

**Azerbaijan Republic: Report on Observance of Standards and Codes—Data
Module; Response by the Authorities; and Detailed Assessment Using Data Quality
Assessment Framework**

This Report on the Observance of Standards and Codes—Data Module for the **Azerbaijan Republic** 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 **March 20, 2003**. The views expressed in this document are those of the staff team and do not necessarily reflect the views of the government of the **Azerbaijan Republic** or the Executive Board of the IMF.

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

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AZERBAIJAN REPUBLIC

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

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March 20, 2003

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ACRONYMS

<i>1993 SNA</i>	<i>System of National Accounts 1993</i>
ACEA	Azerbaijan Classification of Economic Activities
AD	Accounting Department
AIOC	Azerbaijan International Operating Company
BIS	Bank for International Settlements
BPD	Balance of Payments Division
<i>BPM5</i>	<i>Balance of Payments Manual</i> , fifth edition
BSD	Banking Statistics Division
COFOG	Classification of the Functions of the Government
COICOP	Classification of Individual Consumption by Purpose
CPA	Classification of Products by Activity
CPI	Consumer Price Index
DQAF	Data Quality Assessment Framework
DSBB	Dissemination Standards Bulletin Board
DSLIA	Department for Supervision of Lending Institutions' Activities
EID	Economic Information Division of the National Bank of Azerbaijan
GDDS	General Data Dissemination Standard
GDP	Gross Domestic Production
GFCF	Gross Domestic Fixed Capital Formation
GFS	Government Finance Statistics
<i>GFSM 1986</i>	<i>A Manual of Government Financial Statistics 1986</i>
<i>GFSM 2001</i>	<i>Government Financial Statistics Manual 2001</i>
HBS	Household Budget Survey
ILO	International Labor Organization
IMF	International Monetary Fund
IOC	International Oil Consortium
ITRS	International Transaction Reporting System
<i>MFSM</i>	<i>Monetary and Financial Statistics Manual</i>
MOF	Ministry of Finance
NACE	General Industrial Classification of Economic Activities within the European Communities
NAD	National Accounts Department
NBA	National Bank of Azerbaijan
OECD	Organization for Economic Cooperation and Development
PPI	Producer Price Index
ROSC	Report on the Observance of Standards and Codes
SCC	State Customs Committee
SD	Statistics Department
SDDS	Special Data Dissemination Standard
SNA	System of National Accounts
SOCAR	State Oil Company of Azerbaijan Republic
SOF	State Oil Fund
SSC	State Statistical Committee of Azerbaijan Republic
TACIS	Technical Assistance to the Commonwealth of Independent States
TIMS	Treasury Information Management System

EXECUTIVE SUMMARY

This Report on the Observance of Standards and Codes (ROSC) data module provides a review of Azerbaijan's data dissemination practices against the IMF's General Data Dissemination System (GDDS), complemented by an in-depth assessment of the quality of the national accounts, consumer price index, producer price index, government finance, monetary, and balance of payments statistics using the Data Quality Assessment Framework (DQAF) developed by the IMF's Statistics Department (STA). These data are produced by the State Statistical Committee (SSC), the Ministry of Finance (MOF), and the National Bank of Azerbaijan (NBA). The assessment was carried out by a mission from STA that visited Baku during April 8–23, 2002.

The mission reached the following main conclusions:

- **GDDS and Special Data Dissemination Standard (SDDS):** Azerbaijan meets and in many cases substantially exceeds the GDDS recommendations on periodicity and timeliness for its macroeconomic statistics, although to meet SDDS requirements the data coverage would need to be extended to include central government operations with the required detail and the external debt schedule. In many areas Azerbaijan indeed meets the periodicity and timeliness of the SDDS, although—in addition to the items identified above—it would have to improve the timeliness of international reserves data, and disseminate general government operations with the required detail, as well as the reserves template. If there were a full commitment to move in this direction, few of the remaining items for SDDS subscription would be difficult to implement. If the authorities accorded it priority, and forcefully adopted an action plan, Azerbaijan should be able to subscribe within about one year.
- **Prerequisites of quality:** The three main agencies responsible for compiling macroeconomic data have broadly adequate legal powers. Appropriate data sharing arrangements are in place, although those within the Ministry of Finance (MOF) concerning the State Oil Fund (SOF) appear not yet to be fully operational. On the fiscal side, there is focus almost solely on budget execution data rather than on government finance statistics (GFS) more broadly. While resources are generally adequate, there is a shortage of computers in the SSC. A full compilation of GFS and the implementation of improvements in balance of payments statistics would expose staff shortages in the MOF and the NBA. While data quality is viewed as very important, there is at present little emphasis on formally assessing user needs. In some areas very strong timeliness (well within even SDDS prescriptions) may reflect a lack of emphasis on other aspects of quality.
- **Integrity:** Staff are experienced and professional, have high ethical standards, and in most cases use data sources impartially. Resolution of restrictions on access to comprehensive data from the SOF would improve this further. There appears to be limited pre-release governmental access to national accounts, monetary and fiscal data,

and prices data. It would aid transparency if this pre-release were formally disclosed to the public.

- **Methodological soundness:** Azerbaijan has made great strides in producing statistics broadly in line with the *System of National Accounts 1993 (1993 SNA)*, the *Monetary and Financial Statistics Manual (MFSM)*, and the *Balance of Payments*, fifth edition (*BPM5*). Azerbaijan should complement these achievements by putting a high priority on adopting best practice methodology on the fiscal side, as set out in the *Government Financial Statistics Manual 2001 (GFSM 2001)*. Also national accounts could be improved, for instance, by producing subannual estimates as discrete quarterly values, and producing quarterly GDP volume figures using the same fixed base year. Classification of GFS and of selected components of the balance of payments should be brought into conformity with international guidelines.
- **Accuracy and reliability:** Source data are generally comprehensive, with elaborate data collection programs, and the statistical techniques employed mostly follow sound statistical procedures. National accounts would be improved by calculating volume figures for the oil industry using value added rather than production weights for the enterprises. The quality of the Consumer Price Index (CPI) is at present affected by the fact that no items have been added to the basket since 1993. Government operations data are becoming progressively more complete, with extrabudgetary funds excluding the SOF available since January 2002, and SOF funds also scheduled to be included. The International Transactions Reporting System (ITRS) for balance of payments statistics should be modified to ensure completeness of reporting.
- **Serviceability:** As noted above, periodicity and timeliness of dissemination are generally in line with GDDS recommendations, and in some cases meet the prescriptions of the SDDS. Datasets are generally consistent with each other. Consistency with past data is not always assured, in view of a number of statistical breaks that have occurred in recent years, for instance on government and monetary statistics. Also, presentation of sub-annual aggregates on a cumulative basis makes time series difficult to derive. The PPI series is new, so long time series are not yet available. National accounts clearly identify preliminary and revised data, while GFS and price indexes do not.
- **Accessibility:** Statistics are disseminated in a variety of forms, although in some areas presentations are not very detailed, and financial constraints seem to limit the availability of some publications. Non-government users are rarely formally consulted as to their needs. Metadata are not generally easily available. Websites, while a welcome and very important innovation, are in some cases still new, and their potential is not yet fully realized.

I. INTRODUCTION

1. The data module of this Report on the Observance of Standards and Codes (ROSC) provides a summary of Azerbaijan's practices on the coverage, periodicity, and timeliness of the data categories against the IMF's General Data Dissemination System (GDDS). It is complemented by an assessment of the quality of national accounts, consumer and producer price indexes, and government finance, monetary, and balance of payments statistics using the Data Quality Assessment Framework (DQAF) developed by the IMF's Statistics Department (STA). This report is based on information provided prior to and during a staff mission from April 8–23, 2002,¹ as well as publicly available information.
2. Section II includes an overview of the GDDS and an assessment of Azerbaijan's data dissemination practices against the GDDS. Reference is also made in cases where the authorities meet the requirements of the IMF's Special Data Dissemination Standard (SDDS). Section III presents a summary assessment of the quality of the principal macroeconomic datasets, following the dataset-specific assessment frameworks. Finally, Section IV sets out recommendations to achieve further improvements in Azerbaijan's statistics.

II. DATA DISSEMINATION PRACTICES AND GENERAL DATA DISSEMINATION SYSTEM

3. Azerbaijan's data dissemination practices are assessed against the GDDS. This section therefore reviews the coverage, periodicity and timeliness of core macroeconomic statistical frameworks and indicators disseminated by Azerbaijan (see Table 1). The plans for improvement posted on the IMF's Data Standards Bulletin Board (DSBB) as part of the GDDS are also reviewed. The other dimensions of the GDDS (quality, integrity, and access) are addressed through the DQAF in section III.

