Data Quality Assessment Framework (DQAF) for Balance of Payments Statistics

O. Prerequisites

O.1 Legal and institutional environment

0.1.1 Responsibility for collecting, processing, and disseminating statistics

KNBS draws its mandate for collecting, compiling, analyzing, abstracting, and disseminating statistical information on Kenya's official statistics from the Statistics Act 2006. Specifically the act identifies KNBS as the principal agency of the government for collecting, analysing and disseminating statistical data in Kenya and permits KNBS to plan, authorize, coordinate and supervise all official statistical programmes undertaken within the National Statistical System (NSS).

The Statistics Act can be downloaded from

http://www.knbs.or.ke/index.php?option=com_phocadownload&view=category&id=23:policies-manuals&Itemid=599

0.1.2 Data sharing and coordination among data producing agencies

The Statistics Act gives KNBS the responsibility of coordinating and supervising the National Statistical System (NSS). The Act provides for a comprehensive approach to statistical cooperation in Kenya, including access to data for the purposes of official statistics production.

The NSS includes producers and users of statistics under the supervision and coordination of the KNBS and mainly comprises of government Ministries, Departments, and State Agencies (MDAs).

The Statistics Act empowers the Director General of KNBS to share data at the request of any person or agency upon payment of any fee that may be applicable, provided the data shared is not about individual persons or entities.

KNBS collaborates and holds regular meetings with several key data providers such as The National Treasury, Central Bank of Kenya, Kenya Revenue Authority, and Ministry of Agriculture to promote understanding on data requirements. KNBS has Memoranda of Understanding with the key data providers to facilitate data sharing and ensure access to data in a standardized manner.

0.1.3 Confidentiality of individual reporters' data

The Statistics Act (Section 22) stipulates that the KNBS cannot publish, or otherwise make available to any individual or organization, information that would enable the identification of any individual person or entity.

Individuals engaged in any bureau activity are obliged to sign an oath of secrecy for the confidentiality of the statistics collected.

Balance of Payments compilation systems are separate from other computer systems within KNBS and necessary IT security measures are put in place. Documentation is always done in a secure manner. Information is only disseminated in an aggregated manner through Statistical releases and/or on the KNBS website.

0.1.4 Ensuring statistical reporting

The Statistics Act specifies how data and information should be collected to ensure adherence to statistical reporting, specifically Sections 16, 19 and 21.

KNBS policies and practices emphasize the requirement for the authorized person (research assistant mandated to conduct the statistical data collection) to clearly explain the purposes of the survey/census to the respondent during the introduction. During the data collection design, the burden placed on respondents is considered and measures are taken to reduce this burden.

Every questionnaire indicates contact persons who can provide assistance in responding, as well as information on how to complete the questionnaire and explanations for answering the questions.

Also, every paper and internet questionnaire contains legally required information on the purpose, type, and scope of the survey, obligation to provide information, reporting unit, confidentiality, and other aspects of the survey. In particular, a reference to the Statistics Act is given in surveys and statistical inquiries.

To encourage future participation, the KNBS provides respondents with information on the results of the survey, upon request and in conformity with established statistical confidentiality guidelines.

0.2 Resources

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

The BOP estimates are compiled in a unit comprising of five (5) members of staff who have the requisite training in BOP from reputable institutions. They all have the required and sufficient computing skills. The sharing is done in such a way as to maximize their output while ensuring that every staff familiarizes themselves with all the section's activities. For the purposes of monitoring and evaluation, staff are appraised semi-annually based on prior agreed targets that are derived from the BOP work programme. All staff are recruited on the basis of professional qualifications, and in an open competition.

The BOP section has sufficient computing resources that are available to all the staff and back-up procedures are utilized to ensure security of data. Though the KNBS budget is usually tight, work plans are

developed in consideration of the resource availability and costbenefit analysis to maximize on outputs and outcomes.

0.2.2 Measures to ensure efficient use of resources are implemented

Annual budgetary process/performance contract

Planning of resources is carried out centrally on an annual basis. Funds are allocated by the National Treasury for ongoing statistical activities, such as the annual and quarterly Balance of Payments as well as for ad hoc surveys and development projects. Work is carried out and reviewed on the basis of the Performance Contract with the ministry; and efficient use of resources is followed up on a quarterly basis.

