CBK Act* states that "every specified bank and every specified financial institution shall furnish to the Bank, at such time and in such manner as the Bank may prescribe, any information and data the Bank may reasonably require for the proper discharge of its functions under this Act." A list of specified banks and specified financial institutions is included in the *CBK Act*.

Although it may be argued in legal terms whether the wording of Section 43(1) of the *CBK Act* was intended as an effective restriction of the authority to collect information given to the CBK in Section 28 of the *Banking Act*, the PARD considers its legal mandate as restricted only to the specified banks and specified financial institutions, as implied by the *CBK Act*. This interpretation leaves important groups of depository corporations and emerging potential depository corporations outside the scope of reporting requirements for monetary statistics purposes.

## **0.2 Resources**

### *0.2.1 Staff, facilities, computing resources, and financing are commensurate with statistical programs*

Within the PARD, a total of nine staff are assigned to the collection, compilation, and dissemination of monetary statistics. Six staff have college education in statistics or economics, and the remaining three are clerical staff. At present, staff resources for compiling monetary statistics are considered adequate, although further training and on-the-job experience are needed. Monetary statistics compilers are given the opportunity to participate in the relevant courses offered by the IMF Institute. Salary levels and staff benefits are reasonably competitive, and staff turnover is manageable.

The computer resources utilized in the collection and compilation of monetary statistics are adequate. All staff members have personal computers that are connected to the CBK network. All staff members utilize a recent version of MS Office (including Excel and MS Word).

At present, source data used for compiling the monetary statistics are only partially provided electronically; plans are underway to have all reporting computerized.

### *0.2.2 Measures to ensure efficient use of resources are implemented*

In general, all programs in the CBK are subject to budget considerations and performance assessments. The PARD prepares annual objectives to be achieved, including tasks to be completed and their timeframe. The implementation of work programs is monitored through performance assessments. Staff members are subject to an annual performance assessment process.

## **0.3 Relevance**

### *0.3.1 The relevance and practical utility of existing statistics in meeting users' needs are monitored*

A cover note accompanying the CBK's statistical publications invites users' comments, and the name of a contact person for comments is provided, but no questionnaires or surveys are conducted to solicit users' feedback in a more structured and specific manner. There is no user advisory committee or other periodic consultation process to review existing data practices and emerging data needs.

## **0.4 Other quality management**

### *0.4.1 Processes are in place to focus on quality*

The CBK recognizes that official statistics must have the confidence of their users. The CBK management and senior staff concentrate on compliance with the key parameters of quality of statistical information such as integrity, methodological soundness, accuracy and reliability, serviceability, and accessibility as an integral part of compiling monetary statistics.

Procedures are in place that verify the quality of statistical information at each stage of the collection, processing, and dissemination of data.

### *0.4.2 Processes are in place to monitor the quality of the statistical program*

Quality control in the process of collecting, processing, and verifying data is performed through cross-checks and, in the event of discrepancies, through follow-ups by staff of the PARD with the Finance Department and the reporting institutions. Validation procedures for assessing the plausibility or reasonableness of reported data are undertaken visually on a bank-by-bank basis. Particular care is taken to ensure consistency of time series, and in the event of data revisions, data for the past periods are revised accordingly.

### *0.4.3 Processes are in place to deal with quality considerations in planning the statistical program*

Quality issues are taken into account in the work program-planning process. Improvements identified through ongoing monitoring, feedback from users, and recommendations from international organizations are incorporated in the work program for implementation whenever feasible. Because of the very high periodicity of monetary statistics, timeliness of data production is a matter of primary importance, with due regard, however, to accuracy/reliability and other dimensions of data quality. As a result, it has been possible to adhere to a strict publication schedule, without compromising the accuracy of the data.

## **1. Assurances of integrity**

### **1.1 Professionalism**

#### *1.1.1 Statistics are produced on an impartial basis*

The statutory provisions under which the CBK compiles monetary statistics are adequate to support its independence in conducting these functions. The Governor and the Deputy Governor of the CBK are appointed by the President in accordance with Section 11(2) of the *CBK Act* for the period of four years. In accordance with section 4(C)(2) of the *CBK Act*, the Minister of Finance is authorized in exceptional circumstances to issue directives in writing to the CBK regarding the monetary policy to be adopted by the CBK. However, such policy

directives are restricted to cases in which, in the opinion of the Minister of Finance and upon resolution by the Cabinet, the monetary policy adopted by the CBK is inconsistent with the principal objectives of the CBK. Accordingly, these statutory provisions facilitate the independent conduct of statistical functions by the CBK.

Professional competency plays a key role in recruitment and promotion policy in the PARD of the CBK. A set of clear rules and principles based on performance govern the promotion policy. Vacancies are advertised, and recruitment of staff and promotions are handled by the Appointment, Promotions, and Discipline Committee.

*1.1.2 Choices of sources and statistical techniques as well as decisions about dissemination are informed solely by statistical considerations*

The choice of sources and statistical methods is determined solely by statistical considerations. The CBK staff take steps to ensure that the data sources, instruments, and methodology used in the preparation of monetary statistics are consistent with those in other areas of macroeconomic statistics (national accounts, balance of payments, government finance statistics, and international investment position).

*1.1.3 The appropriate statistical entity is entitled to comment on erroneous interpretation and misuse of statistics*

The PARD actively monitors the use and interpretation of monetary statistics in the media and comments on misinterpretations of its statistics if deemed truly significant. The PARD seeks to prevent misinterpretation or misuse of monetary statistics by providing explanatory materials and notes.

**1.2 Transparency**

*1.2.1 The terms and conditions under which statistics are collected, processed, and disseminated are available to the public*

The *Banking Act* and the *CBK Act* are publicly available and are posted on the CBK's website. In addition, the CBK publicizes on its website two detailed documents on the terms and conditions under which statistics are collected, processed, and disseminated: *Statistics Sources and Methods* and *Guidelines for Compiling Banking Statistics Returns*.

*1.2.2 Internal governmental access to statistics prior to their release is publicly identified*

Monetary statistics are released simultaneously to all users, and there is no internal government access prior to their release. This policy is publicized on the CBK's website.

### *1.2.3 Products of statistical agencies/units are clearly identified as such*

The CBK's statistical publications are clearly identified as products of the PARD. In addition, the specific agency responsible for a given set of data is clearly identified in each table included in the *Statistical Bulletin* of the CBK. A note included in the *Statistical Bulletin* requires acknowledgement of the source when data from this publication are reproduced.

### *1.2.4 Advance notice is given of major changes in methodology, source data, and statistical techniques*

Notes on specific changes in methodology for compiling monetary statistics are publicized in the introductory section of the *Statistical Bulletin*. Major changes in data presentation frameworks, which will result from the introduction of the new Standardized Report Forms that have been recently distributed to member countries by the IMF, will be announced to the public in the *Statistical Bulletin* prior to their implementation. A full explanation will be publicized at the time of the implementation.

## **1.3 Ethical standards**

### *1.3.1 Guidelines for staff behavior are in place and are well known to the staff*

The CBK Act provides broad ethical guidelines, in particular regarding confidentiality, for employees of the CBK. In addition, staff members of the CBK are bound by the *Code of Conduct* and *Staff Rules and Regulations*, which are posted on the CBK website. These internal documents clearly address issues of transparency, accountability, and conflict of interest. In particular, staff members are instructed to observe secrecy regarding the information acquired in the course of duty and not to use such information for private advantage. Upon appointment, each official of the CBK is required to acknowledge in writing familiarity with these ethical standards and commitment to obey them.

## **2. Methodological soundness**

### **2.1 Concepts and definitions**

#### *2.1.1 The overall structure in terms of concepts and definitions follows internationally accepted standards, guidelines, or good practices*

The analytical framework used for compiling monetary statistics reflects concepts and definitions that are, in general, consistent with the *Monetary and Financial Statistics Manual (MFSM)*. However, the formats used for the presentation of monetary statistics are outdated. Following the recent distribution by the IMF of the new reporting framework, the CBK is in the process of implementing this framework. The balance sheets of the CBK and commercial banks, which underlie the monetary statistics, follow international accounting standards.

The accounts of the central bank are compiled and disseminated on the basis of the monetary authorities concept, in which central bank balance sheet data are augmented to include government positions with the IMF and government holdings of foreign reserves. This approach puts the CBK's data at par with those countries in which central banks' balance sheets include all positions with the IMF and all official reserves.

Major aggregates of the broad money survey compiled by the CBK are as follows:

- net foreign assets;
- domestic credit, disaggregated into net claims on central government, net claims on local governments, claims on other public sector, and claims on private sector;
- other items (net); and
- broad money supply (M3X), disaggregated into money supply M3 and foreign currency deposits of residents, while M3 is further disaggregated into money supply M2 and deposits at nonbank financial institutions.

Narrower money measures derived in monetary statistics include currency outside banks (M0); narrow money (M1), comprising M0 plus private sector demand deposits with banks; and M2, comprising M1 plus time deposits with banks. In addition, a broad liquidity measure M3XT, which comprises M3X plus nonbank holdings of treasury bills, is disseminated in the CBK's *Statistical Bulletin*. Broad money supply M3X is the primary focus of monetary policy and analysis.

Separate data on CBK accounts, monetary authorities' accounts, and those of other depository corporations (ODCs) are also disseminated, as well as a number of more detailed breakdowns, including sectoral distribution of credit.

## **2.2 Scope**

### *2.2.1 The scope is broadly consistent with internationally accepted standards, guidelines, or good practices*

The institutional coverage of monetary statistics is incomplete as it does not include several groups of depository corporations. Statistics consolidate the accounts of the monetary authorities, 44 commercial banks, one mortgage company, and two finance companies. Outside the scope of monetary statistics are the remaining depository corporations: building societies, savings and credit cooperatives, and the Post Office Savings Bank. In addition, some of the mutual funds and investment banks operating in Kenya may qualify for inclusion as depository corporations, but no data are available to the CBK to permit such inclusion. Contrary to the recommendations of the *MFSM*, accounts of banks in liquidation are not included in the consolidated monetary statistics, although separate data on these accounts are published in the *Statistical Bulletin*.

No data are collected on the operations of other nondepository financial corporations, including insurance companies, pension funds, other financial intermediaries, and financial auxiliaries. A financial corporations' survey, consolidating the accounts of the entire financial corporations sector, is not compiled.