Data dimension: coverage, periodicity, and timeliness

4. Azerbaijan started posting its metadata on the IMF's DSBB in February 2001. Macroeconomic statistics are mainly produced by three institutions: the State Statistical Committee (SSC) is responsible for the compilation of the national accounts, prices and other economic statistics; the Ministry of Finance (MOF) is responsible for the compilation of government finance statistics; and the National Bank of Azerbaijan (NBA) is responsible for the compilation of monetary and balance of payments statistics.
5. Azerbaijan provides access to macroeconomic data through a variety of publications and the following Internet websites:

¹ The mission team was headed by Mr. Emmanuel Kumah and included Ms. Candida Andrade, Messrs. José María Cartas, Russel Freeman, and Ms. Nataliya Ivanyk (all STA), Mr. David Hughes (expert), and Ms. Petra Costolanski (STA-Administrative Assistant). Mr. Charles Enoch (STA) joined the mission for the period April 17–23.

- State Statistical Committee: <http://www.statcom.baku-az.com>
- Ministry of Finance: http://www.minfin_az.com
- National Bank of Azerbaijan: <http://www.nba.az>

6. Azerbaijan meets or exceeds the GDDS specifications for coverage, timeliness and periodicity of the main frameworks and indicators in all sectors, with the following exceptions:

- In the fiscal sector, there is not full coverage of the central government aggregates, in particular financing is not fully disseminated.
- In the external sector, Azerbaijan should disseminate the public and publicly guaranteed debt schedule at least twice a year, within three to six months of the reference period.

For timeliness in particular, Azerbaijan in many areas already exceeds the GDDS specifications by a wide margin.

7. Plans for improvement form an integral part of the GDDS. The following plans are posted on the IMF's DSBB as of April 2002:

- **National accounts:** The plans for improvement are: (i) to bring the industrial classification into line with international standards; (ii) to improve the estimates for the oil industry; (iii) to estimate informal activities separately for each industry; (iv) to improve the estimates of inventory valuation adjustments; (v) to express quarterly GDP estimates as discrete values; (vi) to calculate constant price estimates at a more disaggregated level; (vii) to seasonally adjust the quarterly estimates; (viii) to produce financial accounts for each sector; (ix) to introduce consolidated report forms; (x) to introduce ad hoc surveys to improve the estimates for informal activities. Most of these plans have been implemented. However, discrete quarterly GDP estimates are still not being produced. Also, though improvements have been made to the value added estimates for the oil industry, further decomposition of the volume figures is required, and the authorities are treating this issue as a matter of urgency.
- **CPI:** The plans for improvement are: (i) to introduce the latest Classification of Industrial Consumption by Purpose (COICOP) into both the Household Budget Survey (HBS) and the CPI; (ii) to update the CPI item sample; (iii) to adopt a new index calculation system; and (iv) to introduce self correcting imputation procedures for seasonal and missing prices. The last has been introduced, and the HBS introduced the latest COICOP from the beginning of 2002. The introduction of this classification system to the CPI, the updating of items, and the new calculation system are planned to be completed during the August 2002 rebase.

- **GFS:** The MOF plans for improvement include setting up a new budget classification system in line with international standards, as part of the implementation of the new Treasury system. This project, to be implemented with technical and financial assistance from external partners, entails the full computerization of treasury operations. Improving the recording of the government debt (domestic and external) has already been implemented. The development of joint procedures with the NBA to estimate external private debt is yet to be undertaken.
- **Monetary Sector:** The plans for improvements are: (i) to introduce a new chart of accounts for the NBA that conforms to international accepted accounting standards; (ii) to expand the monetary statistics published in the monthly *Bulletin*; and (iii) to include the credit unions in the monetary survey. The NBA migrated fully to its new chart of accounts in January 2002. The *Bulletin* has been improved, but this is an on-going process that needs further development. Finally, there is no need to expand the coverage, because since August 2000 the credit unions have been restricted from taking deposits.
- **External Sector:** Plans for improvement are: (i) to prepare preliminary estimates of capital transfers of migrants from the information provided by the SSC on the number of migrants; (ii) to review data on international reserves for consistency with the international standard and to revise them where necessary; (iii) to undertake comparisons with the trade data of neighboring countries (mirror statistics); (iv) to extend the present list of currencies for which the exchange rates are calculated; (v) to prepare and disseminate a detailed methodology of compiling the exchange rate; and (vi) to initiate compilation of the international investment position. Starting from data for 1999, the international investment position is published in the IMF's *International Financial Statistics*.

8. Over the medium term, Azerbaijan may well aspire to subscribe to the IMF's SDDS. Current dissemination practices were therefore also reviewed against SDDS requirements. Amongst the issues that Azerbaijan would have to address before subscribing, in addition to those identified regarding the GDDS, are:

- On the **fiscal sector**, coverage and dissemination with the required detail need to be significantly improved.
- On the **external sector**, Azerbaijan needs to disseminate the reserves template and improve the timeliness of international reserves data.

Table 1. Azerbaijan: Overview of Current Practices Regarding Coverage, Periodicity, and Timeliness of Data Compared to the General Data Dissemination System

GDDS Data Category	Coverage (meets GDDS)	Periodicity		Timeliness	
		GDDS	Azerbaijan	GDDS	Azerbaijan
COMPREHENSIVE FRAMEWORK					
Real sector: National Accounts	Yes	A	Q	10-14 mths	2 weeks
Fiscal sector: Central govt. operations	Yes	A	Q	6-9 mths	4-6 weeks
<i>General govt. operations</i>	Yes	A	Q	6-9 mths	4-6 weeks
Central govt. debt	Yes	A	Q	6-9 mths	4-6 weeks
Financial sector: Broad money survey	Yes	M	M	2-3 mths	1 month
External sector: Balance of payments	Yes	A	Q	6-9 mths	75 days
DATA CATEGORIES AND INDICATORS					
Real Sector					
GDP (nominal and real)	Yes	M, Q, A	Q	6-9 mths	2 weeks
Gross national income, capital formation, saving	Yes	A	A	6-9 mths	12 months
Manufacturing or industrial production index/indices.	Yes	M	M	6 wks	2 weeks
Primary commodity, agricultural, or other indices, as relevant	No	As relevant		3 mths	2 weeks
Consumer price index	Yes	M	M	1-2 mths	15 days
<i>Producer price index</i>	Yes	M	M	1-2 mths	15 days
Employment	Yes	A	M	6-9 mths	2 months
Unemployment	Yes	A	M	6-9 mths	35 days
Wages/earnings (all sectors)	Yes	A	M	6-9 mths	35 days
Fiscal Sector					
Central govt. budgetary aggregates: revenue, expenditure, balance, and financing with breakdowns (debt holder, instrument, currency)	No	Q	Q	1 qtr	4-6 weeks
<i>Interest payments</i>	Yes	Q	Q	1 qtr	4-6 weeks
Central govt. debt: domestic and foreign debt, as relevant, with appropriate breakdowns (debt holder, instrument, currency)	Yes	Q, A	Q, A	1-2 qtrs	4-6 weeks
<i>Government guaranteed debt</i>	Yes	A	A	1-2 qtrs	4-6weeks
Financial Sector					
Broad money and credit aggregates	Yes	M	M	1-3 mths	1 month
Central bank aggregates	Yes	M	M	1-2 mths	1 month
Short- and long-term govt. security rates, policy variable rate	Yes	M	M	In high-frequency publication	1 month
<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>	N/A	M	N/A	In high-frequency publication	N/A
External Sector					
Balance of payments aggregates	Yes	Q, A	Q	6 mths	75 days
Public and publicly guaranteed external debt outstanding, with maturity breakdown	Yes	Q	Q	1-2 qtrs	1 month
Public and publicly guaranteed debt service schedule	N/A	Twice yearly	N/A	3-6 mths	N/A
<i>Private external debt not publicly guaranteed</i>	N/A	Annual	N/A	6-9 mths	N/A
Gross official reserves denominated in U.S. dollars	Yes	M	M	1-4 wks	1 month
<i>Reserve-related liabilities</i>	N/A	M	N/A	1-4 wks	N/A
Total exports and total imports	Yes	M	M	8 wks-3 mths	1 month
<i>Major commodity breakdowns with longer time lapse</i>	Yes	M	M	8 wks-3 mths	1 month
Exchange rates: spot rates	Yes	Daily	Daily	In high-frequency publication	Next business day

Italics indicate encouraged categories

III. SUMMARY ASSESSMENT OF DATA QUALITY

9. Interest in assessing the quality of data derives from the objectives of complementing the GDDS with a consideration of the quality of the data being disseminated and of focusing more closely on the quality of the data that underpin surveillance of countries' economic policies. Against this background, STA has developed a tool to provide a structure and a common language to assess data quality. The DQAF comprises a generic framework,² and a set of dataset-specific frameworks. The frameworks cover five dimensions of data quality—integrity, methodological soundness, accuracy and reliability, serviceability, and accessibility—and a set of prerequisites.³

10. An assessment of six macroeconomic datasets (national accounts, consumer price index (CPI), producer price index (PPI), government finance (GFS), monetary, and the balance of payments statistics) was conducted using the frame of reference provided by the dataset-specific DQAF. The information resulting from the application of this framework to the Azerbaijan statistical system is presented below, following the structure of the DQAF. Conclusions are also presented in the form of standardized summary tables in which the assessment of data practices is made on a qualitative basis, using a four-part scale (see Table 2).