Work programme

KNBS activities are guided by the Strategic Plan. An annual schedule of activities (work plan) is then drawn from the Strategic Plan. The annual work plan includes itemized budget which guide the timing of the activities as well as optimization of resources.

0.3 Relevance

0.3.1 Monitoring user requirements

KNBS relies on a number of sources to monitor user requirements. For BOP, KNBS refers to the international recommendations as contained in the Sixth Edition of the IMF Balance of Payments and international Investment Position Manual (BPM6) and various handbooks on Balance of Payments. In addition, KNBS is in frequent consultations with institutions such as universities, KIPPRA, Ministry of Devolution and Planning, Central Bank of Kenya, Ministry of Finance, IMF, World Bank, MEFMI, UNECA, experts on statistics and on economic and social subjects, and individual researchers. KNBS monitors data needs from such data users to inform its plans for further developments of the Balance of Payments.

For special subjects, expert committees are constituted mainly from key stakeholder institutions to advise the KNBS management on different statistical domains. Stakeholders' workshops are held in which users and data providers are given a chance to articulate their interests, representatives of the KNBS can explain methodology and clarify the feasibility of proposals in discussions with the parties concerned.

Views of users of official statistics are also collected through frequent data request by emails, letters, telephone calls and office visits. Adhoc and periodic user satisfaction surveys are also conducted. KNBS also organizes for dissemination workshops during which participants are allowed to ask a few questions or make comments regarding official statistics and such feedback is used to enrich KNBS understanding of users' needs.

0.4 Quality management

0.4.1 Processes in place to focus on quality

KNBS has an established Quality Policy that has been in place since 2008 and this policy is published on the KNBS website and made publicly available in all the Bureau offices. This can be downloaded from

http://www.knbs.or.ke/index.php?option=com_phocadownload&view=category&id=23:policies-manuals&Itemid=599

The policy states that KNBS is committed to providing quality statistics and associated services effectively and efficiently. The Bureau should be customer and results-focused. The top management of KNBS is committed to the Quality Management System (QMS), modelled on the ISO 9001:2015 international standard, and shall provide the necessary resources to achieve all the set objectives and ensure effective communication and implementation of the QMS.

To keep it abreast with prevailing circumstances, this Quality Policy shall be reviewed at least once every three years.

0.4.2 Quality monitoring

As noted above the quality policy dictates that internal audits are to be carried out on a regular basis and there is an internal auditor in place for this purpose. A dedicated quality team is also in place to support and monitor the implementation of the principles within the quality policy.

1. Integrity

1.1 Professionalism

1.1.1 Impartiality of statistics

The Statistics Act 2006 provides for the organization of KNBS as a semi-autonomous government agency. KNBS is headed by a Director General, who is authorized to direct the statistical systems in the institutions of the State, and is required to act on the basis of professional independence, and scientific considerations.

The Balance of Payments statistics are produced in adherence to the internationally accepted standards, guidelines and good practices, and published according to an advanced release calendar which is available on KNBS' website in order to avoid any external pressure regarding the timing of the publication. Add a link to this

The KNBS has a reputation of professionalism, scientific approach in the compilation of statistics, and being an impartial organization. Competitive recruitment and promotion is based on relevant aptitude and/or expertise in statistics to enhance professionalism, including staff participation in regional and international seminars, courses, and workshops to further knowledge of best statistical practices and providing easy access to professional literature.

1.1.2 Selection of sources, methodology, and modes of dissemination

The BOP statistics are produced in adherence to the internationally accepted standards, in particular following the principles as outlined in BPM6.

1.1.3 Commenting on erroneous interpretation and misuse of statistics

The reactions of the media in Kenya to KNBS publications are monitored and evaluated daily through the Communications Office. Response to erroneous interpretations and misinformation are then sent to the media as need arises. Erroneous interpretation or inquiries by other users are responded to on individual basis.