## **2.3 Classification/sectorization**

### *2.3.1 Classification/sectorization systems used are broadly consistent with internationally accepted standards, guidelines, or good practices*

The principles of sectorization applied in the monetary statistics compiled by the CBK are broadly consistent with the *MFSM*, although the level of detail of classification both by economic sector and by type of instrument is insufficient. In the monetary statistics compiled by the CBK, the following sectoral groupings of resident institutional units are distinguished: (1) central bank (monetary authorities); (2) commercial banks; (3) nonbank financial institutions; (4) central government; (5) local governments; (6) public commercial enterprises; and (7) private sector. Classification by type of instrument is very limited. The accounting records supporting the production of the monetary statistics contain sufficient detail to cover the complete classification by economic sectors and by type of financial instrument as categorized in the *MFSM*.

Consistent with the *MFSM*, the distinction of nonresident units is based on the concept of the center of economic interest. Branches of foreign banks operating in Kenya are considered resident, and a branch of one Kenyan bank operating abroad is considered nonresident.

In line with the *MFSM* guidelines, securities repurchase agreements (repos) are classified as collateralized loans, rather than as outright sales of securities. Financial derivatives are very rare, but a recent currency forward contract with a foreign bank was recorded as a balance sheet item. This conforms to the *MFSM* recommendations regarding the treatment of financial derivatives, although the recording of this contract was done on a gross rather than on a net basis as recommended by the *MFSM* (see also a comment on the valuation of this contract in section 2.4.1).

## **2.4 Basis for recording**

### *2.4.1 Market prices are used to value flows and stocks*

The general recommendation of the *MFSM* is that the valuation of financial assets and liabilities should be based on market prices or, for financial assets and liabilities that are not traded or traded infrequently, on market-price equivalents (fair values). The valuation of loans is an exception to this principle, and loan values should be based on creditors' outstanding claims without adjustment for expected loan losses. This amount comprises the outstanding principal plus any accrued interest and is referred to as the book value of a loan.

Valuation principles applied by the CBK in compiling monetary statistics are generally consistent with these recommendations. Loans are valued at book value and include the outstanding principal and interest accruals. Provisions for loan losses are not netted out from the gross value of loans but are recorded as other liabilities, which is also consistent with the treatment recommended in the *MFSM*. Foreign securities are valued at the market value. However, contrary to *MFSM* guidelines, holdings of domestic securities are valued at face value (with a contra-entry in unearned income).

According to the *MFSM*, positions denominated in foreign currencies should be converted into national currency equivalents on the basis of end-of period midpoint market exchange rates. The accounting procedures applied in the Kenya's monetary statistics depart somewhat from these recommendations. While both the CBK and ODCs apply end-of-period market exchange rates, the exchange rates used for conversion are bid rates rather than midpoint rates.

In addition, in valuing its asset/liability position on the forward currency contract mentioned in section 2.3.1, the CBK used a fixed underlying exchange rate—rather than the end-of-period market exchange rate—to value the position denominated in U.S. dollars. This produced identical asset/liability values throughout the period of the contract and a zero net value of this financial derivative.

#### *2.4.2 Recording is done on an accrual basis*

According to the accrual accounting principles recommended by the *MFSM*, interest accruing on deposits, loans, and securities other than shares should be incorporated into the outstanding amount of the financial asset or liability, rather than be treated as part of other accounts receivable/payable. With regard to the CBK accounts, this principle is fully observed in Kenyan monetary statistics. In the monthly balance sheet of the CBK, interest accrued on foreign securities and deposits abroad is included in foreign assets, along with the underlying instruments. Deposit liabilities of the CBK do not accrue interest. In the ODC accounts, however, interest on holdings of domestic securities is recorded only at the time of payment. In addition, in their reports to the CBK, ODCs provide separate data on interest accrued on deposits. However, in consolidation of these data for monetary statistics, interest accruals are included in other items (net), rather than incorporated in the underlying instrument.

Fixed assets are recorded at historic cost (book) value and presented in the balance sheet net of accumulated depreciation.

The *MFSM* recommends recording transactions at the time of the change in ownership of the financial asset. This principle requires simultaneous recording of transactions by the transactors. At present, the settlement system in Kenya is manual and paper-based, which results in a certain float. The CBK is in the process of implementing a national payments system project that is expected to become operational by the end of 2005. This project is a

real time gross settlement system and will permit almost instantaneous exchange of payments.

The analytical framework for monetary statistics recommended in the *MFSM* comprises a complete set of accounts, in which opening and closing stocks of assets and liabilities are linked to each other through recording of economic flows (transactions, revaluations, and other changes in the volume of assets). As is the case in most other countries, however, the CBK does not yet compile data on economic flows.

#### *2.4.3 Grossing/netting procedures are broadly consistent with internationally accepted standards, guidelines, or good practices*

The general guideline of the *MFSM* is that data should be collected and compiled on a gross basis, without netting claims on particular transactors against liabilities to those transactors. Netting is to be applied only to some data categories in analytical surveys, whereby the underlying data on a gross basis should also be shown. The monetary statistics compiled by the CBK conform to these guidelines.

### **3. Accuracy and reliability**

#### **3.1 Source data**

##### *3.1.1 Source data are obtained from comprehensive data collection programs that take into account country-specific conditions*

The source data for compiling the central bank accounts are the accounting records of the CBK maintained by the Finance Department of the CBK. A detailed trial balance sheet, called Consolidation of Account Balances, is derived each month from an electronic general ledger system based on complete recording. In addition, an aggregated monthly balance sheet of the CBK, called CBK88, is produced. This aggregated monthly balance sheet, along with some supporting records, is used by the PARD as a source for compiling monetary statistics.

Given the high level of aggregation of the CBK88, this form does not provide an adequate basis for the compilation of monetary statistics. The level of detail is insufficient to enable the classification of financial instruments and economic sectors as defined in the *MFSM*. The trial balance sheet of the CBK, which provides much more detailed data on the CBK accounts, is not at present used as a primary source for compiling monetary statistics.

The basic data sources for ODCs are the individual monthly returns (form CBK BS(M)). These returns comprise six following tables: (1) balance sheet; (2) analysis of deposits; (3) analysis of loans and advances to the private sector; (4) analysis of mortgage loans and advances; (5) analysis of agricultural credit; and (6) deposits and lending rates. Monthly returns of ODCs provide sufficiently detailed data for the compilation of monetary statistics.

*3.1.2 Source data reasonably approximate the definitions, scope, classifications, valuation, and time of recording required*

The CBK balance sheet used for compiling monetary statistics, and the trial balance sheet from which it is derived, reasonably approximate definitions, scope, and classification requirements of the *MFSM*. Given that in Kenya the Treasury is the fiscal agent for transactions with the IMF, the CBK balance sheet does not cover all positions of Kenya with the IMF. Included in the CBK's balance sheet are IMF accounts #1 and #2 and the liability on the PRGF loan, whereas the IMF quota subscription and the IMF securities account are not included. This treatment of the IMF accounts is consistent with the institutional unit approach adopted in the *MFSM*. Also in the reports provided by the ODCs, the underlying definitions, scope, classifications, valuation, and time of recording are reasonably consistent with the methodological requirements of the *MFSM*.

*3.1.3 Source data are timely*

The data collection system allows sufficient time to meet the required timeliness for the dissemination of monetary statistics. The accounting records of the CBK are provided to the PARD within two weeks after the end of the month for purposes of monetary data compilation. The returns of the ODCs are submitted by the 15th calendar day after the end of the month.

**3.2 Assessment of source data**

*3.2.1 Source data—including censuses, sample surveys and administrative records—are routinely assessed, e.g., for coverage, sample error, response error, and nonsampling error; the results of the assessments are monitored and made available to guide statistical processes*

All source data used for compiling monetary statistics are derived from accounting records, and censuses or surveys are not used. The source data are checked for intertemporal consistency and, when needed, out-of-trend values are verified in direct contacts with reporting units. Internal consistency of source data is tested through a system of formal consistency checks; however, the consistency of corresponding interbank positions in data from different respondents is not routinely verified.

**3.3 Statistical techniques**

*3.3.1 Data compilation employs sound statistical techniques to deal with data sources*

The statistical techniques used to compile monetary statistics are to a great extent automated and minimize processing time and errors (e.g., coding, editing, and tabulating errors). The adjustments for nonresponse are not an issue, because all reporting banks routinely comply with the reporting requirement.

*3.3.2 Other statistical procedures (e.g., data adjustments and transformations, and statistical analysis) employ sound statistical techniques*

The compilation of monetary statistics is fully based on accounting sources and statistical adjustments are not carried out. The PARD does not calculate seasonally adjusted monetary aggregates and does not make any other statistical adjustments to monetary statistics.

**3.4 Assessment and validation of intermediate data and statistical outputs**

*3.4.1 Intermediate results are validated against other information where applicable*

Supplementary data collected from ODC are used to validate the accuracy of ODC balance sheets.

*3.4.2 Statistical discrepancies in intermediate data are assessed and investigated*

Consolidated ODC data are analyzed, and out-of-trend data are investigated.

*3.4.3 Statistical discrepancies and other potential indicators of problems in statistical outputs are investigated*

In the event of large and unexplained fluctuations in monetary aggregates, possible sources of these fluctuations are investigated in direct contacts with the reporting banks.

**3.5 Revision studies**

*3.5.1 Studies and analyses of revisions are carried out routinely and used internally to inform statistical processes (see also 4.3.3)*

Although data revisions are carried out on a routine basis (see 4.3.1), no revision studies are carried out.

**4. Serviceability**

**4.1 Periodicity and timeliness**

*4.1.1 Periodicity follows dissemination standards*

Monetary statistics compiled by the CBK comply fully with the periodicity guidelines of the GDDS, which prescribes dissemination of monthly data on the analytical accounts of the central bank and the analytical accounts of the banking sector.

#### *4.1.2 Timeliness follows dissemination standards*

Kenyan monetary statistics comply with the GDDS timeliness guidelines, which recommend dissemination of data on the analytical accounts of the central bank within one–two months of the end of the reference month, and data on the analytical accounts of the banking sector within one–three months of the end of the reference month. Major monetary aggregates are released simultaneously on the Internet and in the *Monthly Economic Review* within about one month of the end of the reference period. A full set of monetary statistics data is disseminated on the CBK’s website and in the CBK’s *Statistical Bulletin* on a semiannual basis and, therefore, the lag in the dissemination of the full set of monthly data varies from about one–six months, depending on the month.

### **4.2 Consistency**

#### *4.2.1 Statistics are consistent within the dataset*

Monetary statistics are reasonably consistent within the datasets. The discrepancies between net reciprocal claims and liabilities of the CBK and ODCs are negligible, and the discrepancies in interbank positions of ODCs did not exceed during the last 12 months 1.4 percent of their total assets, which is an acceptable degree of inconsistency in view of the usual timing differences in settling accounts.

#### *4.2.2 Statistics are consistent or reconcilable over a reasonable period of time*

Consistent time series are provided in the CBK publications and on its website for the most recent 42 months; longer time series are available from the CBK on request. The CBK compilers take due care to ensure intertemporal data consistency. In the case of classification changes, data for the past periods are revised accordingly as far back as possible.

