Kenya & Ethiopia: ICP Capacity

- Forms sent in advance: basis of evaluation
- Sources of data for 2005 submission
- Status of NA (summary indicators)
- Identification of “important” products in list
- Commodity balance compilation capability
- Integration of ICP/CPI prices in NA work
- Government expenditures by level of Govt
- Employment and earnings data for selected professions
General Impression:

- “POLES APART” may be an appropriate description
- Kenya: “ring” country in 2005 ICP;
- Ethiopia: not
- NA well organized and strengthening in Kenya
- Struggling in Ethiopia (staffing an issue)
- Coherence in NA & Price collection in Kenya
- Somewhat disjoint operations in Ethiopia
Identification: important products

- Not much of a difference in evaluation of National Account Division (NAD) and Consumer Price Index Division
- Much closer cooperation between NAD/CPI
- More frequent consultations on work
- Quite different to Ethiopia situation
Some SPD problems

- Both NAD & CPID found problems with products in “Africa list” (NB: global list provided)
- Pharmaceuticals: generic names: price collectors go by product availability in pharmacies (brand names etc)
- SPD for electricity was mentioned as another problem area: the product is not that clear
- Presumably: trying to identify low, medium and high end users
- CPI using price/Kwh consumed
Consumption

- More disaggregated data exist for each category in the NA
- When top down approach used: CPI weights used to breakdown to obtain basic heading level variables
- Issue: current weights based on 1997 HHBS
- New results available for KIHBS of 2005-06
- Will have to integrated these results into next round of calculations
Gov consumption

- Broken down into 3 categories
- Health (COFOG 07)
- Education (COFOG 09)
- All others

Consumption of fixed capital distributed to:
- Health, education, public administration only
Other ICP requirements

- Government salaries (Completed)
- Dwelling survey (Completed)
  - From household budget survey (KIHBS) conducted in 2005/2006
  - Had relevant data for completing the dwelling questionnaire
- Prices: machinery & equipments (completed)
- Prices: construction of buildings and civil works (completed)
Commodity flow approach

- Discussed the relevant forms with NAD (sent in advance of visit)
- The forms under focus (in excel format)
- In Kenya NA compilation, emphasis has shifted to commodity flow approach
- Project under way to compile close to 100 commodity balances
- Expected to complete by 2010/2011
- Technical assistance through capacity building project of WB
Commodity Balance Approach

- A key feature: commodity flow table is attached to each production account
- Breakdown of flows for domestically produced goods & imports
- Output (including margins & taxes)
- Uses: intermediate consumption, final consumption, GCF & exports
- Generally, not much information on stocks
Kenya

- One implication of the use of commodity flow approach in Kenya:
  - Independent estimate on expenditure side
  - Independent estimate on product side
  - For the moment, these do not match exactly
  - Some significant errors in recent years recorded
  - Large discrepancies in recent years: said to be due to foreign trade data reconciliation issues
Kenya: discrepancies

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Kenya : Commodity flows

- One key feature:

- A large number of benchmarks & assumptions – this is one of the corner stones of the method

- Advantage: facilitates easy compilation – a reliable estimate from a previous survey

- Disadvantage: when the surveys are done with large intervals and benchmarks are not updated regularly
Key data requirements

- Benchmarks (as updated as possible)
- Various markups may be problematic
- VAT estimates for products (known rates)
- Imports by product (available)
- Exports by product (available)
Capacity considerations

- Staff availability: NA unit currently operating with 4 statisticians
- No staff changes since 2006: stable
- All have had some training in NA
- Short-term consultant helping with commodity flow estimation
Kenya : Price collection part

- Well organized: well functioning
- Recently revised CPI (November 2009)
- ICP price collection : well integrated with CPI
- Retail price collection : 430 items
- CPI items: 234
- ICP items: 130 (common to CPI & ICP)
CPI prices and NA estimates

- Commodity flow examples show, many cpi based prices together with assumptions about margins used to derive basic prices needed for NA work.

- NA also use cif prices on imports and fob prices on export products.

- NB: Kenya was a ring country in 2005 ICP.

- Kenya reported prices for more products than a standard country.
Compensation of Gov Employees

• Can be provided

• However, extraction needs time

• Civil Service Commission need to be consulted

• “In kind” category poses problems

• Subsidized housing, transportation, etc not readily available in govt accounts

• May need to be estimated for selected occupations
Govt expenditure by level

- Can be easily provided for “central” (federal) level
- However, local is more difficult to extract
- Regional + municipalities data are not readily available
- Time lag in availability of such data
Handling constraints

- Good communication with COMESA, which appears to be the direct link to regional work
- Technical assistance to NAD for ICP related NA work may still be needed
- Some outside help to get the key ICP tasks done
- Training for staff required
- For commodity balances: may be ICP can utilize the work done so far.
- Commodity balances project deadline 2012. Unlikely to be available fully for ICP work
Kenya: ICP & NAD Plans

- So far: good prospects for ICP to benefit from Kenya’s own initiatives

- However, new ICP demands appear to be substantial even for a well organized statistical operation such as Kenya.