1.2 Transparency

1.2.1 Disclosure of terms and conditions for statistical collection, processing, and dissemination

The Statistics Act 2006 is available to the public on the KNBS website at

<u>http://www.knbs.or.ke/index.php?option=com_phocadownload&view=category&id=23:policies-manuals&Itemid=599</u>. Hard copies of the Act are also available from the KNBS library.

During the conducting of surveys and censuses, KNBS informs respondents of the objectives of the relevant survey/census, noting that the information received will be used for statistical purposes only. In addition, KNBS informs the respondents of their rights and obligations in provision of the information being sought. Contact details of the relevant experts (mostly 2) are provided for in case of any inquiries on technical and administrative issues.

In all KNBS publications details on the contact persons, addresses, telephone numbers, e-mail addresses, and other relevant information of interest are always provided.

Whenever major revisions on methodologies and data sources are done, journalists receive methodological information on the new statistics at press conferences and other events. The information on the topic of interest is provided through presentations and information notes. The disseminated information is also uploaded on the KNBS website. An advanced release calendar is published on the website, with publication dates for all key statistics

1.2.2 Internal governmental access to statistics prior to release

KNBS releases statistics in formats and at times convenient to broad range of users, and which promote widespread access and informed debate. In this respect, the Bureau does not provide data to any institution or external person before its official release. Access to Balance of Payments data by government ministries, departments and agencies is normally provided on the same day, after the official release.

1.2.3 Attribution of statistical products

All statistics are published on KNBS website. Information about KNBS is included in all publications and the majority of publications include a forward or introduction from the Director General of the Bureau. All data published are identifiable by KNBS logo or name on the publication.

1.2.4 Advance notice of major changes in methodology, source data, and statistical techniques.

Major changes in methodology, source data, and statistical techniques are discussed by stakeholders groups, peer reviewers before released to the users in advance, and when changes are introduced. Explanations of new methods and changes in source data and statistical techniques are published on the website and in all relevant print publications. Special publications for preliminary results also make changes transparent. The Bureau makes consultations with various stakeholder groups and has the information peer reviewed before publishing. Major changes are also discussed with users well in advance (over a year, at times) in dedicated seminars.

1.3 Ethical standards

1.3.1 Guidelines for staff behaviour

All Bureau staff are bound by the Code of Conduct for KNBS employees, which states that "An employee in whom a position of public trust and authority is vested in shall exercise the trust and authority in the best interest of the people of Kenya".

All new staff attend an induction programme which includes sensitization on the guidelines and codes of conduct for staff.

Further, a strong culture for maintaining ethical standards discourages political interference.

2. Methodological soundness

2.1 Concepts and definitions

2.1.1 Concepts and definitions follow international standards

Analytical framework:

The overall structure and compilation of Balance of Payments (annual and quarterly) is in accordance with the Balance of Payments and International Investment Position Manual, Sixth Edition (BPM6). The *BPM6* was implemented in 2014, and historical series beginning 1999 were revised.

Definitions:

The **Balance of Payments** is a statistical statement that summarizes economic transactions between residents and non-residents during a period.

The data is organized in ten sub-categories presented under three main headings namely:

1. Current account

- Imports and exports of goods
- Services
- Primary income
- Secondary income

2. Capital account

- Acquisition/disposal of non-produced non-financial
- Capital transfers

3. Financial account

- Direct investment
- Portfolio investment
- Financial derivatives
- Other investment
- Reserve assets

The current account in principle is equal (with sign reversed) to the capital and financial account balance.

In constructing the BOP statement, a double-entry system is applied as a basic principle, and the net residual is embedded in the errors and omissions item.

The International Investment Position (IIP) is a statistical statement that shows at a point in time the value of financial assets of residents of an economy that are claims on non-residents; and the liabilities of residents of an economy to non-residents.

Residence of each institutional unit is the economic territory with which it has the strongest connection, expressed as its centre of predominant economic interest.

Institutional units are the economic entities capable of owning assets, incurring liabilities and making contracts. The different types of institutional units are;

- Households
- Corporations
- Nonprofit institutions serving households (NPISHs)
- General government
- International organizations

2.2 Scope

2.2.1 Scope is broadly consistent with international standards

Transaction coverage

Transactions recorded in the Balance of Payments are interactions between a resident and a non-resident institutional unit.