11. The data provided to the Fund are considered by the Fund's European II Department broadly adequate to conduct effective surveillance. Nevertheless, the mission identified shortcomings in the quality of some of the statistics that have the potential for detracting from the accurate and timely analysis of economic and financial developments and the formulation of appropriate policies.

Prerequisites of quality

This category in the DQAF identifies conditions within the agency in charge of producing statistics that have an impact on data quality. The elements within the category refer to the legal and institutional environment, resources, and quality awareness.

12. The SSC has the mandate, under the Law on Statistics (1994), to compile and disseminate real sector statistics. However, the Azerbaijan International Operating Company (AIOC) is not legally obliged to provide data. Resources are broadly adequate, but restrictions in finance mean that not enough copies of publications can be printed. The SSC recognizes the importance of quality, but some data suffer because of the requirement to publish early, way beyond the requirements of the SDDS.

² Information on data quality can be found at the IMF website on the "Data Quality Reference Site" (<http://dsbb.imf.org/dqrsindex.htm>).

³ See also the Generic Framework set out in Appendix II of the accompanying Detailed Assessments volume to this report.

13. Statistics on the government operations are produced by the Treasury Operations Department of the **MOF**. The collection of statistics is mandated by the Law on Statistics and the Law on the Budget System. Data sharing with the State Oil Fund (SOF) is regulated under the Presidential Decree No. 511 and the draft of the new Budget System Law (in discussion in Parliament in April 2002), but sharing arrangements are yet to be put in place. Staff and technological resources are broadly adequate to produce budget execution data, but may need to be supplemented to ensure the compilation of quarterly government finance statistics (GFS) according to international standards. Staff involved in compiling government finance statistics need substantial training in the GFS system set out in the *Government Financial Statistics Manual 2001 (GFSM 2001)*. Processes focus on the quality of the collection and processing of budget execution data, while processes to monitor dissemination aspects of government finance statistics are yet to be developed.

14. The Law on the National Bank (1996) and the Law on Banks and Banking Activity (1996) provide the **NBA** with the legal framework for the collection and dissemination of monetary statistics. Reporting is mandatory and subject to penalties in case of noncompliance, and the confidentiality of data is guaranteed by the Law on Statistics and the Law on the National Bank. The basic sources of information are the balance sheets of the commercial banks and the NBA, which comply with international accounting standards. Through regular contacts with other central banks, the NBA looks for guidance to improve the data collection process. Its staff are highly qualified and with a long experience in monetary statistics. Through its annual tactical plans, drawn within the framework of a long term strategic plan, the Statistics Department (SD) aims at the efficient use of its resources. The NBA plans to introduce by the fourth quarter of 2002 a fully automated statistical system, and to concentrate all activities related to the compilation and dissemination of monetary statistics in the SD.

15. The Resolution of the Cabinet of Ministers No. 25 of February 8, 1995 “Compilation of the Balance of Payments Statistics of the Azerbaijan Republic” designated the **NBA** as the compiling and disseminating agency for the balance of payments statistics, with power and functions that are stipulated in the Law on the National Bank and the Law on Statistics. Data sharing and coordination among the data producing agencies are adequate and confidentiality provisions are sound. Staff are experienced and highly qualified. However, in view of the tasks to improve the quality of the balance of payments and international investment position statistics, the staff resources and computing technology support of the Balance of Payments Division (BPD) are not entirely adequate. Recently, within the framework of the strategic development plan for 2001–2004, the NBA’s senior management endorsed the implementation of advanced computing technology for data processing that will achieve resource savings and data quality improvements.

Integrity

Integrity identifies features that support firm adherence to objectivity in the collection, compilation, and dissemination of statistics so as to maintain users' confidence. Elements refer to the professionalism and ethical standards that should guide policies and practices, which should be reinforced by their transparency.

16. The statistical policies and practices of the **SSC** are guided by professional and ethical standards. Sources are selected and data compiled on an impartial basis. Procedures are generally transparent, although there is some limited pre-release access to statistics, which is not publicly announced. Also, no advance notification is given of major changes in methodology, though they are clearly identified when implemented.

17. The **MOF** compiles treasury data on an impartial basis, but choices of sources are not informed solely by statistical considerations, in particular at present with regard to revenue invested in the SOF. Internal governmental access to data prior to public release is not fully disclosed. Staff are professional and guided by ethical standards. The Law on Public Servants, approved in July 2000 provides formal ethical guidelines for the MOF staff. Professionalism of the staff compiling government finance statistics is actively encouraged.

18. The Law on the National Bank guarantees the independence of the **NBA**. The staff of the Economic Information Division (EID) work in an environment that fosters the integrity of the statistics. Ethical standards are set high, and are well known by the staff. The laws on Statistics, the National Bank, and the Banks and Banking Activities are broadly disseminated and posted on the internet. However, the NBA's website (www.nba.az) does not contain specific information on the terms and conditions under which monetary statistics are compiled. The Board of the NBA and the SSC have access to monetary data prior to their general dissemination, but the public is not aware of it.

19. The **NBA** is governed by the Law on the National Bank, which guarantees the independence of the institution. The NBA does not provide balance of payments statistics to any government authorities prior to their publication. Professionalism of balance of payments compilers is actively promoted. Procedures are in place at the NBA to ensure transparency of policies and practices. The NBA's *Bulletin* and its *Annual Report*, in which balance of payments statistics are published, are clearly identified as products of the NBA.

Methodological soundness

Methodological soundness refers to the application of international standards, guidelines, and agreed practices. Application of such standards, which are specific to the dataset, is indicative of the soundness of the data and fosters international comparability. Elements refer to the basic building blocks of concepts and definitions, scope, classification and sectorization, and basis for recording.

20. The **national accounts** are firmly based on the *System of National Accounts 1993 (1993 SNA)*. However, the published constant price estimates are measured cumulatively at the prices of the same period of the previous year. The expenditure estimates are derived using 1995 as the base year. It is also planned to use a fixed base year for the production estimates; however the base year will be 1997. Financial accounts are not yet published, but are being developed. Classifications and sectorization conform to international standards. Most flows and stocks are recorded at market prices, but imports and exports are converted from US dollars using average quarterly exchange rates rather than actual transaction rates. All government transactions, including taxes and subsidies, are recorded on a cash basis.

21. The concepts and definitions used in the **CPI** are generally in line with international standards. The weights are derived from data consistent with household final consumption in the national accounts, and prices collected have good geographical coverage. Market prices are collected with the required frequency, and grossing and netting procedures are followed where applicable.

22. The **PPI** follows international guidelines using weights that are generally consistent with the *1993 SNA*, and prices that are at basic market producers' values. These indexes are based on a modified Laspeyres formula and use the standard European systems for industry and product classification. Both economic activity-based indexes and product-based indexes are produced, covering mining and quarrying, manufacturing and electricity production as of April 2002, with plans to extend the coverage to include agriculture, transport, construction and distribution. These are chain indexes, using December of the previous year as a base, and are rebased annually.

23. The overall structure of **budget execution data** approximates international guidelines recommended in the *Manual of Government Finance Statistics 1986 (GFSM 1986)*. However, country-specific concepts and definitions, particularly those included in the budget, differ from international guidelines. The scope of the data is not comprehensive because it does not yet cover part of the oil revenues invested in the SOF. Given the importance of these revenues in the total government operations, the non-coverage of these operations is a significant departure from international guidelines. Also, until the end of 2001, some subsidies were netted out against tax liabilities. The MOF intends to prepare the budget for 2003 including all extrabudgetary funds, according to the Budget System Law under discussion by Parliament. Execution data prepared by the Treasury for 2002 already include all extrabudgetary funds except for the SOF and all taxes and subsidies on gross basis. The budget classification of expenditure is a mix of functional, economic and administrative classification and does not allow the compilation of expenditures by function as recommended in international guidelines. The MOF plans to set up a new budget classification system which has already been drafted in line with the recommendations of the *Manual on Government Finance Statistics 2001*, as part of the implementation of the new Treasury Information Management System. This project, to be implemented with technical and financial assistance from external partners, entails the full computerization of treasury operations.