#### *4.2.3 Statistics are consistent or reconcilable with those obtained through other data sources and/or statistical frameworks*

Monetary data are consistent with the BOP data, in particular because the same source data on the banking sector foreign assets and liabilities are used in both data sets. Similarly, data on domestic bank financing of government operations are compiled by the CBK and provided to the Treasury. This is done on the basis of reports received from ODCs and records of the Central Depository System account maintained by the CBK for settlements of government securities.

### **4.3 Revision policy and practice**

#### *4.3.1 Revisions follow a regular and transparent schedule*

Monthly data are considered final when published except for data for June, which is the last month of the CBK financial year. These data are routinely revised on the basis of the audited

CBK balance sheet. Revised end-of-June data are published in the August issue of the *Monthly Economic Review* and in the December issue of the *Statistical Bulletin*. This data revision policy and schedule are not publicized.

#### *4.3.2 Preliminary and/or revised data are clearly identified*

The end-of-June data that are subject to revision following the audit of the CBK's annual balance sheet are not clearly marked as provisional in CBK's publications. Analogically, the revised data are not marked as such.

#### *4.3.3 Studies and analyses of revisions are made public (see also 3.5.1)*

As indicated under 3.5.1, no revision studies are carried out.

## **5. Accessibility**

### **5.1 Data accessibility**

#### *5.1.1 Statistics are presented in a way that facilitates proper interpretation and meaningful comparisons (layout and clarity of text, tables, and charts)*

The presentation of monetary statistics by the CBK facilitates the interpretation of the data by the users. The central bank and the ODC accounts are presented in a balance sheet format. Data published in the *Monthly Economic Review* are accompanied by charts and commentaries on current period developments. To facilitate time series analysis, the website and the *Statistical Bulletin* feature monthly data for the most recent three-and-a-half years.

#### *5.1.2 Dissemination media and format are adequate*

Major monetary aggregates are disseminated in hard copy in the *Monthly Economic Review*, while a detailed and complete set of monetary data is published in the semiannual *Statistical Bulletin*. A PDF copy of each of these publications is posted on the CBK website. However, no downloadable monetary data are available on the CBK's website.

#### *5.1.3 Statistics are released on a preannounced schedule*

Although the release of monetary statistics follows a stable schedule that is known to users, no advance release calendars are publicized.

#### *5.1.4 Statistics are made available to all users at the same time*

Monetary statistics are made available to all users at the same time. As indicated under 1.2.2, this policy is publicized on the CBK's website. The dissemination of data in paper publications and on the website is simultaneous which, however, results in unnecessary delays in disseminating a full set of monetary data to the public.

#### *5.1.5 Statistics not routinely disseminated are made available upon request*

Unpublished nonconfidential data are made available by the CBK free of charge upon request. This policy, however, is not publicized.

### **5.2 Metadata accessibility**

#### *5.2.1 Documentation on concepts, scope, classifications, basis of recording, data sources, and statistical techniques is available, and differences from internationally accepted standards, guidelines, or good practices are annotated*

Two major CBK methodological documents, *Statistics Sources and Methods* and *Guidelines for Compiling Banking Statistics Returns*, are posted on the CBK's website. In addition, each issue of the *Statistical Bulletin* contains introductory notes that provide certain explanations of methodology. GDDS metadata that are available on the IMF website are not redisseminated by the CBK, but a hyperlink is provided on the CBK website to the GDDS metadata.

#### *5.2.2 Levels of detail are adapted to the needs of the intended audience*

The methodological commentary provided in the *Statistics Sources and Methods* is aimed at a general audience, whereas the *Guidelines for Compiling Banking Statistics Returns* are intended for users in reporting ODCs.

### **5.3 Assistance to users**

#### *5.3.1 Contact points for each subject field are publicized*

CBK publications include a note on the contact person (the director of the PARD) and provide an email address for users' inquiries and comments. In addition, a link is provided on the CBK's website to the GDDS metadata that include all necessary details of contact persons.

#### *5.3.2 Catalogs of publications, documents, and other services, including information on any charges, are widely available*

A list of CBK publications is available on its website, but no catalog or publications list is included in the paper publications.

Table 3. Kenya: Data Quality Assessment Framework (July 2003): Summary of Results for Monetary Statistics  
(*Compiling Agency: Central Bank of Kenya*)

Element	NA	Assessment				Comments on Assessment	Plans for Improvement and Target Dates
		O	LO	LNO	NO		
<b>0. Prerequisites of quality</b>							
0.1 Legal and institutional environment			X			Legal mandate to require reporting does not cover all depository corporations.	
0.2 Resources		X				No questionnaires, user advisory group, or other forms of periodic consultation to seek users' feedback.	
0.3 Relevance				X			
0.4 Other quality management		X					
<b>1. Assurances of integrity</b>							
1.1 Professionalism		X					
1.2 Transparency		X					
1.3 Ethical standards		X					
<b>2. Methodological soundness</b>							
2.1 Concepts and definitions			X			Data presentation framework is outdated.	
2.2 Scope			X			Not all depository corporations included in statistics. Banks in liquidation excluded.	
2.3 Classification/sectorization			X			Classification by sector and instrument insufficiently detailed.	
2.4 Basis for recording			X			Domestic securities valued at face value; interest on deposits not sectorized; bid rate used for currency conversion.	
<b>3. Accuracy and reliability</b>							
3.1 Source data			X			Source data for the CBK too aggregated.	
3.2 Assessment of source data			X			No routine assessment of consistency of interbank positions.	
3.3 Statistical techniques		X					
3.4 Assessment and validation of intermediate data and statistical outputs		X					
3.5 Revision studies					X	Revision studies not carried out.	

Key to symbols: NA = Not Applicable; O = Practice Observed; LO = Practice Largely Observed; LNO = Practice Largely Not Observed; NO = Practice Not Observed; SDDS = Complies with SDDS Criteria

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Element	NA	Assessment				Comments on Assessment	Plans for Improvement and Target Dates
		O	LO	LNO	NO		
<b>4. Serviceability</b>							
4.1 Periodicity and timeliness		X					
4.2 Consistency		X					
4.3 Revision policy and practice				X		Preliminary and revised data not clearly marked; revision policy not publicized.	
<b>5. Accessibility</b>							
5.1 Data accessibility			X			No advance release calendars.	
5.2 Metadata accessibility		X				No publication catalogs; list of publications available only on the website.	
5.3 Assistance to users			X				

#### IV. BALANCE OF PAYMENTS STATISTICS

##### 0. Prerequisites of quality

##### 0.1 *Legal and institutional environment*

##### 0.1.1 *The responsibility for collecting, processing, and disseminating the statistics is clearly specified*

Under the Statistics Act, Chapter 112 of the Laws of Kenya (Revised 1982), the Director of the Central Bureau of Statistics (CBS—Director) is given authority to “collect, compile, analyze and abstract, and, subject to the general or special direction of the Minister of Planning and National Development (Minister), publish statistical information relating to the matters specified in the First Schedule.” The First Schedule includes external finance and balance of payments statistics, finance statistics, and external trade statistics. The Act indicates the Minister may issue regulations from time to time to prescribe the particulars to be furnished, set the manner and form in which they should be furnished, and make additions to or deletions from the First Schedule. To date, no regulations have been issued for the external sector statistics listed above.

In practice, the Central Bank of Kenya (CBK) has assumed a major role in the compilation and dissemination of quarterly balance of payments statistics. There have been no actual or potential conflicts between the authority of the CBS to collect and produce statistics and other laws or provisions affecting the CBS or the key producing government agencies.

The authority of the CBK to collect data from commercial banks on their foreign currency transactions—a major data source for balance of payments compilation—as well as any other data needed for balance of payments compilation is governed by the provisions of the Banking Act, Chapter 488 of the Laws of Kenya (Revised 2004). Under these provisions, the CBK may “require any institution to furnish to it, at such time and in such manner as it may direct, such information as the Central Bank may reasonably require for the proper discharge of its functions under this Act.” For the purposes of the Act, institution means a bank or financial institution or a mortgage finance company, and a financial institution means a company other than a bank that carries on, or proposes to carry on, financial business and includes any other company which the Minister may, by notice in the *Gazette*, declare to be a financial institution for the purposes of this Act.

An institutional restructuring is foreseen through the adoption of a new Statistics Act (the Statistics Bill, 2004) that has been drafted and will be sent to the Parliament for enactment. The new Act provides for the institutional autonomy of the CBS. The new CBS will be answerable to its principal stakeholders (not just the government) and will be the principal agency responsible for the design, coordination, and implementation of the national statistical system, and for collecting, disseminating, and analyzing statistics on Kenya.

### *0.1.2 Data sharing and coordination among data-producing agencies are adequate*

While the Statistics Act clearly specifies the authority of the CBS to collect individual data, such as census or survey data, it does not assign clear responsibilities for the compilation of datasets by agency. Therefore, overlapping responsibilities exist in the compilation of balance of payments statistics (BOP), where responsibilities are shared between the CBS and the CBK.

In general, the working arrangements with data-producing government agencies and public corporations have facilitated the adequate flow of source data for the compilation of the provisional annual balance of payments statement (and its revision) published by the CBS. These arrangements have also served to avoid duplication of effort and take into account reporting burden.

The CBS has established working arrangements with key data-producing government agencies for the provision of data needed for balance of payments compilation. Such arrangements have been established with the CBK, CBS, and Ministry of Finance (MOF). A Quarterly Sub-Committee on International Trade, Transport, and Computer Statistics (Quarterly Sub-Committee) has been established by the CBS to discuss external trade statistics in which other government agencies that are also users of external trade statistics are represented (as well as other stakeholders). Following recommendations made in the report of the 1998 IMF multisector statistics mission, a high-level Statistical Policy Committee (SPC) was established, chaired by the Director and comprising the CBS, MOF, and CBK, to strengthen working arrangements between those agencies in support of balance of payments compilation. The SPC is supported by a technical subcommittee with participation by the same organizations. The SPC and technical subcommittee have met on an as-needed basis (for example on issues raised on external trade statistics by the Quarterly Subcommittee—on which subject the SPC met in 2003). Staff of the CBS, MOF, and CBK meet more informally once or twice a year, such as to meet the needs of IMF missions and to coordinate their efforts in support of the compilation of the balance of payments statement included in the *Economic Survey*. Informal working arrangements are in place to support the provision of data by other government agencies and public corporations.

As a result of the working arrangements with the Kenya Revenue Authority (KRA), the timeliness of the monthly trade statistics has been reduced to two to three months.