Exceptions to coverage

Activities not currently covered in the compilation of BOP statistics include illegal activities, receipts/payments on; computer services, research and development services, FISIM and; professional and management consulting services due to technical challenges in capturing them. Financial derivatives in the Other Investment functional category are also not included in the compilation of BOP.

Unrecorded activity

Adjustments are made for certain types of under-reporting, such as construction service payments and travel service receipts and payments.

2.3 Classification/sect orization

2.3.1 Classification/sectorization is broadly in line with international standards

Classification systems

Goods are classified according to the Harmonised commodity Description and coding System Version 2012 (EAC Common External Tariff 2012) and Standard International Trade Classification revision 4 (SITC Rev 4).

2.4 Basis for recording

for 2.4.1 Principles for valuation

Valuation:

Valuation of stocks and flows is at market prices as much as possible as recommended in BPM6. Other basis for valuation could be fair value, amortized value, face value, and book (nominal or historic) value depending on the type of instrument.

2.4.2 Recording basis

Time of recording:

Recording of flows/ transactions is on accrual basis as recommended in BPM6. Thus, in general, change of ownership as specified in BPM6 is the guiding principle governing the recognition of transactions and their time of recording, for example: the change of ownership is considered to occur at the time the partners record the transactions in their books or accounts; services are recorded when rendered (delivered or received)

2.4.3 Grossing/netting procedures

Gross and net values are computed according to BPM6. Thus, in line with the recommendations of BMP6, current and capital account transactions are recorded on a gross basis while financial account transactions are recorded on a net basis, separately for the individual asset and liability component.

3. Accuracy and reliability

3.1 Source data

3.1.1 Source data collection programmes

- Data sources
 - Foreign Investment survey
 - Informal Cross Border Trade survey
 - International merchandise trade statistics based on customs records –Kenya Revenue Authority
 - Administrative records of government line ministries
 - Administrative records of parastatals
 - Administrative records of major private enterprises
 - Monthly Foreign Exchange Statistics form (International Transactions Reporting System-ITRS) of Central Bank of Kenya
 - Data on reserve assets provided by Central Bank of Kenya

3.1.2 Source data definitions, scope, classification, valuation, and time of recording

Various economic surveys conducted by the KNBS are designed in conformity with the requirements of the BPM6 and International Merchandise Trade Statistics, Concepts and Definitions 2010 in terms of scope, coverage, valuation and time of recording principle. Where variations exist necessary adjustments are made in line with BPM6. Continuous improvements are done to address data gaps. Data from administrative and surveys relating to financial years, which do not correspond to calendar years, are adjusted to conform to calendar years.

3.1.3 Source data timeliness

Annual administrative data are available within 2 to 3 months while annual surveys data are available between 3 and 6 months. Monthly survey and administrative data are available within 2 to 3 months.

3.2 Assessment of source data

3.2.1 Source data assessment

The accuracy of survey data are routinely assessed e.g. misclassifications, editing procedures to identify outliers, consistency with other related data.

Routine assessment of information from administrative data is also done by comparing with other supplementary sources.

3.3 Statistical techniques

3.3.1 Data compilation statistical techniques

The compilation of BOP is according to the current compilation standards and guidelines outlined in the BPM6. Data sources for compilation are mainly from survey and administrative data.

Exports are valued at Free on Board (FOB) while imports are adjusted to FOB by removing Insurance and Freight from imports CIF (Cost, Insurance and Freight).

Quarterly BOP is compiled for all the four quarters of the year while independent estimates of annual BOP are also compiled. Quarterly estimates are then aligned to the annual estimates by benchmarking. In the past, quarterly BOP was included in the Quarterly Gross Domestic Product publication but the third quarter of 2016 BOP was released as a standalone publication and the same practice will continue in the future. This was necessitated by the growing demand by users for more detailed BOP statistics.

Compilation of quarterly estimates is done mostly using the same source and type of data as the annual. However, quarterly estimates are based on less comprehensive data and often contain more revisions than the annual ones.

The International Investment Position statement is not currently being compiled.

