COUTRY NOTE
INTERNATIONAL MERCHANDISE TRADE STATISTICS (IMTS), BANGKOK, 9-12 SEPTEMBER, 2008 WORKSHOP

SOURCES AND COMPILATION OF IMTS IN KENYA

PRELUDE

The collection and compilation of external trade statistics for Kenya's international trade has been one of the major functions of the Customs & Excise department since the days it was a key department under the East Africa community (1967 – 1977). Subsequently, the department came under the Ministry of Finance (1977-1995) and the Kenya Revenue Authority (KRA) from July 1995 to date.

In Kenya, external trade statistics are compiled as a by-product of customs procedures in monitoring the flow of merchandise traffic between Kenya and the rest of the world. The movement of merchandise between countries has become important the world over today.

The current global issues at hand relate to regional integration and formation of customs unions among states, which international trade statistics plays a pivotal role in their implementation. Therefore, the compilation of accurate and complete data enables policy makers to make crucial decisions

International merchandise trade statistics serve a variety of needs. Reliable and timely statistics on external trade are vital in a country's pursuit of economic, financial and budgetary policy.

It is therefore important that these statistics be as reliable and timely as possible to reflect the true picture regarding the performance of a country's economy.

Trade Data Sources

The primary source documents for compilation of international trade statistics are those generated by importers and exporters for customs purposes. For many years, the third copy of the customs declaration form (Now called the Single Entry Declaration-SED) was the sole source of raw data for external trade statistics.

However, there were delays in production of statistics as these copies were submitted monthly and data processing was done with the help of the Government Computer Services computer system, which was also supporting other departments. Moreover, this manual process was time consuming and error-prone

The customs department has since acquired a mainframe computer system (Wang) and developed a PC based system, the Trade Data Information Systems (TDIS) which was later replaced by the Customs Declaration Information System (CDIS) which boasts of a much superior functionality and currently being used along side (WANG) computer system.

Since the establishment of KRA in 1995, various reforms in the customs department, which have resulted in improvements in production of external trade statistics, have taken place. The introduction of the Boffin application software (Wang system) for data processing has tremendously improved the production of trade statistics.

a) Automated Stations

This system has now been installed in the Nairobi Long-room, Jomo Kenyatta International Airport (JKIA), Mombasa Long-room, Kilindini, Kisumu and Malaba where the bulk of customs transactions take place. These stations account for 80% of Kenya's external trade.

With the use of the Wang system, trade data for every month is transmitted electronically to Nairobi. This is after the error validation and correction procedures have been finalized at the respective stations.

b) Non Automated Stations

For non-computerized stations, a system of receiving the third copy of customs declarations is in place. The relevant data is then input into a microcomputer-based system after which the data is cleaned and merged with data from the Wang system for production of national reports.

METHODOLOGY OF COMPILATION

International merchandise trade statistics are compiled, as far as possible, according to recommendations of the United Nations (IMTS Rev.2).

a) Scope of trade statistics

i) Trade system

There are two trade system types in common use by which international merchandise trade statistics are compiled: the general trade system and the special trade system. In Kenya, trade figures are analyzed in accordance with the general trade system.

Using the national boundary as the statistical frontier, Imports under this system consist of imports for direct domestic consumption and imports into customs bonded warehouses and free trade zones. Exports are the sum of domestically produced goods and re-exports.

ii) Coverage

The national methodology of compilation and dissemination of International Merchandise Trade Statistics is based on the principle of physical movement of goods between our Economy and the rest of the World as recommended in IMTS, Rev.2

Hence as a general rule, we include in trade statistics goods which enter (imports) or leave (exports) the economic territory (except for goods in transit and temporary admissions/ withdrawals).

Imports include all goods entered directly for domestic consumption and goods imported into customs bonded warehouses.

Exports cover domestic exports and re-exports. Domestic exports are defined as goods of national origin.

Re-exports are goods which are exported in the same condition as imported or after undergoing minor processing which leave they essentially unchanged.

The following goods are some of the goods which are excluded from the compilation of foreign trade statistics:-

- Monetary gold
- Issued banknotes and securities coins in circulation
- Non-financial assets, ownership of which has been transferred residents to non-residents without crossing the border
- Goods under operational lease
- Goods in transit/transhipment
- Empty bottles
- Goods consigned to foreign diplomatic missions
- Personal effects
- Naval and military stores
- Goods entered as temporary importation for specific purposes (Tax exempt) and are to be re-exported within a specific period
- Fish and other sea products landed in Kenya from the high seas by Kenyan vessels
- Trade samples of no commercial value
- Motor vehicles imported on a triptyque (e.g. journey, excursion)

b) Valuation

This is based on WTO Agreement on Customs Valuation (ACV).

Imports are valued on C.I.F (Cost, Insurance and Freight) basis while exports are valued on F.O.B (Free On Board) basis.