24. The EID prepares a monthly monetary survey that consolidates the balance sheet of the **NBA** and the consolidated balance sheet of the 53 commercial banks operating in the country. Not included in the survey are 63 credit unions, which since August 2000 are restricted from taking deposits and participation of which in the total volume of loans is less than one percent. The principles underlying the classification of financial instruments and the sectorization of institutional units follow the recommendations of the Fund's *Monetary and Financial Statistics Manual (MFSM)*. The distinction between residents and nonresidents agrees with the concept of "center of economic interest" recommended by the *MFSM*. Both the NBA and the commercial banks apply market prices when valuing financial assets and liabilities, record on an accrual basis, and present assets and liabilities on a gross basis.

25. The overall structure of the **balance of payments** statistics is in broad conformity with the guidelines presented in the *BPM5*, except for some deviations from the definitions of the foreign direct investment component, international reserves, and the treatment of net errors and omissions. In principle, all transactions with nonresidents are covered. The main source for the balance of payments statistics is the International Transactions Reporting System (ITRS) that aggregates reports from all the commercial banks and from enterprises with foreign accounts abroad. However, some transactions, such as repairs on goods and migrants' transfers (not included in customs statistics), and reinvested earnings are not covered. Some components, such as goods for processing, and subcomponents of reserve assets are not identified separately. Under the current ITRS arrangements, banks have to classify transactions in accordance with instructions modeled along the classification framework recommended by the *BPM5*. Loans guaranteed by the government should be reclassified to the relevant sectors. Transactions are, where possible, valued at market prices at the time that legal ownership changes. In general, balance of payments data are recorded on an accrual basis.

Accuracy and reliability

Accuracy and reliability identifies features that contribute to the goal that data portray reality. Elements refer to identified features of the source data, statistical techniques, and supporting assessments and validation.

26. Source data are generally comprehensive and meet the needs of the **national accounts**. However, data for the SOF are not currently collected, although this is unlikely to have a significant impact on GDP, and a questionnaire is being developed. Data are generally recorded cumulatively during the year, but the quarterly enterprise surveys collect revised figures up to the end of the previous quarter. Appropriate statistical techniques are usually employed. One exception is that the volume figures for the oil industry should be calculated using value added rather than production weights for the enterprises. Also, imputed rent for owner-occupied dwellings is derived using national aggregate data, which may overstate the result. There are some limitations in the deflation of production data for services. Taxes and subsidies at constant prices are obtained using the implicit value added deflator, which could give an inaccurate result. Currently, estimates for informal activity are based on expert

knowledge, but undertaken separately for each industry. However, a more reliable methodology, based on data from the labor force survey, is being developed. Checks are made of all data and the statistical discrepancy between the production and expenditure data is published. Revision studies are made and any identified biases are applied in correcting the preliminary figures.

27. The **CPI** weights are derived from an annual household budget survey (HBS) covering Azeri households, and include production for own consumption, other than owner-occupied dwellings. The classification system is being updated to the most recent Classification of Individual Consumption by Purpose (COICOP), and prices are measured weekly for all food items and otherwise mostly monthly. Arithmetical price averaging is used in the calculations and the index formula is a modified Laspeyres. There is a need to include new items and to cross check weighting data against other sources. The conversion of HBS data to CPI weights is flawed, and this issue needs to be addressed during the August 2002 revision.

28. The **PPI** weights are derived from the annual business surveys which are both timely and achieve coverage in the order of some ninety five percent of in-scope businesses. The compilation is statistically sound, with missing prices being estimated using price changes of similar products and new items being introduced at the beginning of each year. Prices are carefully checked for unusual movements and against the CPI. There is a problem with measuring oil prices in an accurate and timely manner, and this leads to an annual revision in the oil sector index, but efforts are being made to solve this problem.

29. Detailed and timely monthly **government operations data** are available for the budget sector, and, since January 2002, for extrabudgetary funds, excluding the SOF. Debt data are available on a quarterly basis. These data would also be available for compiling annual and quarterly GFS covering the general government, but quarterly GFS are not compiled. Annual GFS are compiled with a substantial lag owing to the low priority assigned to this task. No estimation of missing data is undertaken in the compilation of annual GFS. Government operations data are revised as needed, by incorporating revisions detected in the cumulative data produced. Preliminary annual data are replaced by actual data, following the approval of the budget execution report data by Parliament (about six months after the end of the fiscal year). No formal studies are made of such revisions.

30. **Monetary statistics** are compiled on the basis of the balance sheets of the NBA and the commercial banks. Commercial banks report their monthly data within ten days after month-end. The Accounting Department of the NBA produces its balance sheet on a daily basis and transmits it to the SD the following day. The chart of accounts of the banking system, the basis for the production of the balance sheet, has been revised three times during the last five years, to adapt it from the old Gosbank system to internationally accepted accounting standards. Most consistency checks are performed manually by the EID, comparing aggregated balance sheet data with the sectoral distribution of loans and deposits, checking the net position with the central government, and also the consistency with balance

of payments statistics. The EID does not receive information that would permit cross checking of individual interbank positions.

31. The NBA employs an elaborate data collection program for the **balance of payments** statistics that is comprised of the ITRS and a survey of the oil sector enterprises. These sources are supplemented with customs information from the State Customs Committee (SCC), data on the international services and foreign direct investment (FDI) in the non-oil sector that are derived from surveys conducted by the SSC, and data on the external loan liabilities from the MOF. In general, the ITRS conducted by the NBA is dependable. Errors, inconsistencies, and large or unusual transactions are identified and followed up with the respondents or with the agency responsible for the data. However, the open-type ITRS report form does not provide a check of the completeness of reporting, and should be substantially modified. In addition, sound validation procedures should be developed for the SSC surveys on foreign trade in services and FDI. The NBA has developed specific procedures to adjust data from various sources. In general, the estimates conducted by the NBA, notably on shuttle trade, freight, and direct investment income in the oil sector, employ sound statistical techniques. However, the detail provided by the AIOC is insufficient to permit an appropriate estimation of direct investment income flows. The data received from the various sources are timely.

Serviceability

Serviceability focuses on practical aspects of how well a dataset meet users' needs. Elements refer to the extent to which data are relevant, produced, and disseminated in a timely fashion with appropriate periodicity, are consistent internally and with other datasets, and follow a predictable revisions policy.

32. There is a user group to support the **national accounts** program, but it has not met for a year. Timeliness and periodicity follow GDDS recommendations and, in fact, conform to the requirements of the SDDS. The GDP estimates are reasonably consistent, with the statistical discrepancy between production and expenditure generally being less than three percent. Consistent national accounts are available since 1990 and are reconcilable with other datasets. The estimates are generally only revised once when the annual figures are first produced, and this is well known to users. Preliminary and revised data are clearly identified in the publications. The results of revision studies are not made public.

33. The **CPI** is available monthly and by the middle of the following month. A consistent series is available back to 1995 and revisions are not normally undertaken. The figures are consistent with other datasets such as the national accounts.

34. The primary users of the **PPI** are the national accounts and other divisions within the SSC, but the needs of a broader group of users are not directly addressed, although the series are published in considerable detail. The data on the economic activity-based indexes and product prices are available monthly, and by the middle of the following month. The series is new, so no long term consistent data are available yet, and the revisions policy is still being

established. The figures are consistent, both within the PPI framework and with other datasets such as the national accounts.

35. **Government finance statistics** are not disseminated in sufficient detail for fiscal policy analysis. Statistics are mainly produced for the government's use, and there are no processes to seek the views of users on the practical utility and the analytical usefulness of the data disseminated. Data periodicity and timeliness meet and, in the case of central government debt, exceed the GDDS recommendations. However, data on financing are not disseminated with the recommended breakdowns (by currency, maturity, debt holder, or instrument, as relevant). Automated checks are undertaken to assess the internal consistency of the statistics produced. However, improvements in coverage and classifications in recent years make reconciliation of historical series very difficult. Statistics are consistent with monetary and balance of payments statistics. Revisions to monthly data are not made known to the public, since data are published on a cumulative basis.

36. The NBA does not have an active policy of regular consultation with users on the quality and relevance of its **monetary statistics**. Monetary data are disseminated on a monthly basis, and posted on the NBA's website before the end of the following month. Monetary statistics are consistent within the dataset. Data published tend to be of a final nature but, if needed, revisions are carried out, although the public does not have access to documentation on these revisions. The *Bulletin* does not indicate either breaks in time series or changes in methodology.