CURRENT ACCOUNT

Goods

Imports, Domestic exports and re-exports of formal trade in goods are received from Kenya Revenue Authority (KRA) from Customs administrative records. Exports and imports of electricity from Kenya Power and lighting are used to adjust trade data for coverage. Data from Informal Cross Border Trade surveys is used to make adjustments for informal trade. Information on sales of food to non-resident airlines by National Airport Services and Kenya Airways' fuel purchases abroad is used to make estimates for goods procured in ports by carriers. Insurance and freight data from KRA is used to adjust valuation of imports from CIF to FOB.

Services

Transport

Freight data from KRA is used to estimate for freight associated with sea transport. Data on stevedoring and shore handling services from Kenya Ports Authority is used to estimate for other sea transport. Estimation on Air transport for passenger, freight and other is received from Kenya Airways. Postal and courier services are estimated from data obtained from Postal corporation of Kenya and courier companies. Data from Kenya Railways is used to estimate for rail transport while the monthly foreign exchange statistics form (ITRS) from Central Bank of Kenya (CBK) is used to estimate for road transport services. Pipeline transport services are estimated from data received from Kenya Pipeline company.

Trave1

Business and personal travel services are estimated from the CBK monthly foreign exchange statistics form (ITRS).

Maintenance and repair

These are estimated from the monthly foreign exchange statistics form (ITRS) from CBK.

Construction

Data collected from the annual Foreign Investment Surveys conducted by KNBS in collaboration with CBK and Kenya Investment Authority is used to estimate for construction services.

Insurance and Pension

These are estimated from the KRA data on freight insurance and the CBK monthly foreign exchange statistics form (ITRS).

Financial services

These type of services are estimated from the monthly foreign exchange statistics form (ITRS) of CBK.

Charges for the use of intellectual property

These are estimated from the monthly foreign exchange statistics form (ITRS) of the CBK.

Telecommunication and information services

Data from Telecom Kenya and major telecommunication companies (Safaricom and Airtel) is used to estimate for telecommunication services while information services are estimated from KRA data.

Technical, trade related and other business services

Operational lease is estimated from Kenya Airways while miscellaneous business services are estimated from monthly foreign exchange statistics form (ITRS) of CBK.

Government goods and services

These kind of services which include goods and services to embassies/consulates and international organizations are estimated from the monthly foreign exchange statistics form (ITRS) of CBK. Port taxes are estimated on data from Kenya Airports Authority and Kenya Airways.

Primary Income

Direct investment income in form of dividends is estimated from the annual Foreign Investment Surveys as well as reinvested earnings. Interest on direct investment is estimated from monthly foreign exchange statistics form (ITRS) of CBK. Dividends and interest on portfolio investment is estimated from the monthly foreign exchange statistics form (ITRS) of CBK. Public interest on other investment is obtained from the National Treasury while interest associated with other investment for 'Other sectors' is estimated from the monthly foreign exchange statistics form (ITRS) of CBK. Interest on reserve assets is received from the CBK.

Secondary Income

Data on cash transfers to the general government is received from The National Treasury while data on personal transfers is estimated from

the monthly foreign exchange statistics form (ITRS). Additional data on personal transfers is obtained from CBK which is used to make adjustments for coverage. Other current transfers are estimated from the monthly foreign exchange statistics form (ITRS).

CAPITAL ACCOUNT

Other capital transfers are estimated from the budget outturn of The National Treasury.

FINANCIAL ACCOUNT

Direct Investment

Assets and liabilities in the form of equity and investment fund shares, reinvestment of earnings and debt instruments are estimated from the annual Foreign Investment Surveys.

Portfolio Investment

Assets and liabilities in this functional category in form of equity and investment fund shares and debt instruments are estimated from the monthly foreign exchange statistics form (ITRS) of CBK, and adjustments are made with data from Capital Markets Authority (Nairobi Securities Exchange).

Other Investment

Currency and deposits are estimated from the monthly foreign exchange statistics form (ITRS) of the CBK.

Loans are estimated from the monthly foreign exchange statistics form (ITRS) with adjustments done using the Foreign Investment Surveys. Estimates of loans for the general government are obtained from The National Treasury.