As a result of the working arrangements with the MOF, most public sector external debt statistics needed for balance of payments compilation (disbursements and repayments on loans, arrears, and interest) are compiled by the CBS and the CBK from data compiled by the MOF. It uses the United Kingdom Commonwealth Secretariat—Debt Recording and Management System (CS-DRMS). Similar arrangements are not in place for government debt securities.

The Kenya Tourism Board (KTB) conducts a tourism survey in conjunction with its plans to develop a Tourism Satellite Account. The design of this survey was not reviewed by CBS,

and the data are not used for balance of payments compilation, even though a tourism survey would be a preferred data source to the Monthly Foreign Exchange Statistics that are currently used. This outcome indicates that the CBS needs to strengthen its working arrangements with the KTB, because there should have been scope to design this survey so that it could be used for balance of payments purposes.

The CBS experiences difficulties persuading NGOs to complete the NGO balance of payments survey, even though this survey was conducted under the authority of the Statistics Act. This difficulty suggests that steps are needed to develop a stronger working relationship with NGOs with the help of the relevant government ministry (the Ministry of Home Affairs).

*0.1.3 Individual reporters' data are to be kept confidential and used for statistical purposes only*

The Statistics Act states that individual data are to be treated as confidential and shall not be disclosed or used for other than statistical purposes unless disclosure is agreed in writing. At present, the only enterprise surveys undertaken in support of balance of payments compilation are those for airlines and shipping companies. Confidential data currently reported are those from these surveys and data on the external funding of, or foreign grants channeled through, NGOs, and reporting by government entities and public corporations.

Aggregation rules are in place to ensure that individual enterprise data are not disclosed in the publications of the CBS. Guidelines are also in place to ensure that tables and outputs prepared by the Balance of Payments Section prevent direct and indirect disclosure of individual data and to restrict access of individual data to staff who require the information to perform their duties. Passwords are used for accessing computers available in the Balance of Payments Section. The CBS is establishing a central server that will serve as the main database in support of its operations and that will also be password protected. Penalties for disclosure of confidential data by staff of the CBS may include liability to imprisonment for a term not exceeding one year or to a fine not exceeding 10,000 KS.

*0.1.4 Statistical reporting is ensured through legal mandate and/or measures to encourage response*

The Statistics Act gives the CBS legal authority to mandate the reporting of data. Penalties for nonresponse to surveys may include liability to imprisonment for a term not exceeding three months or to a fine not exceeding 2,000 KS. In practice, there have been no occasions for implementing these penalties. Serious nonresponse to the Foreign Investment Survey (now no longer conducted for this reason) is thought to have been due to shortcomings in the business register and lack of follow-up and not to willful nonresponse. Nonresponse to the NGO survey is considered to have a similar explanation.

The penalties for noncompliance have been adjusted in the proposed Statistics Bill, including a fine of not exceeding 100,000 KS or imprisonment for a term not exceeding 12 months or both.

Response burden is not seen as an issue with CBS's data collections. However, the CBK has been hesitant to conduct a survey of bank custodians on behalf of the CBS for data on inward portfolio investment. The reason is concerns about response burden, given the already high reporting burden on banks from reporting of Monthly Foreign Exchange Statistics and other statistical reporting by banks on foreign exchange statistics. (An example is the reporting to the CBK on a daily basis by customer and purpose of high-value foreign exchange transactions.)

## **0.2 Resources**

### *0.2.1 Staff, facilities, computing resources, and financing are commensurate with statistical programs*

Substantial budget cuts over the past ten years have had an appreciable effect on the capacity of the CBS to produce balance of payments statistics. For the most part, these cuts have taken the form of reductions in clerical and other staff resources needed to undertake data collection, as well as in physical facilities, office equipment, and transportation facilities. Computer equipment is currently being upgraded with donor support. Staff in the Balance of Payments Division do have their own desktop computers and use of EXCEL and WORD software. However, they have limited access to the Internet and are thus handicapped by not having access to email for professional purposes.

Although budget cuts have not affected numbers of professional staff, staff attrition (partly a result of low salaries) and periodic professional staff freezes on new hirings have resulted in a loss of professional staff. As a result, only one professional staff member was available to compile the 2003 balance of payments (and revisions to 2002) included in the 2004 *Economic Survey*. Also, one is available to compile the 2004 balance of payments (and revisions for 2003) that will be included in the 2005 *Economic Survey*, now in the early stages of preparation.

Budget cuts have also affected the funding of external training in the form of short-term courses and workshops. Against this, there is funding for post-graduate training of professional staff (who are required to have a university degree on entry) to complete master's degrees in statistics at the University of Nairobi. Full opportunity has been taken to send staff to the IMF Institute to participate in training courses in balance of payments statistics, and a core of staff has this background.

Lack of resources have resulted in incomplete efforts to complete the Foreign Investment Survey and an inability to address nonresponse to the NGO survey. Lack of resources have also impeded efforts to introduce quarterly reporting for ongoing annual surveys and

administrative data sources. Currently, the Balance of Payments Division is benefiting from new computer equipment linked to a central server provided under donor funding.

Given the rigid career stream that restricts promotion and salary levels for civil servants, the CBS has not been successful in retaining staff. Staff turnover is high, particularly among the younger well qualified and trained staff. With the elevation of its status proposed in the Statistics Bill, the CBS expects an upgrading in the salary structure that would compare the institution favorably with other government agencies and would offer more incentives to staff.

Resources allocated by the CBK to its Monthly Foreign Exchange Statistics database are sufficient, as are resources allocated by the CBK and MOF to the compilation of public sector foreign debt. The CBK allocates two person-years of resources to balance of payments compilation and three person-years for balance of payments analysis.

Following the 1998 IMF multisector statistics mission, the CBS and CBK requested technical assistance in balance of payments statistics to evaluate the methodology and compilation system. Subsequently, a peripatetic expert was assigned from 1999–2001. Some improvements resulted (such as work in developing a business register and the redesign of the Monthly Foreign Exchange Statistics report form), but generally the capacity to benefit from technical assistance or undertake developmental work is limited by the resource constraints (which have tightened significantly since 2001). The Strategic Plan for the National Statistical System for 2003/4–2007/8 (Strategic Implementation Master Plan, 2004) includes a benchmark investment survey, which if undertaken with donor support, could not be updated on an annual or quarterly basis with existing staff resources in support of balance of payments compilation.

### *0.2.2 Measures to ensure efficient use of resources are implemented*

Annual reviews of staff performance are conducted. The individual performance attained counts towards promotions or redundancies, whichever case arises.

Efforts are made to ensure an efficient use of limited staff and operational resources. An annual statistical program is submitted to the Minister as part of the annual budget process. However, budgetary allocations are negotiated and subject to across-the-board cuts, and the annual work program agreed with the Minister is not revised in consequence. In light of diminishing resources allocated to balance of payments statistics, limited attention has been given to the optimal allocation of staff resources (for example, in sharing work with the CBK).

### **0.3    *Relevance***

#### *0.3.1    The relevance and practical utility of existing statistics in meeting users' needs are monitored*

Until recently, there has been little dialogue with data users, although feedback from users is encouraged at the time of release of the main annual publication—the *Economic Survey*. Over the past year or so, CBS has consulted extensively with stakeholders in preparation for the CBS's Strategic Implementation Master Plan, 2004. The consultations which took place with government agencies and public corporations, NGOs, research institutions, development partners, and the private sector, have served to identify the user requirements that the National Statistical System for Kenya, now under development, is intended to address. These stakeholders are expected to play a major role in both developing and monitoring the new Statistical System.

### **0.4    *Other quality management.***

#### *0.4.1    Processes are in place to focus on quality*

Management of the CBS is sensitive to all dimensions of data quality and promotes a shared concern for quality throughout the organization. A mission statement for the CBS is included prominently in all CBS publications.

#### *0.4.2    Processes are in place to monitor the quality of the statistical program*

In the CBS, monitoring devices are in place to inform managers on the quality achieved in producing balance of payments statistics. These include response rates, revision history, timeliness evaluations, and the use of statistical techniques in the absence or weakening of basic data sources. However, senior management may not be fully aware of how the quality of balance of payments statistics has suffered.

#### *0.4.3    Processes are in place to deal with quality considerations in planning the statistical program*

As a result of the deterioration of basic data sources, the statistical program for balance of payments statistics has involved an increased reliance on the CBK's Monthly Foreign Exchange Statistics. The Balance of Payments Section of the Macroeconomic Division is aware of the implications of this for the reduced scope of balance of payments statistics (being limited to cash transactions in foreign exchange by banks) and the limited opportunities that the Monthly Foreign Exchange Statistics affords for quality control. Even so, there are opportunities for addressing quality considerations (such as working with the KTB to develop improved estimates for tourism expenditure, or working with the CBK to agree on a methodology by which the CBK could compile official quarterly balance of payments statistics).

## **1. Assurances of integrity**

### **1.1 Professionalism**

#### *1.1.1 Statistics are produced on an impartial basis*

The CBS is currently a department in the MPND headed by a director, who is selected by the PSC on professional and managerial merits. By law, the director has the mandate to propose and execute the work program of the CBS, with no external interference in the performance of the statistics function. The Minister of Planning, to whom he reports, oversees the activity of the CBS at the general level, and represents the institution to the government.

The terms and conditions under which the statistics are produced are in accordance with professional independence. This is underscored in the mission statement of the CBS: “to coordinate and supervise the National Statistical System; produce and disseminate comprehensive, integrated, accurate, and timely statistics required mainly to inform national development initiatives and processes; and develop and maintain a socio-economic national database.”

Notwithstanding resource constraints, managers in the CBS promote a vision and a sense of direction that are shared with the staff. The CBS makes full use of statistics training courses run by the IMF, and staff in the Balance of Payments Division are well versed in the *Balance of Payments Manual*, fifth edition (*BPM5*). Management has encouraged staff in the development of statistical techniques for balance of payments compilation in response to the weakening in basic data sources.

Balance of payments statistics are considered to be compiled on an impartial basis because of the independence and professionalism of staff, although the Statistics Act does not explicitly address the general need for the professional independence of the CBS. The fact that the CBS is currently a department of the MPND has raised questions as to its professional independence, but there appears to have been no interference in the performance of its statistical functions or in the appointment of staff.

#### *1.1.2 Choices of sources and statistical techniques as well as decisions about dissemination are informed solely by statistical considerations*

The choice of source data (such as among surveys and the Monthly Foreign Exchange Statistics, between surveys and administrative sources, or between collected data and administrative records) is based on management objectives and data requirements.