37. Data on the **balance of payments** are disseminated quarterly within 75 days following the reference period, which exceeds the GDDS timeliness and periodicity recommendation. While the NBA monitors closely the government's needs in the balance of payments statistics, there is no established process of consultation with broader group of users. Annual balance of payments statistics dating from 1995 and quarterly data for 2001 are available in time series format, utilizing *BPM5* classifications. There is consistency with monetary and financial statistics, merchandise trade statistics, and government external debt data, which are used as data sources. The current account data are consistent with the rest of the world account in the national accounts. All disseminated data are considered to be final and there is no written policy on revisions.

Accessibility

Accessibility deals with the availability of information to users. Elements refers to the extent to which data and metadata are clear and easily available and to which assistance to the user is adequate to help them find and use the data.

38. The publication of the quarterly **national accounts** is not very detailed, but the annual publication, in Azeri and English, is clear and comprehensive. Only a printed publication of the quarterly estimates is produced, even though there is strong user demand for these data to be put on the website. There is no preannounced release schedule and the monthly GDP total is given to the Prime Minister in advance of other users. Unpublished, but nonconfidential,

data can be supplied on request. There is comprehensive metadata on the GDP estimates and there are plans to produce metadata for the rest of the figures. Shorter descriptions of the accounts are also published. All publications identify appropriate contact persons and there is an annual catalogue.

39. Although the **CPI** and **PPI** are published in a regular and timely manner, the general public have a problem accessing these data on a monthly basis as the monthly publication has restricted circulation. Sources and methods documentation on the CPI and summary metadata are available on the IMF website, but need to be updated to include recent improvements. Metadata and sources and methods documentation for the PPI need to be completed as soon as possible.

40. The **MOF** publishes monthly data on the budget execution (revenues and expenditure) in its bulletin *Finance and Accounting* in Azeri, with an English table of contents. Only the cumulative latest month's data are published in this bulletin, with historical data published in the SSC quarterly and yearly publications. The MOF website was set up in early 2002, in Azeri and English, and includes annual data on budget revenue and expenditure, following the budget classification. There is no preannounced schedule for the release of budget execution data. Detailed documentation of concepts, scope, classifications, basis of recording, data sources, and statistical techniques do not exist. Information in this regard is only available—in summary format—on the DSBB. Contact persons are identified on the IMF website and in the bulletin.

41. **Monetary statistics** are accessible in Azeri and English through the NBA's monthly *Bulletin* and its *Annual Report*, which are also posted on the NBA's website. Additionally, the EID produces a *Quarterly Economic Survey*, which is intended for internal use only. There is a deadline for the production and publication of the *Bulletin*, but the public is not aware of it. Nonpublished but nonconfidential data are available upon request. The methodological notes contained in the *Bulletin* need to be reviewed in order to better meet users' needs. Metadata with contact persons on monetary statistics are available on the Fund's website, but the NBA's *Bulletin* only lists as a contact the bank's central telephone number and an extension.

42. The dissemination format for the **balance of payments** statistics is adequate. Publications in NBA's monthly *Bulletin* and NBA's *Annual Report* include an analysis of balance of payments data; charts and tables are disseminated with the data to facilitate analysis. Current period developments are compared with the relevant period of previous year. Various levels of detail are available. The data are released simultaneously to all interested parties through the publication on the website and of the hardcopy edition. Documentation of the methods used for compiling the balance of payments statistics is published in the *IMF Balance of Payments Statistics Yearbook*, and in the GDDS metadata posted on the DSBB. However, the needs of users for more comprehensive document on sources and methods are not being met at present.

Table 2. Azerbaijan: Data Quality Assessment Framework—Summary Presentation of Results

Element	National Accounts (NAS)	Consumer Price Index (CPI)	Producer Price Index (PPI)	Government Finance Statistics (GFS)	Money-tary Statistics (MS)	Balance of Payments Statistics (BPS)	Comment: Para. No. *	Plans for Improvement**
0. Prerequisites of quality								
0.1 Legal and institutional environment	O	O	O	LO	O	O	13, 16	0.1 GFS: Put in place procedures of the Memorandum of Understanding between the MOF and SOF starting with data for the first quarter of 2002.
0.2 Resources	LO	O	O	LO	O	LO	13, 15	0.2 MS: Introduction of a fully automated statistical system and concentration of all activities related to compilation and dissemination of monetary statistics in the Statistics Department. (by the fourth quarter of 2002).
0.3 Quality awareness	LO	O	O	LO	O	O	13	
1. Integrity								
1.1 Professionalism	O	O	O	LO	O	O	17	
1.2 Transparency	LO	LO	LO	LO	LO	O	17, 18	
1.3 Ethical standards	O	O	O	O	O	O	16	
2. Methodological soundness								
2.1 Concepts and definitions	O	O	O	LO	O	LO	23, 25	2.1 GFS: Approve new budget classification system in line with international guidelines by end 2002. BOP: The data on international reserves will be reviewed for consistency with the international standards and revised where necessary.
2.2 Scope	LO	O	O	LNO	O	LO	20, 23, 25	2.2 NAS: Sector financial accounts are currently being developed. PPI: Scope to be extended to include agriculture, transport, construction and distribution. GFS: Include all extrabudgetary funds in the budget law for 2003. BOP: Medium-term plans to prepare preliminary estimates of capital transfers of migrants, from the information provided by the SSC on the number of migrants and on average prices of apartments sold in different cities and regions.
2.3 Classification/sectorization	O	O	O	LNO	O	LO	23, 25	2.3 GFS: (See above on new classification system).
2.4 Basis for recording	LO	O	O	LO	O	LO	20, 25	2.4 GFS: Explicitly include all subsidies explicitly in the 2003 state budget.

Table 2. Azerbaijan: Data Quality Assessment Framework—Summary Presentation of Results

Element	National Accounts (NAS)	Consumer Price Index (CPI)	Producer Price Index (PPI)	Government Finance Statistics (GFS)	Monetary Statistics (MS)	Balance of Payments Statistics (BPS)	Comments : Para. No. *	Plans for Improvement**
3. Accuracy and Reliability								
3.1 Source data	LO	O	O	LO	O	O	26, 29	3.1: NAS: Discussions are underway with the AIOC to improve the reported data. GFS: (See above on SOF-related operations). BOP: Implement the new Treasury Information Management System.
3.2 Statistical techniques	LNO	LO	O	LO	O	LO	26, 27, 29, 31	3.2 NAS: Improved estimates for informal activities will be introduced with the publication of the 2001 accounts. CPI: Improvements will be made during August 2002. GFS: Put in place a fully automated data processing system as part of the Treasury Information Management System. BOP: Medium-term plan to implement advanced computing technology for data processing that will improve resource savings.
3.3 Assessment and validation of source data	O	O	O	O	O	LO	31	
3.4 Assessment and validation of intermediate data and statistical outputs	O	O	O	O	O	O	27	
3.5 Revision studies	O	O	O	LO	LO	LO	29	
4. Serviceability								
4.1 Relevance	LO	LO	LO	LNO	LO	LO	32, 33, 34, 35, 36, 37	4.1 GFS: Align budget classification with international guidelines as a step towards meeting the needs of a broad spectrum of users.
4.2 Timeliness and periodicity	O	O	O	O	O	O		
4.3 Consistency	O	O	O	LO	O	O	35	4.3 BOP: Quality of merchandise trade data will be further improved by undertaking comparison with the trade data of neighboring countries (mirror statistics).
4.4 Revision policy and practice	O	O	LO	LO	LNO	LNO	34, 35, 36, 37	
5. Accessibility								
5.1 Data accessibility	LO	LNO	LNO	LNO	LO	O	38, 39, 40, 41	5.1 GFS: Continue improvements on recently established website of the MOF.
5.2 Metadata accessibility	O	O	LNO	LNO	LNO	LO	39, 40, 41, 42	
5.3 Assistance to users	O	O	O	LO	LO	LO	39, 40, 41, 42	

* Paragraph numbers refer to Section III, Summary Assessment of Data Quality, in the present document.

** Authorities' plans as of April 23, 2002.

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

IV. STAFF'S RECOMMENDATIONS

43. Based on the results of the data quality assessment, discussions with the Azerbaijan authorities in the statistics-compiling agencies, and responses from data users, the following measures are proposed to increase further Azerbaijan's adherence to international statistical standards. Recommendations are subdivided into "short term" and "medium term."

General Recommendations

Short term

- Formalize interaction with a broad spectrum of users.
- Update metadata on IMF's DSBB and link to national websites. Give all users advance notification of early data release and major changes in methodology, e.g., the revised estimates for informal activities. Expand the use of the institutions' websites to disseminate data on a timely basis.

Medium term

- Work toward SDDS subscription.