Insurance, pension and standardized guarantee schemes data is estimated from the Foreign Investment Surveys.

Trade credit and advances estimates are derived from the annual Foreign Investment Surveys.

Other accounts payables/ receivables are estimated from the monthly foreign exchange statistics form (ITRS) of the CBK.

Special drawing rights allocations are received from the CBK.

Data for estimation of **Reserve Assets** is obtained from the CBK.

3.4 Data validation

3.4.1 Validation of intermediate results

Quarterly BOP statistics are revised and validated when the annual estimates are compiled which have more comprehensive information such as from the annual reports and financial statements of enterprises

3.5 Revision studies

3.5.1 Revision studies and analyses

During the compilation of the quarterly and annual BOP statistics, KNBS usually examines and validates the data provided. The data examination mainly focuses on the scale, direction and magnitude. If need arises, data providers are consulted to review or to give an explanation. Revisions are discussed in the BOP publications. Revision cycles are both annually and quarterly.

4. Serviceability

4.1 Periodicity and timeliness

4.1.1 Periodicity

Quarterly, and annually

4.1.2 Timeliness

Quarterly BOP statistics are disseminated within three months (90 days) after the reference period.

Annual BOP statistics are disseminated within four to six months after the reference period (GDDS).

4.2 Consistency

4.2.1 Internal consistency

Annual BOP data is published in the KNBS annual "Economic Survey" and "Statistical Abstract" publications. The data is compiled according to BPM6. Annual BOP statistics are usually published for a 5 year series.

4.2.2 Temporal consistency

Quarterly BOP statistics are published online on the KNBS website. The KNBS website (http://www.knbs.or.ke/) disseminates all published time series data for both quarterly and annual data.

4.3 Revision

4.3.1 Revision schedule

Quarterly data for most recent quarters are preliminary and are subject to revisions, the estimates are reconciled with the annual estimates which are then published in economic survey publications of every year.

4.3.2 Identification of preliminary and/or revised data

The press release and the publications indicate that the data for the most recent quarter are provisional, and that data for other quarters in the most recent year are revised where applicable.

4.3.3 Dissemination of revision studies and analyses

The quarterly statistical release indicates that the data for the most recent quarters are preliminary and subject to revision.

5. Accessibility

5.1 Data accessibility

5.1.1 Statistical presentation

Quarterly BOP release includes the BOP statement and international merchandise trade statistics. Data are presented in charts, tables and explained in text.

Data are published in millions of Kenya Shillings, presented in the various BOP components.

5.1.2 Dissemination media and format

New releases and the quarterly bulletin, as well as other publications, are available in both hard copy and electronic format. All publications are available via the KNBS website. Data are currently published in pdf format.

Quarterly BOP statistics:

http://www.knbs.or.ke/index.php?option=com_phocadownload&view=category&id=128:gdp-2015&Itemid=599

Annual BOP statistics:

http://www.knbs.or.ke/index.php?option=com_phocadownload&view=category&id=107:economic-survey-publications&Itemid=1181

5.1.3 Data published according to a preannounced schedule

The advance release calendar for the full year is available on KNBS website,

http://www.knbs.or.ke/index.php?option=com_phocadownload&view=file&id=774&Itemid=1211

5.1.4 Simultaneous release

The data are released simultaneously to all interested parties by issuing the press release "Quarterly GDP and Balance of Payments for xx Quarter of xxxx/". This release is also available on the KNBS website.

5.1.5 Further statistics provided on request

Non-published data (but non-confidential) are made available on request for free, in accordance with the commitment to the government (Service Charter), with a response within five days.

5.2 Metadata accessibility

5.2.1 Dissemination of documentation on concepts, scope, classifications, basis of recording, data sources, and statistical techniques

For BOP statistics, metadata is provided alongside the published statistics and is available on the KNBS website.

5.3 Assistance to users

5.3.1 Dissemination of information on contact points Contacts are given in all publications, as well as on the KNBS website.

5.3.2 Availability of documents and service catalogues
All soft copy documents are available in the KNBS website in pdf
format, while hard copies can be accessed from the KNBS library.