Because balance of payments data are disseminated only in conjunction with other statistics (in the CBS’s annual *Economic Survey* and its annual *Statistical Abstract*) or in conjunction with other statistics used for policy analysis (in the CBK’s *Monthly Economic Review*), the decision on what and when to disseminate is not governed exclusively by the needs of users of balance of payments statistics. One result is that only a summary balance of payments

statement is published (leaving a much more detailed set of balance of payments statistics unpublished). Another is that, although there is a need for quarterly data (as evidenced by the publication of quarterly balance of payments estimates by the CBK), the CBS has not responded to this need.

*1.1.3 The appropriate statistical entity is entitled to comment on erroneous interpretation and misuse of statistics*

The CBS is entitled to comment on and respond to any misused or misinterpreted data. Both the CBS and the CBK respond to queries from users of their publications, although there is no formal policy to deal with data misinterpretations or misuse of data. There have been recent examples of initiatives to address data interpretation issues in the media or in other public fora. The Balance of Payments Division of the CBS does keep on file newspaper cuttings on balance of payments issues or relevant information disclosed in the media.

**1.2 Transparency**

*1.2.1 The terms and conditions under which statistics are collected, processed, and disseminated are available to the public*

The Statistics Act governing the terms and conditions under which the CBS collects, compiles, and disseminates statistics is published in the *Kenya Gazette*. The publications of the CBS do not reproduce material from the Statistics Act and other relevant documents about the terms and conditions under which official statistics are compiled and disseminated. However, these terms and conditions are stated in letters and reminders sent out in support of surveys, or in the collection of administrative data.

More generally, the CBS makes active and ongoing efforts to inform the public about the terms and conditions under which it operates.

The publications of the CBK do not reproduce material from the Banking Act and other relevant documents about the terms and conditions under which data reported by banks on the sale and purchase of foreign exchange are collected, or the authority of the CBK to collect other statistics from financial institutions.

*1.2.2 Internal governmental access to statistics prior to their release is publicly identified*

Because of the circulation of the draft *Economic Survey* within government circles, internal government access to statistics prior to release is implicit but is not made public in terms of who has access to unpublished data, and for how long.

*1.2.3 Products of statistical agencies/units are clearly identified as such*

The statistical products of the CBS are clearly identified so that the public is aware of what the data producing agency takes responsibility for. Data released to the public are clearly

identified as the data producing agency's product, and the CBS requests attribution when its statistics are used for reproduction. Likewise, the statistical products of the CBK (such as its quarterly balance of payments estimates) are clearly identified.

*1.2.4 Advance notice is given of major changes in methodology, source data, and statistical techniques*

Although the CBS has published its plans for improvement for balance of payments statistics, these are largely contingent on funding. In practice, there have been few improvements in methodology, source data, and statistical techniques in recent years, so the question of advance notice has not arisen. However, the loss of source data following the incomplete investment and NGO surveys, and the implications for the quality of annual balance of payments statistics, was not made public.

**1.3 Ethical standards**

*1.3.1 Guidelines for staff behavior are in place and are well known to the staff*

The Statistics Act requires officers joining the CBS to take an oath of secrecy. Ethical standards for staff behavior are laid out in the Code of Regulations (1992) of Kenya, which is applicable to all civil servants. An orientation program is regularly prepared by the HRD, and circulars are sent periodically to inform staff of new developments, particularly with regard to statistical standards. Surveys stress that officers are under oath not to disclose any individual company's or respondent's information to a third party.

In practice, there has been no history of unauthorized release of data by staff, and a strong culture for maintaining ethical standards discourages political interference (such as in the preparation of the *Economic Survey* as a product of the CBS, which is a major input into the annual budget preparation).

**2. Methodological soundness**

**2.1 Concepts and definitions**

*2.1.1 The overall structure in terms of concepts and definitions follows internationally accepted standards, guidelines, or good practices*

Concepts and definitions used to compile the balance of payments statistics are in broad conformity with the guidelines presented in the *BPM5*. Current, capital, and financial accounts of the balance of payments are defined according to the *BPM5*. In the current account, goods, services (transportation and travel only), and income (investment income wrongly) are identified. In the financial account, inward direct investment, portfolio investment assets and liabilities, other investment assets and liabilities, and reserves are identified.

Resident institutional units are defined in conformity with the *BPM5* and relate to those that have a center of interest in the country (such as the residence of accountholders in banking statistics).

## **2.2 Scope**

*2.2.1 The scope is broadly consistent with internationally accepted standards, guidelines, or good practices*

All resident-nonresident transactions as specified in the *BPM5* and all resident institutional units engaged in transactions with nonresidents are included in the methodology for balance of payments statistics. Shuttle trade and smuggling is out of scope of the collection system, as is, for the most part, noncash financing (such as aid in kind). All data reported by the Monthly Foreign Exchange Statistics are limited in scope to cash transactions conducted with resident banks.

## **2.3 Classification/sectorization**

*2.3.1 Classification/sectorization systems used are broadly consistent with internationally accepted standards, guidelines, or good practices*

The classification/sectorization systems followed by the CBS in organizing its balance of payments database follow the standard components of the *BPM5*, including exceptional financing. The balance of payments data collection system (including the Monthly Foreign Exchange Statistics) are all designed with the *BPM5* requirements in mind. However the classification and sectorization used for the published balance of payments statistics follow the *BPM5* recommendations for classification in a summary way, and component detail for the current, capital, and financial accounts is omitted. The sectorization of published data follows *BPM5*.

## **2.4 Basis for recording**

*2.4.1 Market prices are used to value flows and stocks*

Valuation principles used for recording transactions generally follow the principle of market valuation outlined in the *BPM5*. Thus, imports and exports of goods are valued on an f.o.b. basis, monetary gold is valued at market prices, direct and portfolio investment transactions are valued at market prices, and loans are valued at nominal value. When transaction estimates are derived from stock data, the value of the transaction excludes valuation and other changes. Foreign currency transactions are converted into domestic currency following guidelines outlined in the *BPM5*.

#### *2.4.2 Recording is done on an accrual basis*

Because of the reliance on Monthly Foreign Exchange Statistics, the accrual principle is not followed in the reporting of cash transactions in foreign exchange by banks, which is a source for reporting transactions in services, transfers, and in the financial account. Hence, trade credit is not identified. Adjustments to merchandise trade statistics are not made to report transactions when change of ownership takes place.

#### *2.4.3 Grossing/netting procedures are broadly consistent with internationally accepted standards, guidelines, or good practices*

In line with the recommendations of the *BPM5*, current and capital transactions are recorded on a gross basis, while financial account transactions are recorded on a net basis separately for the individual asset and liability components.

### **3. Accuracy and reliability**

#### **3.1 Source data**

##### *3.1.1 Source data are obtained from comprehensive data collection programs that take into account country-specific conditions*

Based on an assessment of data sources used by the CBS to compile the balance of payments over the past three years, it is apparent that the composition of data sources within the collection system program does not provide for sufficient coverage of the balance of payments transactions. The data sources used comprise core data sources (surveys and the Monthly Foreign Exchange Statistics), international merchandise trade statistics, and official sources (including by-products of administrative systems). At present, the only surveys conducted are surveys of airlines and agents of foreign airlines and shipping companies (used to adjust merchandise trade statistics and as a source for transportation and other services). Two major surveys that were an important part of the collection system some years ago, an investment survey of enterprises and a survey of NGOs, are no longer conducted because of response problems. No tourism survey is undertaken.

International trade statistics, which are based on customs recording procedures, are used to compile data on goods that are broadly adequate for balance of payments purposes. Coverage and classification adjustments are made by the CBS. The main concern about source data is the treatment of petroleum refined in Kenya (for which it would be useful to know the value and ownership, whether resident or nonresident, of petroleum delivered to and from domestic petroleum refineries).

The CBK has used the provisions of the Banking Act—which gives the CBK authority to collect data from financial institutions—to collect data needed for balance of payments compilation only from commercial banks (but not from their customers—there is no

authority to support indirect reporting). These have comprised banks' own account transactions with nonresidents and commercial banks' purchases of foreign currency from, and sales to, their customers. In the latter case, the CBK has interpreted the provisions of the Banking Act to give the CBK authority to seek information from banks but not from their customers. For balance of payments purposes, the CBK also collects data on transactions of the monetary authorities (including reserve assets).

The MOF reports data on public sector external debt (covering disbursements, repayments, and interest on loans, changes in arrears on loans, debt forgiveness, and rescheduling of loans). The MOF's database on public sector external debt is maintained by the BMU on software provided by the Commonwealth Secretariat Debt Recording and Management System (CS-DRMS), which has the capacity to produce monthly data on transactions and positions for external debt for budgetary central government. However, monthly data may not be very reliable because the main effort is made to produce data for the annual budget. A parallel database for foreign loans on-lent to parastatals, also on CS-DRMS, is maintained by the MOF's Department of Government Investment and Public Enterprises.

These databases have the capacity to produce data on arrears providing that data for payments of amortization and interest are entered. For parastatal external debt, the CBS supplements the MOF data through direct reporting by some parastatals (for example of commercial credits, which are not included in the MOF external debt data for parastatals). In practice, data on arrears are compiled by the MOF after reference to creditor country sources. The MOF also reports data on government services, current transfers (official cash grants received), and capital transfers (investment grants).

For the most part, good use is made of administrative data sources. Administrative data sources are used for coverage adjustments to merchandise trade, transportation services, and other services. For example, data are collected from port and airport authorities, as well as from public enterprises (postal, telecommunication, and railways). Other administrative data sources include the Commissioner for Insurance (for insurance services) and the Nairobi Stock Exchange (for nonresidents' purchases of equity securities issued by residents).

The Monthly Foreign Exchange Statistics are used as a data source for services in the absence of alternative data sources. Thus, they are used to provide data on credits and debits for road transport, travel, other services (such as royalties and license fees), direct and portfolio investment income, and government services credits (in the absence of a survey of foreign embassies and aid agencies in Kenya). In the financial account, the Monthly Foreign Exchange Statistics are used for direct investment (inward and outward), portfolio investment liabilities (debt securities only), and for other investment (private sector only).

There is scope for identifying new data sources in response to new developments. These include the need to explore the scope for custodian reporting for inward portfolio investment (such as for debt securities). They also include reporting by new institutions in the financial sector, such as investment banks, mutual funds, and money transfer service companies (the

latter as a supplementary data source for the reporting of workers' remittances, possibly in conjunction with reporting by other relevant agencies).