National Accounts

Short term

- Express the sub-annual estimates as discrete quarterly values, using the revised figures reported in the enterprise surveys for the next quarter.
- Publish quarterly real GDP estimates using the same fixed base year, e.g., 1995, and change the base every five years.
- Use value added as weights for estimating the value of production at constant prices, whenever available, e.g., for the oil producing enterprises.
- Improve the estimates of intermediate consumption for AIOC by obtaining reliable data from the company or using what they do report as an indicator of growth, if it is representative of the total.

Medium term

- Review the methodologies used to derive volume estimates for the service industries.
- Investigate the feasibility of calculating imputed rent for owner-occupied dwellings using data for regions/districts.

Consumer Price Index

Short term

- Incorporate the required methodological improvements in conjunction with the next rebase which should, for example, include the introduction of new items and the correct use of HBS data.

Producer Price Index

Short term

- Prepare and disseminate documentation on sources and methods.

Medium term

- In line with SSC plans, continue to expand the scope of the PPI, taking account of the needs of users.

Government Finance Statistics

Short term

- Expand the coverage of government statistics by including all the operations already recorded by the Treasury Operations Department (budget and extrabudgetary). Publish details of domestic and foreign financing, and of debt outstanding, as recommended in the GDDS. Dissemination of quarterly data is strongly encouraged.
- Clearly assign the responsibility and authority for collecting, processing, and disseminating government finance statistics (GFS), along with staff and computer resources.
- Implement the new budget classification system currently under discussion, in order to comply with the recommendations of the *GFSM 2001*.
- Further expand the coverage of government statistics to include the oil revenues collected and invested in the SOF, starting with data for 2003.

Medium term

- Develop a medium-term plan for adopting the framework and classification system recommended in the *GFSM 2001*. Ensure that the new Treasury Information Management System has the capability of generating comprehensive GFS.
- Disseminate all fiscal data in a single publication, with tables showing budget (and extrabudgetary) and GFS presentations. Relevant annotations should be included to facilitate reconciliation and to identify breaks in the time series.

Monetary Statistics

Short term

- Increase quality controls in the processing of the data reported by the commercial banks.
- In the publications of the NBA, and on its website, indicate the name and telephone number of a contact persons for monetary statistics.

Medium term

- Introduce automatic consistency checks and flaggings, seasonal adjustment of series, and other quality controls of source and intermediary data.

- Improve the quality of the monthly *Bulletin* through a clearer identification of the source of its tables, expanded methodological notes, analysis of recent economic developments, and explanation of the most relevant changes in the published data.

Balance of Payments Statistics

Short term

- Revise methodology for compiling the reserve assets by excluding the SOF assets of the government, and reclassifying them into the other investment assets of the government.
- Assign responsibilities for compilation of the nonguaranteed external debt of depository corporations, enterprises, and individuals following the concepts and definitions of the *External Debt Guide*.
- In cooperation with the international oil consortia, modify the survey form for oil sector enterprises to require sufficient detail for recording oil exports at market prices at the time of change of ownership, and for calculation of direct investment income on the basis of internationally accepted methods.
- Improve the scope and classification of balance of payments statistics by identifying separately errors and omissions, goods for processing, transportation services by modes of transport, insurance services, reinvestment earnings, and subcomponents of reserve assets.

Medium term

- Improve the reliability of the present ITRS, a task force from the BPD and representatives from commercial banks should be established, and commensurate resources to undertake this task allocated.
- Evaluate and, if necessary, improve statistical techniques used for the surveys on services and FDI transactions conducted by the SSC.
- Develop and publish documentation on sources and methods.
- In line with the authorities' plans to increase efficiency, introduce advanced computing technology for data compiling and processing.
- Strengthen the methodology on travel, both with respect to the estimation of shuttle traders and the information on per capita expenditures of travelers.

INTERNATIONAL MONETARY FUND

AZERBAIJAN REPUBLIC

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

Response by the Authorities

March 20, 2003

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**I. STATE STATISTICAL COMMITTEE
OF THE AZERBAIJAN REPUBLIC**

THE CHAIRMAN

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February 10. 2003
No. 2-14

Ms. Carol S. Carson, Director
Statistics Department
International Monetary Fund
Washington, D.C. 20431

Dear Ms. Carson:

The State Statistical Committee of the Azerbaijan Republic has examined the final version of the data and the attached detailed assessment, which includes factual corrections made by the State Statistical Committee, and we wish to report that we do not have any comments and we have no objection to publication of the ROSC report.

Sincerely yours,

Sgd:

A. Veliev

INTERNATIONAL MONETARY FUND

AZERBAIJAN REPUBLIC

Detailed Assessments Using the Data Quality Assessment Framework (DQAF)

Prepared by the Statistics Department

Approved by Carol S. Carson and John Odling-Smee

March 20, 2003

This document contains a detailed assessment by dataset of the elements and indicators that underlie the data quality dimensions discussed in Azerbaijan's Report on the Observance of Standards and Codes (ROSC)—Data Module. Azerbaijan's current data dissemination practices against the General Data Dissemination System (GDSS), background information on the GDSS and the Special Data Dissemination Standard (SDDS), the generic framework used for the assessment of the quality of Azerbaijan's macroeconomic statistics, and the results of the users' survey are included as appendices.

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Acronyms

<i>1993 SNA</i>	<i>System of National Accounts 1993</i>
ACEA	Azerbaijan Classification of Economic Activities
AD	Accounting Department
AIOC	Azerbaijan International Operating Company
BIS	Bank for International Settlements
BPD	Balance of Payments Division
<i>BPM5</i>	<i>Balance of Payments Manual</i> , fifth edition
BSD	Banking Statistics Division
COFOG	Classification of the Functions of the Government
COICOP	Classification of Individual Consumption by Purpose
CPA	Classification of Products by Activity
CPI	Consumer Price Index
DQAF	Data Quality Assessment Framework
DSBB	Dissemination Standards Bulletin Board
DSLIA	Department for Supervision of Lending Institutions' Activities
EID	Economic Information Division of the National Bank of Azerbaijan
GDDS	General Data Dissemination Standard
GDP	Gross Domestic Production
GFCF	Gross Domestic Fixed Capital Formation
GFS	Government Finance Statistics
<i>GFSM 1986</i>	<i>A Manual of Government Financial Statistics 1986</i>
<i>GFSM 2001</i>	<i>Government Financial Statistics Manual 2001</i>
HBS	Household Budget Survey
ILO	International Labor Organization
IMF	International Monetary Fund
IOC	International Oil Consortium
ITRS	International Transaction Reporting System
<i>MFSM</i>	<i>Monetary and Financial Statistics Manual</i>
MOF	Ministry of Finance
NACE	General Industrial Classification of Economic Activities within the European Communities
NAD	National Accounts Department
NBA	National Bank of Azerbaijan
OECD	Organization for Economic Cooperation and Development
PPI	Producer Price Index
ROSC	Report on the Observance of Standards and Codes
SCC	State Customs Committee
SD	Statistics Department
SDDS	Special Data Dissemination Standard
SNA	System of National Accounts
SOCAR	State Oil Company of Azerbaijan Republic
SOF	State Oil Fund
SSC	State Statistical Committee of Azerbaijan Republic
TACIS	Technical Assistance to the Commonwealth of Independent States
TIMS	Treasury Information Management System

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, price, government finance, money and banking, and balance of payments statistics was gathered from publicly available documents and information provided by the Azerbaijan officials. This information, which is organized along the lines of the generic DQAF (see Appendix III), was used to prepare the summary assessment of data quality elements, based on a four-part scale of observance, shown in Azerbaijan's Report on the Observance on the Standards and Codes (ROSC)—Data Module.

I. NATIONAL ACCOUNTS STATISTICS

0. Prerequisites of quality

0.1 Legal and institutional environment

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

The national accounts are compiled and disseminated by the State Statistical Committee of the Azerbaijan Republic (SSC), which is governed by the "Law of the Azerbaijan Republic on Statistics" (dated November 16, 1994)¹. Article 2 of this law establishes the SSC as the main organization responsible for producing official statistics, and Article 5 holds it responsible for (i) disseminating statistical information of broad interest to the public; (ii) guaranteeing the reliability and objectivity of statistical information; and (iii) assuring the accuracy, quality, and timeliness of the data produced. This responsibility is firmly established and has never been challenged by any organization.

0.1.2 Data sharing and coordination among data producing agencies are adequate

Article 6 of the Law on Statistics guarantees the SSC's access to administrative records and other data produced by legal entities, including the data produced by government ministries and the National Bank of Azerbaijan (NBA). Important areas of statistics are covered by other agencies, such as the NBA, which compiles monetary data and balance of payments statistics; the Ministry of Finance (MOF), which is responsible for compiling budget statistics; and the State Customs Committee, which compiles international merchandise trade data. The Law on Statistics gives the SSC primary and coordinating roles in the development of the country's statistical program. The SSC maintains close contact with the other agencies. These contacts ensure that the data are obtained on a timely basis and at the required level of detail.