C.I.F is the value at which goods are purchased by the importer, including the cost of transportation and insurance but excluding import duties, landing charges, internal taxes and similar charges levied in the country of import.

F.O.B is the value at which goods are purchased by the importer abroad and includes all relevant charges up to the time of delivery on board the exporting vessel, the amount of any levy or export tax to which the goods may be liable as well as the profit to the consignor.

c) Commodity classification

Commodities are coded according to the Harmonized Commodity Description and Coding System Nomenclature (H.S). Kenya is now applying H.S 2002 after migrating from H.S 96 in June 2002. However, for the purpose of economic analysis and to facilitate international comparison of trade by commodity data, the commodities are also classified according to the Standard International Trade Classification (S.I.T.C) revision 3. At national level, both the H.S and S.I.T.C have been extended to eight digits.

d) Currency conversion

Declaration of foreign currency in imports and exports for all practical reasons must be converted into Kenyan shillings and the exchange rate used is the prevailing one at the time of importation or exportation. The Central Bank of Kenya publishes the exchange rate.

However, for cases of importation or exportation of currency, the intrinsic value or the cost of production of the currency is the applicable value for statistical purposes and not the face value of the currency.

e) Quantity measurement

Units of measurement provide a reliable indicator of movement of goods between trading partners. They are a useful measure in comparison of international trade because of their independence from valuation difficulties arising from multiple exchange rates and inflation.

All units of quantity applied in Kenya are in metric measurements and are as much as possible, as recommended by WCO and COMESA.

f) Country of origin/destination

In the practical sense, the country of origin implies the country in which goods have been produced, grown, manufactured or undergone substantial processing.

It shows the direct relationship between the producing country and the importing country for ease of administration of import quotas or differential tariffs.

However, in compilation of external trade statistics, the country of origin for imports refers to the country of last consignment.

For exports, the country of destination of goods attributes to the country of final destination. For purposes of balance of payments or bilateral /multilateral agreements, this information is crucial.

g) Time of recording

Compilation of external trade statistics in Kenya is based on the normal calendar year, which is the standard reference period for statistics tabulated monthly and refers to the physical movement of goods across the frontiers of a country. However the actual dates refer to the time of presentation of documents to customs authorities as dates of lodgement (receiving) and acceptance (passing).

DISSEMINATION/TRADE REPORT PUBLICATIONS

Currently, the dissemination of International Merchandise Trade Statistics is through publications on quarterly and annual basis. Their compilation nevertheless is done on monthly basis.

The Monthly Trade Report (MTR) which are accumulated to obtain an Annual Trade Report (ATR) are in the following seven table format: -

i) Direct imports table
ii) Imports for home use table
iii) Domestics Exports table
iv) Country by Article (CA)/Article by Country (AC) table
v) Re-exports (by commodity) table
vi) Re-exports (by country) table
vii) Balance of trade table

These publications are available to the users and form the core of information dissemination as regards trade statistics in general. Other avenues of disseminating trade data are through hard copies and diskettes for ad-hoc data requests. With the advancement in Information Technology, the Kenya Revenue Authority is exploring the possibility of using the Internet as an alternative avenue for accessing trade data.

PROBLEMS EXPERIENCED

The Kenya Revenue Authority in collaboration with other stakeholders involved in the generation of foreign trade data are keen on improving data quality and its timeliness. The crucial task at hand is to identify data gaps and the causes of data discrepancies. In practical sense, perfect trade statistics do not exist. Errors and delays arise from:-

- Omissions owing to smuggling and other forms of non-reporting. In general, however, omissions are commodity-specific, and stem from the prohibition of trade in that commodity (e.g. drugs), from existence of traditional trade flows between countries with porous borders (e.g. livestock etc.), or from high duties and taxes (which people try to circumvent by smuggling)

- Inaccessibility to trade information on goods for military use

- Lack of information on Informal Cross Border Trade (ICBT)

- Incapability to capture data on goods acquired by all categories of travellers

- Erroneous classification of goods, values or quantities, which may be related to trade restrictions and levies.

- Estimation of goods in the form of gifts.

In addition to the above issues, we also encounter the following problems:

- Use of change of ownership between residents and non-residents as a basis for inclusion of certain goods in trade statistics.
- Compilation of detailed commodity by partner trade statistics on the basis of change of ownership.
- Definition/explanation of **drawback exports/imports** in the context of global usage/application.
- Compilation of imports by country of consignment/purchase/requested preferential treatment.
- Compilation of exports by country of sale.

To improve on the availability of accurate and timely data, a concerted effort of all stakeholders involved in the production of trade data is needed. Most delays in remission of data are related to little appreciation of importance of International trade statistics by some stakeholders.

It is envisaged that with the incorporation of the suggested recommendations (Consultation Paper) in a bid to revise IMTS Rev. 2, most of the above problems will be alleviated.