*3.1.2 Source data reasonably approximate the definitions, scope, classifications, valuation, and time of recording required*

Source data provided by the CBK (for reserves) and MOF (for external debt) are all consistent with the requirements of the balance of payments. Source data for merchandise trade provided by the KRA are also consistent with the requirements of the balance of payments with the exception of trade in petroleum products and unrecorded trade. Administrative data sources and the surveys of airline and shipping companies broadly accord with balance of payments requirements. There are gaps in aid-related financing in the form of aid-in-kind (not identifiable in the customs data in the case of goods and not identifiable at all in the case of technical assistance and other services) and financing of NGOs (the latter given the reluctance of NGOs to complete the CBS NGO survey). Also, opportunities have not been taken to use the estimates of tourism expenditure made by the KTB (or agree to a common methodology), especially given that the KTB processes the entry and exit forms for the main ports of entry (Mombasa and Nairobi) designed by the CBS.

The inability of the CBS to undertake an enterprise survey for the reporting of inward direct investment, portfolio, and other investment leaves a major gap in the balance of payments for private sector financing that is not adequately filled by the Monthly Foreign Exchange Statistics. This is because the Monthly Foreign Exchange Statistics do not conform to the practices associated with international transactions reporting systems (ITRS), largely a consequence of the limited authority of the CBK under the Banking Act to conduct a survey of this kind. There is no reconciliation with banks' opening and closing positions in foreign exchange and no coverage of transactions conducted by residents through accounts abroad. There are no processes for quality control by the CBK (which does not have access to individual records or to transactor information) and little scope for confrontation with alternative data sources (such as by comparing data reported to the CBS by respondents to an enterprise survey with data reported by banks for foreign currency transactions by such enterprises).

*3.1.3 Source data are timely*

The balance of payments collection system is designed to provide input into the CBS's *Economic Survey*, which is released around May of each year. No updates are made to these data until the following year, and although the CBS has developed a reporting system for producing quarterly balance of payments statistics, it has not had the resources to implement this. Partly for this reason, the CBK compiles its own balance of payments estimates for internal purposes (such as to meet the needs of the IMF for surveillance purposes). The CBS has discontinued two surveys that are critical to the compilation of annual balance of payments statistics according to its present timetable (the investment survey and the NGO survey) because of untimely reporting by respondents.

### **3.2 Assessment of source data**

*3.2.1 Source data—including censuses, sample surveys and administrative records—are routinely assessed, e.g., for coverage, sample error, response error, and nonsampling error; the results of the assessments are monitored and made available to guide statistical processes*

Considerable effort has been made by the CBS to investigate the reasons for nonresponse to the investment survey and the NGO survey. In the case of the investment survey, part of the explanation lay in deficiencies with the enterprise register, which the CBS has tried to address with the help of a list of enterprises maintained by other government agencies. The design of the investment survey has also been reviewed by the CBS (with the help of technical assistance) with a view to reducing reporting burden. Efforts to ensure effective follow-up to the investment survey are constrained by lack of resources. With the NGO survey, response problems are attributed in part to a reluctance by NGOs to report information concerning their financing. Alternative ways of ensuring response are under investigation.

Source data are analyzed for underreporting/misreporting, in particular to check for temporal consistency and consistency with related data sources. Source data are also analyzed in the context of annual revisions—for which there is an annual revision cycle.

For public sector external debt statistics, checks are made by the MOF, which is responsible for producing external debt statistics consistent with international standards, as a means of determining arrears. The CBS checks MOF external debt data for parastatals where possible against the financial statements of parastatals.

Because the CBK does not have access to individual records of the Monthly Foreign Exchange Statistics, there is little scope for assessing the accuracy of banks' classification of foreign exchange transactions. The accuracy of the information from the Monthly Foreign Exchange Statistics is not routinely assessed. As the CBK does not have access to transaction or transactor records, the scope for assessment is limited, being confined to a review of the consolidated returns for individual banks. The CBK does not assess the Monthly Foreign Exchange Statistics against other data sources.

### **3.3 Statistical techniques**

*3.3.1 Data compilation employs sound statistical techniques to deal with data sources*

Compilation processes minimize processing errors such as coding, editing, and tabulation errors, and adjustments to unit records are made only when clearly warranted. In general, procedures for imputation and adjustment are soundly based. No use is made of benchmark information. Appropriate measures are taken to adjust some source data (such as for merchandise trade). There is scope to make similar adjustments for others (such as the Monthly Foreign Exchange Statistics data for travel service credits).

In the services account, CBS compares data between data from the Monthly Foreign Exchange Statistics and administrative data sources.

*3.3.2 Other statistical procedures (e.g., data adjustments and transformations, and statistical analysis) employ sound statistical techniques*

Sound adjustments are employed to make source data consistent with balance of payments requirements (such as adjustments to customs data for merchandise imports to include military imports, electricity imports, cinematic film, and financial leases of aircraft). For some data sources (such as the Monthly Foreign Exchange Statistics) the scope for making adjustments to make data consistent with balance of payments requirements is limited. However, comparisons have been made between customs data and Monthly Foreign Exchange Statistics data as a step towards estimating trade credit, though reliable estimates of trade credit did not result. Estimates of unrecorded trade (including shuttle trade) based on periodic surveys at major border points and statistical models have not been made. No use has been made of partner country trade statistics to adjust for underestimation of merchandise exports or imports.

**3.4 Assessment and validation of intermediate data and statistical outputs**

*3.4.1 Intermediate results are validated against other information where applicable*

Information reported in the financial press is not used enough to verify high-value direct investment or other transactions. Data on withholding taxes are not used to assess the accuracy of reported information on income transactions of the private sector. Data from the Monthly Foreign Exchange Statistics for inward direct investment are not checked against other data sources (such as the Investment Promotion Authority). Given the design of the collection system, the use of intermediate data sources is limited. In the case of customs data for merchandise, imports are provided on both an f.o.b. and c.i.f. basis so there is no need to estimate f.o.b./c.i.f. factors.

*3.4.2 Statistical discrepancies in intermediate data are assessed and investigated*

Efforts are made to cross-check the behavior of series against related series, such as data from the Monthly Foreign Exchange Statistics for services with administrative data sources. Data on investment income payments and receipts are regularly assessed in relation to the corresponding stock of data, where available. However, equivalent comparisons are not made for financial account transactions (such as for direct and portfolio investment, or with partner country sources). Data on travel-related transactions are not analyzed in relation to information compiled by the immigration authorities on the numbers of international travelers entering/leaving the country.

### *3.4.3 Statistical discrepancies and other potential indicators of problems in statistical outputs are investigated*

Staff involved in producing balance of payments data monitor developments in the errors and omissions item and seek to understand them—for example, a recent trend towards positive errors and omissions is explained by underrecording of tourism receipts and of workers remittances. Bilateral comparisons/reconciliations are not conducted for selected trade, transfers, and financial account items. Comparisons with partner country data available through international organizations are not made, such as borrowing by the private sector from banks abroad or deposits held with banks abroad—both from BIS sources—and creditor donor sources for official grants—from OECD.

## **3.5 Revision studies**

### *3.5.1 Studies and analyses of revisions are carried out routinely and used internally to inform statistical processes (see also 4.3.3)*

Revisions to the balance of payments estimates are limited, not undertaken on a formal basis, or made widely available. Revisions are generally small because most data sources used for the annual balance of payments are not subject to revision. Studies assess the initial against revised estimates (only one revision, one year later, is normally made). Revision studies have not been undertaken to help determine the feasibility of producing reliable quarterly balance of payments data. Adequate documentation of revisions is not maintained on CBS's balance of payments spreadsheets.

## **4. Serviceability**

### **4.1 Periodicity and timeliness**

#### *4.1.1 Periodicity follows dissemination standards*

The CBS publishes first estimates of the annual balance of payments statistics prepared on a calendar year basis in its annual *Economic Survey* as input into the budgetary process. This conforms with the GDDS. The CBK compiles quarterly balance of payments statistics based on available data sources (Monthly Foreign Exchange Statistics, merchandise trade data not adjusted to a balance of payments basis, quarterly data on government external debt, and monthly data on reserves). These are published in the CBK's *Monthly Economic Review* as a quarterly balance of payments statement.

#### *4.1.2 Timeliness follows dissemination standards*

The first estimates of the annual balance of payments statistics are disseminated in May or June following the reference year, this being the publication schedule for the CBS's annual *Economic Survey*. This conforms with the GDDS. The CBK's quarterly balance of payments

statement is published in its *Monthly Economic Review* three months following the reference period, which is governed by the release of data for merchandise trade in the KRA's *Monthly Trade Report*.

## **4.2 Consistency**

### *4.2.1 Statistics are consistent within the dataset*

The annual balance of payments statistics published by the CBS are internally consistent. Over the past five years, the net errors and omissions have been fairly small (equivalent to less than 1 percent of goods and services credits or debits). This may reflect the use of the Monthly Foreign Exchange Statistics in which errors and omissions are necessarily zero if both credit and debit entries are taken from the same source. Unreported credits and debits may be substantial (for example for official grants). It is believed that there are substantial omitted inflows from tourism.

The sum of the quarterly balance of payments statistics published by the CBK is not reconciled with the annual balance of payments statistics published by the CBS. As a result, differences in the data resulting from the use of different data sources are not explained.

### *4.2.2 Statistics are consistent or reconcilable over a reasonable period of time*

The loss of major data sources used for balance of payments compilation (the investment survey and the NGO survey) has resulted in breaks in series, which have not been documented in publications. Changes in economic trends that affect the balance of payments are documented in the commentary included in the *Economic Survey*.

### *4.2.3 Statistics are consistent or reconcilable with those obtained through other data sources and/or statistical frameworks*

The balance of payments statistics are consistent or reconcilable with the international merchandise trade, national accounts, and external debt statistics. Because of the use of Monthly Foreign Exchange Statistics, it is not possible to reconcile the data with monetary and financial statistics. An international investment position is not compiled that would facilitate reconciliation with stock data.

## **4.3 Revision policy and practice**

### *4.3.1 Revisions follow a regular and transparent schedule*

The revision cycle for balance of payments data is generally predetermined. Most revisions are made a year after publication, because respondents are asked to report revised data for the previous year. Revisions will be made to earlier years occasionally. The revision cycle and the reasons for it are not made known to the public.

#### 4.3.2 *Preliminary and/or revised data are clearly identified*

At the time of data dissemination, users are informed whether data are preliminary or revised.

#### 4.3.3 *Studies and analyses of revisions are made public (see also 3.5.1)*

There have been no studies and analyses of revisions published by the CBS. As a result, no explanation of revisions is given in published documents.

### **5. Accessibility**

#### **5.1 Data accessibility**

##### *5.1.1 Statistics are presented in a way that facilitates proper interpretation and meaningful comparisons (layout and clarity of text, tables, and charts)*

The balance of payments statistics published in the CBS's *Economic Survey* and *Statistical Abstract* are on a very summary basis, with the result that some user needs are unmet. In the published presentation, in the current account, no detail is provided for goods for processing. For services, the classification is confined to transportation, travel, government services, and other services, without component detail. Income is not reported with a breakdown by direct investment, portfolio investment, and other investment, and is without instrument detail. Current transfers are reported gross but without component detail for workers' remittances.