¹ Referred to in the rest of the text as the "Law on Statistics."

0.1.3 Respondents' data are to be kept confidential and used for statistical purposes only

Confidentiality of the data reported to the SSC is guaranteed under Article 11 of the Law on Statistics. The SSC is planning an amendment to this Law that will remove some problems. For example, the Law actually states that the data should be kept secret, which implies complicated and costly procedures for its collection and retention. So, the word “secret” is to be replaced by the word “confidential”. Also, the Article has provision for law enforcement agencies to obtain these data, under certain conditions, and the planned amendment will remove this provision. Survey forms clearly state that reported data are subject to the confidentiality rules under the Law.

Staff are required to keep individual data confidential, subject to dismissal should breaches occur, and they are required to sign a form on joining the SSC that confirms that they are aware of this provision. Access to individual data is restricted to the appropriate staff, both as regards the actual forms and to the computer records. Due to lack of suitable equipment, questionnaires are destroyed by tearing up rather than shredding.

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

Article 6 of the Law on Statistics empowers the SSC to obtain data from registered economic units and households, including commercially confidential data. However, the Azerbaijan International Operating Company (AIOC) has the legal right not to submit data to the SSC. In cases of violation or noncompliance with the Law, Articles 15 and 16 provide for substantial penalties, including disciplinary, administrative or criminal sanctions. In order to encourage voluntary response, the SSC has reduced the reporting burden on small enterprises, and now requests data quarterly rather than monthly and for all respondents, the total number of report forms has been reduced by over two thirds. Full assistance is available to assist respondents in completing questionnaires.

0.2 Resources

0.2.1 Staff, financial, and computing resources are commensurate with statistical programs

The National Accounts Department (NAD) has 30 staff working in the national accounts, government finance and banking statistics, and “shadow economy” divisions. It also includes two divisions of the Computing Center. There are nine people compiling national accounts estimates, which is adequate for current requirements. However, the broader responsibilities of the NAD could endanger the proper focus on improving the quality of the national accounts statistics.

There is no formal internal training program in national accounts. As a result, most knowledge of national accounts methodology is gained through experience and on-the-job training. However, the NAD takes every opportunity to have its staff participate in international training opportunities, including the training courses conducted by the IMF.

Computing resources are generally adequate, but more staff have to share computers than is desirable, and there is a problem in the age of the personal computers. These problems result in the use of out of date software, especially in the regional offices.

Budget limitations create some problems, for instance in the number of publications that can be produced. However, salary rates were significantly increased two years ago. This has improved the quality of recruited staff and reduced turnover.

0.2.2 Measures to ensure efficient use of resources are implemented

The SSC Board, comprising the chairman, deputy chairpersons and the head of the Computing Center, provides overall supervision of the organization of statistical work and oversees strategic plans for statistical development. It coordinates the activities of the various departments and gives advice on priorities, determines the requirements for adequate funding, establishes priorities concerning the collection of the data, and ensures that compatible methodologies, classifications and conventions are followed within the SSC.

0.3 Quality awareness

0.3.1 Processes are in place to focus on quality

Management of the SSC is fully aware of the importance of quality and strives to instill this attitude into its staff. This is demonstrated by the professionalism and obvious desire to solve problems. In addition, quality is maintained by a careful review of the figures—with particular attention paid to anything that looks unusual—prior to final tabulation of the national accounts.

0.3.2 Processes are in place to monitor the quality of the collection, processing, and dissemination of statistics

The SSC regularly reviews and plans improvements to its internal processes. More formal five year plans for the development of statistics are also produced and approved by the President of the Republic. The SSC heads a Users Committee comprised of heads of ministries, agencies and academics, but this does not meet very frequently—the last meeting was in March 2001.

0.3.3 Processes are in place to deal with quality considerations, including tradeoffs within quality, and to guide planning for existing and emerging needs

Technical issues are discussed and approved by the Methodology Council, comprising the SSC senior staff, who meet on a weekly basis to monitor current work. However, timeliness of statistics is dictated by the traditional needs of users rather than by considerations of quality. This means that there is the potential for the quality of the statistics to suffer because of the requirement for their early release.

1. Integrity

1.1 Professionalism

1.1.1 Statistics are compiled on an impartial basis

The Law on Statistics guarantees the professional independence of the SSC and is used to stop any interference from other agencies. The Chairman of the SSC is appointed directly by the President. Professionalism is actively promoted in the recruitment and career development of staff.

1.1.2 Choices of sources and statistical techniques are informed solely by statistical considerations

Article 1 of the Law on Statistics provides the statutory basis for independently selecting sources and methods required to produce and disseminate national accounts data.

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

The SSC responds, as appropriate, to specific criticism of its estimates by external users usually through the news 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 publicly available Law on Statistics specifies the terms and conditions under which statistics are collected, processed and disseminated. Methodological documents such as sources and methods for compiling gross domestic product (GDP) estimates are also provided.

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

The national accounts figures can be released to the Prime Minister before other users, but this fact is not publicized.

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

All outputs of the SSC are clearly identified as such.

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

No advance notification is given, but major changes are clearly identified and explained when introduced.

1.3 Ethical standards

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

Presently, there are no formal ethical guidelines for official statistics, but the NAD staff are highly professional and responsible workers. Staff are not allowed to undertake outside employment, to avoid any potential conflicts of interest.

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 national accounts conform to international standards in that they are firmly based on the *System of National Accounts 1993 (1993 SNA)*.

2.2 Scope

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

The NAD produces 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. It also produces sets of accounts for each sector up to the capital account. Financial accounts are currently being developed and will be produced for 2002 by the end of 2003.

The NAD produces quarterly value added and GDP at current and constant prices by activity. However, the constant price figures are expressed in terms of the prices of the corresponding period of the previous year, rather than being expressed in the average prices of the whole of the previous year. The NAD is planning to produce constant price figures with a base year of 1997 by the end of 2002. Quarterly expenditure estimates of GDP are also produced at current and constant prices. Here, the constant price figures are calculated in terms of 1995 prices, as well as those of the same period of the previous year.

Annual supply and use tables are not currently produced, but tables will be produced for 2001—planned for July 2003.

The delimitation of the constituent units of the economy is generally in accordance with the *1993 SNA*. For instance, data for Azerbaijan embassies in other countries are included. There are no free zones/bonded warehouses/factories operated by offshore enterprises under customs control, so this is not an issue. However, production data for workers operating for part of the year in another country are not covered.

The production boundary is defined in accordance with the *1993 SNA*. In general, the NAD staff apply *1993 SNA* concepts - for example, own-account production of goods for own final consumption, and output of goods for own-account fixed capital formation are included in the output measurement. Presently, estimates are not compiled for illegal output sold to willing buyers.

The asset boundary is fully in line with the *1993 SNA*. Defense related assets that could be used for civilian purposes are included in gross fixed capital formation (GFCF). The same situation applies to valuables. Agricultural work-in-progress is calculated in conformity with the *1993 SNA*. This is reasonable, since reliable estimates of the value of the harvest can be produced at the beginning of the year. Thus, adjustments can be made to output and changes in inventories for the quarters preceding the harvest. Intangible assets are also included in GFCF (that is, mineral exploration, whether successful or not; computer software and data bases used for more than one year; entertainment, literary or artistic originals; and patented entities).

2.3 Classification/sectorization

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

The *1993 SNA* is followed in classifying institutional units, transactions and other flows. The Azerbaijan Classification of Economic Activities (ACEA), which is fully consistent with NACE,² is used to classify establishments and enterprises to industries; the Classification of Products by Activity (CPA) is used for products; the Classification of Individual Consumption by Purpose (COICOP) is used for household consumption as from 2002; and the Classification of the Functions of the Government (COFOG) is used to classify functions of government.

² Nomenclature Générale des Activités Économiques dans les Communautés Européennes (In English: General Industrial Classification of Economic Activities within the European Communities).

2.4 Basis for recording

2.4.1 Market prices are used to value flows and stocks.

- Market output is valued at basic prices.
- Output for own use is valued at equivalent market prices.
- Sales and excise taxes are included in the valuation of intermediate consumption.
- Nondeductible value added taxes are included in the valuation of intermediate consumption.
- The deductible part of the value added taxes is excluded from the valuation of final uses.
- Corrections are made when transfer prices are detected, that is, for oil exports.
- Total imports and exports are valued on a *free on board* basis.
- Imports and exports are currently converted to the national currency, manat, using the quarterly average U.S. dollar mid-point exchange rate, rather than the rate prevailing in the market at the moment each transaction takes place.
- Azerbaijan does not have a system of multiple official exchange rates.