- Political considerations are also important

- ICP work has to be fitted into this framework

- Finding the right balance for the 2011 round: not a trivial task even for Kenya
Not much could be learned from National Accounts Division (NAD) about the 2005 experiences:

- entire team brand new (1 person had done some small work for ICP, but cannot recollect any details)
- Not even submission copy available to present staff (vague about an existing copy)
- Different story with prices: copy of submission and subsequent submission details available at Central Statistical Agency (CSA)
Identification: important products

- Asked both NAD and CSA separately
- Responses tabulated & compared
- Interesting perspectives:
  - CSA: 1) mostly price collection convenience 2) but, had consideration to availability and representativeness 3) criterion of 0.05% cutoff for CPI purposes
  - NAD: more adhoc approach – whether product was “seen” in markets (essentially in Addis)
Comparison of 2 responses

- Both NAD & CSA identified 214 common products as important (out of 850 +)

- For 21 products, CSA said important, while NAD said not important

- So, largely there is a substantial degree of agreement on “important” products
Comparison

- CSA also indicated important products “missing” in Africa list
- Mostly local products, but probably not that common even in the immediate neighbor countries
- Inclusion of these could lead to expansion of empty cells in regional matrix
Some SPD problems

- Like in Kenya, Ethiopia pointed out pharmaceutical product list has generic names: price collectors go by product availability in pharmacies (brand names etc)

- SPD for electricity was mentioned as another problem area: the product is not that clear (Kenya also)
Commodity flow approach

- Discussed the relevant forms with NAD (sent in advance of visit)

- The forms under focus (in excel format)

- Apparently, only a very limited use of “commodity flow” approach (for some agriculture products)

- NAD was not able to provide a single example for at least some major homogeneous commodities

- The forms are in “presentation” or “summary” mode

- The calculation process has to be in place to fill the forms
Commodity Balance Approach

- Potential there for development of approach

- Production volumes, prices, values reported for large number of agriculture products (Agriculture surveys). In “crops” alone >50 products data published

- Large and medium scale enterprise survey reports similar data for industrial products
Commodity flows

- Processed food groups alone cover > 20 items
- Rich database: covers both domestic production and imports
- Main issue: commodity flow method not well articulated in the NA
- A step-wise approach seems appropriate to adopt
Price Formation

- Interesting features
- For some agricultural commodities
- Both purchaser prices and producer prices are reported
- Agriculture surveys
- NAD use these
- Thus, challenge: to get transport margins, trade margins and taxes for price derivations
Constraints

- Staff availability (7 in ICP team out of 15 in NAD)
- Skill levels
- Other resources
Price collection part

- Similarities with Kenya
- Well organized: well functioning
- Recently revised CPI
- ICP price collection: well integrated with CPI
- Retail price collection: 11 regions
- Commodities: roughly 150 for each region
- Addis = 190 items
- 3 price quotations for each of the items from 3 different outlets
ICP Surveys

- ICP main survey (main household consumption items)
- Health Survey
- Pharmaceuticals survey and;
- Education Survey
ICP price reporting

- Price surveys at national level in 2005 and 2006
- Work discontinued in 2007 and 2008
- In 2009 & 2010 – AfDB has re-initiated activity, but restricted to capital city (Addis) only
- In 2009 – price data collected for only a few months
- 2009 – focus on price collection for common products (cpi and icp)
- 2010 – one price survey already conducted for February
- 3 more in May, August and November 2010 scheduled as agreed with COMESA
- For other months – monitoring of only common products prices
Other surveys

- NAD assigned the task of conducting surveys on compensation of employees and construction and equipment surveys

- Latter scheduled for May 21010 (to be conducted in all regions of the country)
Compensation of Gov Employees

- Can be provided
- However, extraction needs time
- Civil service commission (different branches) need to be consulted
- Lot of data on compensation of employees
- “In kind” category poses problems
- Subsidized housing, transportation, etc not readily available in govt accounts
Govt expenditure by level

- Can be easily provided for “central” (federal) level
- However, local is more difficult to extract
- Local in Ethiopia = regional + municipalities
Handling constraints

- CSA-NAD coordination through AfDB-COMESA financial and administrative arrangements appear to be a problem

- Technical assistance to NAD for ICP related NA work (a survey in June on GFCF scheduled)

- Training for staff

- Some outside help to get the key ICP tasks done
ICP Program & NAD Plans

- “Business process engineering” objectives of Gov
- Improve quality of NA both current & constant price (including methodologies, new & additional data sources, benchmarks revisions at regular intervals)
- Expand scope of NA: add income accounts, new series on quarterly NA
- Producing regional NA for 9 federal governments for analytical use
- Full plate: dictated by political considerations as well
- ICP work has to be fitted into this framework