In the capital account, no sector breakdown is provided for capital transfers, and debt forgiveness is not identified. In the financial account, inward direct investment does not distinguish between assets and liabilities; portfolio investment assets and liabilities do not distinguish between equities, long-term debt securities, and short-term debt securities; and other investment assets and liabilities do not distinguish between trade credits, loans (with separate identification of use of Fund credit), currency and deposits, and other assets and liabilities. No supplementary information is provided for exceptional financing transactions (to assist in the derivation of analytic balances).

The CBS's database for balance of payments statistics is organized according to the standard components of *BPM5* and therefore include much data that are not included in statistical publications, including, in addition to the standard components of the *BPM5*, supplementary information on exceptional financing. These data are reported to the IMF Statistics Department for publication but are not published by the CBS, even though they are designed to meet a broad range of user needs. The CBS has a policy of responding to user requests for additional information, but CBS publications, or the CBS website, do not indicate what additional information is available.

Both the CBS and the CBK use charts and tables in their publications to facilitate analysis of balance of payments statistics, and both include commentaries on current-period

developments. Series subject to seasonality are not disseminated in a seasonally adjusted form.

#### *5.1.2 Dissemination media and format are adequate*

The CBS does not use press releases, its website, or documents dedicated to balance of payments statistics to release new or revised balance of payments data. New or revised data are first published in the *Economic Survey* as part of a review of economic developments over the past year, and then republished in the *Statistical Abstract*. The CBK publishes new or revised quarterly balance of payments data in its *Monthly Economic Review*. More comprehensive and detailed balance of payments statistics are not published. There is no published facility offered by the CBS or the CBK by which users can access longer time series (perhaps for a fee).

#### *5.1.3 Statistics are released on a preannounced schedule*

Neither the CBS nor the CBK publish a schedule announcing in advance the dates that balance of payments statistics are released, although the publication schedules of the CBS's *Economic Survey* and the CBK's *Monthly Economic Review* are well known to the public and are reliable.

#### *5.1.4 Statistics are made available to all users at the same time*

Government users of balance of payments statistics have prior access to new and revised data, as the draft *Economic Survey* circulates widely in draft form in government circles before publication. For all other users, there is simultaneous release of data. All this is largely a consequence of the policy of releasing new and revised balance of payments data together with a substantial set of macroeconomic data and a substantial text, on the premise that the balance of payments data are only useful if provided in this context.

#### *5.1.5 Statistics not routinely disseminated are made available upon request*

Neither the CBS nor the CBK have publicized a service to provide additional balance of payments data on request or to customize tabulations.

### **5.2 Metadata accessibility**

#### *5.2.1 Documentation on concepts, scope, classifications, basis of recording, data sources, and statistical techniques is available, and differences from internationally accepted standards, guidelines, or good practices are annotated*

A comprehensive sources and methods document is not published by the CBS, and neither is one maintained in the Balance of Payments Division. The balance of payments worksheets maintained in EXCEL contain summary comments on data sources on a time series by time series basis, but these are not published. The absence of information on what source data are

used and why has handicapped the staff of CBK in trying to reconcile their balance of payments estimates with those of the CBS (efforts are being made to address this).

Summary methodologies for balance of payments statistics are posted on the IMF's *Dissemination Standards Bulletin Board* for the GDDS and are hyperlinked to the CBS's website. More detailed methodologies are reported to the IMF's Statistics Department for publication in the *Balance of Payments Statistics Yearbook*. In the latter case, there is no link to the CBS's website.

### *5.2.2 Levels of detail are adapted to the needs of the intended audience*

General use information (such as a brochure) about the balance of payments and other external sector statistics (e.g., how to locate the data) is not available or made public. Neither are background papers and working documents made public.

## **5.3 Assistance to users**

### *5.3.1 Contact points for each subject field are publicized*

The *Economic Survey* identifies contact points for enquiries by mail, telephone, of fax, or via the CBS website. The *Statistical Abstract* invites correspondence by mail. Assistance to users is monitored and reviewed periodically.

### *5.3.2 Catalogs of publications, documents, and other services, including information on any charges, are widely available*

Catalogs of publications are available and updated regularly. The prices of the statistical products are clearly disclosed, and assistance is provided in placing orders. The availability of detailed unpublished balance of payments statistics on request is not made known.

Table 4. Kenya: Data Quality Assessment Framework (July 2003): Summary of Results for Balance of Payments Statistics  
(*Compiling Agency: Central Bureau of Statistics*)

Element		NA	Assessment				Comments on Assessment	Plans for Improvement and Target Dates
			O	LO	LNO	NO		
<b>0. Prerequisites of quality</b>								
0.1	Legal and institutional environment			X			Inadequate coordination with NGOs and KTB.	The Statistics Bill, now before Parliament, will address coordination issues.
0.2	Resources			X			Resources not commensurate with the work program.	Donor funding will be sought in support of a benchmark foreign investment survey.
0.3	Relevance			X			No consultation with users until recently.	Consultation with stakeholders will be built into the statistical system.
0.4	Other quality management			X			Processes in place are inadequate to respond to weakening in data sources and follow-up needs.	
<b>1. Assurances of integrity</b>								
1.1	Professionalism			X			Decision on content and timing of dissemination governed by needs of one key user.	Consultation with stakeholders will be built into the statistical system.
1.2	Transparency			X			CBS publications do not quote Statistics Act. Internal access to data prior to release not publicized.	
1.3	Ethical standards			X			Guidelines for staff behavior are in place and are well known to staff.	
<b>2. Methodological soundness</b>								
2.1	Concepts and definitions			X				
2.2	Scope			X			Shuttle trade and smuggling are out of scope of the collection system, as is, for the most part, noncash financing (such as aid-in-kind).	
2.3	Classification/sectorization			X				
2.4	Basis for recording			X			Reliance on foreign exchange transactions limits the scope for accrual reporting.	

Key to symbols: NA = Not Applicable; O = Practice Observed; LO = Practice Largely Observed; LNO = Practice Largely Not Observed; NO = Practice Not Observed; SDDS = Complies with SDDS Criteria

Table 4. Kenya: Data Quality Assessment Framework (July 2003): Summary of Results for Balance of Payments Statistics  
(*Compiling Agency: Central Bureau of Statistics*)

Key to symbols: NA = Not Applicable; O = Practice Observed; LO = Practice Largely Observed; LNO = Practice Largely Not Observed; NO = Practice Not Observed; SDDS = Complies with SDDS Criteria						
Element	NA	Assessment				Plans for Improvement and Target Dates
		O	LO	LNO	NO	
<b>3. Accuracy and reliability</b>						
3.1 Source data				X		Donor funding will be sought in support of a benchmark foreign investment survey.
3.2 Assessment of source data			X			FOREX data not routinely assessed because no access to individual records.
3.3 Statistical techniques			X			No use made of benchmarking (such as for tourism). Statistical techniques not used for unrecorded trade.
3.4 Assessment and validation of inter-mediate data and statistical outputs			X			Limited use of press sources. Limited checking of cash flows against other sources. Bilateral comparisons/reconciliations are not conducted for selective trade, transfers, and financial account items.
3.5 Revision studies			X			Studies are limited and not undertaken on a formal basis.
<b>4. Serviceability</b>						
4.1 Periodicity and timeliness			X			Cumulative CBK quarterly not consistent with CBS annual. Loss of data sources over time reduces consistency. No reconciliation of transactions data with monetary statistics.
4.2 Consistency						Revision cycle is not known to the public. No studies of revisions are published.
4.3 Revision policy and practice						

Table 4. Kenya: Data Quality Assessment Framework (July 2003): Summary of Results for Balance of Payments Statistics  
(*Compiling Agency: Central Bureau of Statistics*)

Element	NA	Assessment				Comments on Assessment	Plans for Improvement and Target Dates
		O	LO	LNO	NO		
<b>5. Accessibility</b>							
5.1 Data accessibility				X		Only summary data are published. No advance schedule, but release dates are known. The availability of additional detail on request is not made known.	
5.2 Metadata accessibility			X			The only documentation on sources and methods is through the link to the GDDS metadata. Metadata are not presented in different ways to meet user needs.	The CBK plans to post metadata for quarterly BOP and reserves on the CBK website.
5.3 Assistance to users			X			The availability of detailed unpublished balance of payments statistics on request is not made known.	

Key to symbols: NA = Not Applicable; O = Practice Observed; LO = Practice Largely Observed; LNO = Practice Largely Not Observed; NO = Practice Not Observed; SDDS = Complies with SDDS Criteria

## **Summary of the General Data Dissemination System (GDDS)**

### **Data coverage, periodicity, and timeliness**

Dissemination of reliable, comprehensive, and timely economic, financial, and socio-demographic data is essential to the transparency of macroeconomic performance and policy. The GDDS contains specific recommendations concerning coverage, periodicity, and timeliness for comprehensive frameworks as well as for data categories and indicators.

### **Quality**

Data quality must have a high priority. Data users must be provided with information to assess quality and quality improvements. The GDDS recommends:

- dissemination of documentation on methodology and sources used in preparing statistics; and
- dissemination of component detail, reconciliations with related data, and statistical frameworks that support statistical cross-checks and provide assurance of reasonableness.

### **Integrity**

To fulfill the purpose of providing the public with information, official statistics must have the confidence of their users. In turn, confidence in the statistics ultimately becomes a matter of confidence in the objectivity and professionalism of the agency producing the statistics. Transparency of practices and procedures is a key factor in creating this confidence. The GDDS, therefore, recommends:

- dissemination of the terms and conditions under which official statistics are produced, including those relating to the confidentiality of individually identifiable information;
- identification of internal government access to data before release;
- identification of ministerial commentary on the occasion of statistical releases; and
- provision of information about revision and advance notice of major changes in methodology.

### **Access to the public**

Dissemination of official statistics is an essential feature of statistics as a public good. Ready and equal access by the public are principal requirements. The GDDS recommends

- dissemination of advance release calendars; and

- simultaneous release to all interested parties.

### **Plans for improvement**

The GDDS recommends that plans for improvement be developed for all areas in which shortcomings exist and that these plans be disseminated.

The GDDS also recommends that any needs for assistance be identified in the metadata. This may also be helpful for donors and technical assistance providers to prioritize their activities.

For each participating member country, the GDDS metadata provide descriptions of the dimensions listed above, together with plans for improvement and needs for assistance. This information is posted on the DSBB; participating countries are encouraged to also post the metadata on their national websites.

*Source: Guide to the GDDS, March 2002 (<http://dsbb.imf.org>)*

**DATA QUALITY ASSESSMENT FRAMEWORK—GENERIC FRAMEWORK  
(JULY 2003 FRAMEWORK)**

Quality Dimensions	Elements	Indicators
<p><b>0. Prerequisites of quality</b></p>	<p><b>0.1 Legal and institutional environment</b>—<i>The environment is supportive of statistics</i></p> <p><b>0.2 Resources</b>—<i>Resources are commensurate with needs of statistical programs.</i></p> <p><b>0.3 Relevance</b>—<i>Statistics cover relevant information on the subject field.</i></p> <p><b>0.4 Other quality management</b>—<i>Quality is a cornerstone of statistical work.</i></p>	<p>0.1.1 The responsibility for collecting, processing, and disseminating the statistics is clearly specified.</p> <p>0.1.2 Data sharing and coordination among data-producing agencies are adequate.</p> <p>0.1.3 Individual reporters’ data are to be kept confidential and used for statistical purposes only.</p> <p>0.1.4 Statistical reporting is ensured through legal mandate and/or measures to encourage response.</p> <p>0.2.1 Staff, facilities, computing resources, and financing are commensurate with statistical programs.</p> <p>0.2.2 Measures to ensure efficient use of resources are implemented.</p> <p>0.3.1 The relevance and practical utility of existing statistics in meeting users’ needs are monitored.</p> <p>0.4.1 Processes are in place to focus on quality.</p> <p>0.4.2 Processes are in place to monitor the quality of the statistical program.</p> <p>0.4.3 Processes are in place to deal with quality considerations in planning the statistical program.</p>
<p><b>1. Assurances of integrity</b></p> <p><i>The principle of objectivity in the collection, processing, and dissemination of statistics is firmly adhered to.</i></p>	<p><b>1.1 Professionalism</b>—<i>Statistical policies and practices are guided by professional principles.</i></p> <p><b>1.2 Transparency</b>—<i>Statistical policies and practices are transparent.</i></p> <p><b>1.3 Ethical standards</b>—<i>Policies and practices are guided by ethical standards.</i></p>	<p>1.1.1 Statistics are produced on an impartial basis.</p> <p>1.1.2 Choices of sources and statistical techniques as well as decisions about dissemination are informed solely by statistical considerations.</p> <p>1.1.3 The appropriate statistical entity is entitled to comment on erroneous interpretation and misuse of statistics.</p> <p>1.2.1 The terms and conditions under which statistics are collected, processed, and disseminated are available to the public.</p> <p>1.2.2 Internal governmental access to statistics prior to their release is publicly identified.</p> <p>1.2.3 Products of statistical agencies/units are clearly identified as such.</p> <p>1.2.4 Advance notice is given of major changes in methodology, source data, and statistical techniques.</p> <p>1.3.1 Guidelines for staff behavior are in place and are well known to the staff.</p>

**DATA QUALITY ASSESSMENT FRAMEWORK—GENERIC FRAMEWORK  
(JULY 2003 FRAMEWORK)**

Quality Dimensions	Elements	Indicators
<p><b>2. Methodological soundness</b></p> <p><i>The methodological basis for the statistics follows internationally accepted standards, guidelines, or good practices.</i></p>	<p><b>2.1 Concepts and definitions</b>—<i>Concepts and definitions used are in accord with internationally accepted statistical frameworks.</i></p> <p><b>2.2 Scope</b>—<i>The scope is in accord with internationally accepted standards, guidelines, or good practices.</i></p> <p><b>2.3 Classification/sectorization</b>—<i>Classification and sectorization systems are in accord with internationally accepted standards, guidelines, or good practices.</i></p> <p><b>2.4 Basis for recording</b>—<i>Flows and stocks are valued and recorded according to internationally accepted standards, guidelines, or good practices</i></p>	<p>2.1.1 The overall structure in terms of concepts and definitions follows internationally accepted standards, guidelines, or good practices.</p> <p>2.2.1 The scope is broadly consistent with internationally accepted standards, guidelines, or good practices.</p> <p>2.3.1 Classification/sectorization systems used are broadly consistent with internationally accepted standards, guidelines, or good practices.</p> <p>2.4.1 Market prices are used to value flows and stocks.</p> <p>2.4.2 Recording is done on an accrual basis.</p> <p>2.4.3 Grossing/netting procedures are broadly consistent with internationally accepted standards, guidelines, or good practices.</p>
<p><b>3. Accuracy and reliability</b></p> <p><i>Source data and statistical techniques are sound and statistical outputs sufficiently portray reality</i></p>	<p><b>3.1 Source data</b> – <i>Source data available provide an adequate basis to compile statistics.</i></p> <p><b>3.2 Assessment of source data</b>—<i>Source data are regularly assessed.</i></p> <p><b>3.3 Statistical techniques</b>—<i>Statistical techniques employed conform to sound statistical procedures</i></p> <p><b>3.4 Assessment and validation of intermediate data and statistical outputs</b>—<i>Intermediate results and statistical outputs are regularly assessed and validated.</i></p> <p><b>3.5 Revision studies</b>—<i>Revisions, as a gauge of reliability, are tracked and mined for the information they may provide.</i></p>	<p>3.1.1 Source data are obtained from comprehensive data collection programs that take into account country-specific conditions.</p> <p>3.1.2 Source data reasonably approximate the definitions, scope, classifications, valuation, and time of recording required.</p> <p>3.1.3 Source data are timely.</p> <p>3.2.1 Source data—including censuses, sample surveys, and administrative records—are routinely assessed, e.g., for coverage, sample error, response error, and nonsampling error; the results of the assessments are monitored and made available to guide statistical processes.</p> <p>3.3.1 Data compilation employs sound statistical techniques to deal with data sources.</p> <p>3.3.2 Other statistical procedures (e.g., data adjustments and transformations, and statistical analysis) employ sound statistical techniques.</p> <p>3.4.1 Intermediate results are validated against other information where applicable.</p> <p>3.4.2 Statistical discrepancies in intermediate data are assessed and investigated.</p> <p>3.4.3 Statistical discrepancies and other potential indicators or problems in statistical outputs are investigated.</p> <p>3.5.1 Studies and analyses of revisions are carried out routinely and used internally to inform statistical processes (see also 4.3.3).</p>

**DATA QUALITY ASSESSMENT FRAMEWORK—GENERIC FRAMEWORK  
(JULY 2003 FRAMEWORK)**

<b>Quality Dimensions</b>	<b>Elements</b>	<b>Indicators</b>
<p><b>4. Serviceability</b> <i>Statistics, with adequate periodicity and timeliness, are consistent and follow a predictable revisions policy.</i></p>	<p><b>4.1 Periodicity and timeliness</b>—<i>Periodicity and timeliness follow internationally accepted dissemination standards.</i></p> <p><b>4.2 Consistency</b>—<i>Statistics are consistent within the dataset, over time, and with major datasets.</i></p> <p><b>4.3 Revision policy and practice</b>—<i>Data revisions follow a regular and publicized procedure.</i></p>	<p>4.1.1 Periodicity follows dissemination standards. 4.1.2 Timeliness follows dissemination standards.</p> <p>4.2.1 Statistics are consistent within the dataset. 4.2.2 Statistics are consistent or reconcilable over a reasonable period of time. 4.2.3 Statistics are consistent or reconcilable with those obtained through other data sources and/or statistical frameworks.</p> <p>4.3.1 Revisions follow a regular and transparent schedule. 4.3.2 Preliminary and/or revised data are clearly identified. 4.3.3 Studies and analyses of revisions are made public (see also 3.5.1).</p>
<p><b>5. Accessibility</b> <i>Data and metadata are easily available and assistance to users is adequate.</i></p>	<p><b>5.1 Data accessibility</b>—<i>Statistics are presented in a clear and understandable manner, forms of dissemination are adequate, and statistics are made available on an impartial basis.</i></p> <p><b>5.2 Metadata accessibility</b>—<i>Up-to-date and pertinent metadata are made available.</i></p> <p><b>5.3 Assistance to users</b>—<i>Prompt and knowledgeable support service is available.</i></p>	<p>5.1.1 Statistics are presented in a way that facilitates proper interpretation and meaningful comparisons (layout and clarity of text, tables, and charts). 5.1.2 Dissemination media and format are adequate. 5.1.3 Statistics are released on a preannounced schedule. 5.1.4 Statistics are made available to all users at the same time. 5.1.5 Statistics not routinely disseminated are made available upon request.</p> <p>5.2.1 Documentation on concepts, scope, classifications, basis of recording, data sources, and statistical techniques is available, and differences from internationally accepted standards, guidelines, or good practices are annotated. 5.2.2 Levels of detail are adapted to the needs of the intended audience.</p> <p>5.3.1 Contact points for each subject field are publicized. 5.3.2 Catalogs of publications, documents, and other services, including information on any charges, are widely available.</p>

### Users' Survey

With the assistance of the authorities and the IMF's Resident Representative in Kenya, a survey was conducted among users of macroeconomic statistics. This survey was undertaken to provide an additional perspective of the quality of Kenya's statistics that would complement the mission's assessment. The survey asked users to evaluate a range of aspects related to national accounts, prices, fiscal, monetary, and balance of payments statistics. Out of 59 questionnaires sent, the mission received 31 responses, i.e., a response rate of 53 percent. A follow-up meeting was held with users who participated in the survey to gain a more in-depth understanding of their views and concerns.

The macroeconomic statistics most frequently used are the monetary statistics, followed by prices and fiscal statistics. The national accounts and balance of payments are used less frequently. The main source of official statistics is, as expected, official publications and press releases. Users were evenly split on whether they referred or not to official descriptions of the sources and methods used to compile official statistics. The main uses of official statistics are for general economic background, analysis of current developments, and analysis of trends; they are little used for econometric model building and research.

The results of the survey and the follow-up discussion with users indicated that a majority of users are satisfied with the coverage, periodicity, and soundness of the underlying methodology of the official statistics. Concerns were expressed by a significant number of users concerning the timeliness, lack of a dissemination calendar, inaccessibility of data on websites, limited information about revisions, and scant metadata on official statistics. Most users regarded Kenya's official macroeconomic statistics to be of similar or better quality than the statistics of countries at similar levels of development in the region. In terms of the quality of the various macroeconomic statistics, monetary statistics were the most highly regarded and national accounts the lowest.

Several users provided comments and suggestions for improving official statistics: (1) dissemination of data on the website of all data producing agencies; (2) closer coordination among data producing agencies; (3) introduction of a data dissemination calendar; (4) dissemination of data on a more timely basis; (5) provision of information on data sources and the methodology used to process them; (6) reconciliation of data among data producing agencies; (7) dissemination of data with greater level of detail; and (8) enhanced customer service by all data producing agencies.