2.4.2 Recording is done on an accrual basis

Transactions are mainly recorded on an accrual basis, with the important exception of government transactions, which are all recorded on a cash basis.

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 recorded as output and intermediate consumption.

3. Accuracy and Reliability

3.1 Source data

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

There is a State Business Register, which is considered to be of very good quality. This is because new businesses must obtain an identification number from the SSC prior to registering with the Ministry of Justice. Such registration is required for interaction with administrative bodies and financial institutions. The register also covers individual producers and small holdings. It is believed that some enterprises do not register, but these are few and small in size.

The Business Register classifies economic units using the five-digit ACEA economic activity code. It also stores information on the number of employees and the value of production for each establishment. The register is kept up to date through an annual census covering enterprises of all size. Details are also checked against tax records, Land Use Committees (for small holdings) and the Ministry of Justice records (for enterprises). These procedures ensure that defunct businesses are removed from the register. The coverage of total economic activities (in terms of value added) by regular business statistics is considered to be good, with only 10–15 percent of total GDP being missed. The missing activities are concentrated in agriculture and the service industries.

All enterprises are fully covered in the annual surveys. There is complete coverage of large and medium sized enterprises in monthly and quarterly surveys. No adjustments are currently made for nonresponse, since such procedures are too time consuming to be done manually and the SSC does not have the resources to set up a computerized system. Small enterprises (for example, those with less 50 employees in the production and transport industries; and those with less than 25 employees in the trade and services industries) are sampled quarterly, but fully covered annually. A proper random sampling technique is used, which is based on employment. Grossing of respondents' data is undertaken using the value of production from the annual surveys.

Data collected are generally sufficiently detailed to meet the requirements of the national accounts. However, 'other costs' are equally split between intermediate consumption and value added, even though the NAD reviews and authorizes all SSC survey questionnaires every year and has the opportunity to make changes.

The current forms collect data on a cumulative basis, and are required to be submitted within five days of the end of the month or quarter. The quarterly forms also ask for revised figures for the period to the end of the previous quarter. This means that accurate discrete quarterly figures could be derived, but this is not currently done. The annual returns completed by all enterprises do not have to be supplied until around three months after the end of the year. Revisions reported in these annual surveys are allocated to the last month/quarter of the year.

A new household budget survey (HBS), developed with World Bank assistance, is conducted on a quarterly basis. This covers all geographic areas and all households, with the exception of those headed by foreign nationals. Own-account consumption is covered as well as purchases, and valuables are separately identified.

The data for government covers all activities. This includes the operations of extra-budgetary funds except for the State Oil Fund (SOF), which has only operated since December 2000, although a report form for this fund is currently being developed. The figures also cover all defense related expenditures; local government and municipalities; and data on capital stocks. The data are detailed enough to measure output, intermediate consumption, fixed capital formation, and final consumption expenditure of government services.

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

Source data are consistent with the definitions, scope, and classifications required for the national accounts. They are also consistent with the time of recording, reference periods, and valuation needed for the national accounts estimates.

3.1.3 Source data are timely

Most source data are received on a timely basis but, in some cases, reminders are needed.

3.2 Statistical techniques

3.2.1 Data compilation employs sound statistical techniques

The production estimates are compiled at the 2-digit level of the NACE classification. However, source data are available up to the 4-digit level of this classification. For each industry, intermediate consumption is broken down into 128 product groups, based on the CPA, but adapted to local needs. In general, output and intermediate consumption, and hence value added, are derived directly from source data without any need to use benchmark data. However, 2000 is the latest year for which intermediate consumption for the AIOC is available, and even that was based on limited data, so its ratio to output has had to be used for all subsequent periods. Value added for the AIOC is, therefore, estimated for 2001 onwards. This is of concern given the economic importance of the oil industry. Other limitations with data from the oil companies mean that the SSC has to calculate output from data on quantities and prices. The SSC has set up a working group with representatives of the oil companies to improve their data reporting.

Intermediate consumption is only collected in the annual surveys, so, the quarterly estimates have to be derived using the intermediate consumption to output ratio from the previous year. This is a common procedure in many countries and does not cause any concerns. However, the NAD use the ratios at each level of aggregation, not just for the detailed breakdowns. For instance, the 2000 ratio for the total oil industry has been used for the 2001 figures, as well as for its components. This means that the components do not add up to the total for intermediate consumption and, hence, value added. It is strongly advised that the ratios should be applied at the most detailed level only, and all aggregates calculated by addition.

Imputed rent of owner-occupied dwellings is calculated from collected data on floor space and actual rental rates. However, only a single calculation is done using national figures, even though the figures are available for regions. Work-in-progress is correctly recorded in the accounts, after proper adjustment for holding gains. The estimates for consumption of fixed capital are derived from the depreciation figures supplied by producers. Long runs of balance sheet data are available on which to base the perpetual inventory method, which would be preferable, though the introduction of this method would require technical

assistance. As noted in section 2.4.2, no adjustments are made to convert government data from a cash to an accruals basis.

For agriculture and the production industries, constant price figures are based on quantities. These estimates are calculated at a very detailed level and are, therefore, quite reliable. On the other hand, only a single quantity series is used for oil, even though separate figures are available for the two producing organizations, which have quite different rates of growth. More accurate constant price estimates would be produced if the growth in quantities for each of the oil producers was applied to their respective figures for value added.

Output for the trade industry is deflated by the CPI for goods to give constant price growth in value added, which conforms to international standards. Extensive use is made of employment numbers to produce constant price values for service industries. Taxes and subsidies on products are currently deflated by the total value added deflator. However, the *1993 SNA* recommends that base year rates for each tax and subsidy should be applied to the constant price value of the related transaction. With the NAD approach, changes in the rate of taxes and subsidies will be reflected in the volume figures rather than being recorded as a price change, as required by the *1993 SNA*. So, even without a breakdown of taxes and subsidies, it would be better to apply growth in total value added at constant prices to the base period value for taxes less subsidies. The figures are shown at comparable prices, that is, cumulative in terms of the prices of the corresponding period of the previous year. This is the standard approach in CIS countries, but does not conform to international recommendations.

The expenditure components of GDP are derived independently from the production estimates. The classifications applied to these estimates are those recommended in the *1993 SNA*. There is no reliance on benchmark data for any of the expenditure components. Government final consumption is calculated net of receipts from incidental sales of goods and services. Household final consumption is based on the HBS, with adjustments made for the under-coverage of the HBS, by using data on retail sales. Expenditure by Azerbaijan residents abroad and by non-resident visitors to Azerbaijan is correctly treated in household consumption, imports and exports. Data on valuables are included in capital formation rather than household consumption, as recommended by the *1993 SNA*. Estimates of the expenditure components at constant prices are in line with international recommendations, using detailed breakdowns whenever possible.

Sub-annual estimates are shown as cumulative throughout the year rather than for discrete periods as recommended internationally. GDP estimates are produced monthly as well as quarterly. The sub-annual figures are not currently seasonally adjusted and the NAD would require technical assistance to undertake this procedure.

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

Adjustments are made to cover informal and hidden activities, but not those that are illegal. These adjustments are made separately for each relevant industry and account for around

10–15 percent of total formal GDP. Currently, the estimates for informal activity are based on expert knowledge, though a system using the results of Labor Force Surveys is being developed. These figures are being derived for the year 2001, though it has not yet been decided how they will be carried back to earlier years.

3.3 *Assessment and validation of source data*

3.3.1 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 planning

Detailed assessment of survey data is undertaken by the survey teams. Sampling is only used for small enterprises and then only quarterly. The NAD does not routinely investigate sampling or nonsampling errors in the survey data. However, all source data are routinely compared with previous figures and unusual movements are queried.

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

3.4.1 Main intermediate data are validated against other information where applicable

Only limited checks against other data sources are possible. For instance, oil production data cannot be readily compared against export data because of long lags in customs declarations.

3.4.2 Statistical discrepancies in intermediate data are assessed and investigated

Any discrepancies in intermediate data are investigated.

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

The difference between GDP measured from the production and that from the expenditure approach is investigated and shown explicitly in the published accounts. Supply and use tables for 2001 are to be produced in 2003.

3.5 *Revision studies*

3.5.1 Studies and analyses of revisions are carried out routinely and used to inform statistical processes

The differences between the preliminary and final annual estimates are routinely assessed for each series. When a regular bias is found for a particular series, the preliminary figures are suitably adjusted.

4. Serviceability

4.1 Relevance

4.1.1 The relevance and practical utility of existing statistics in meeting users' needs are monitored

The SSC has an established user group; however, it does not meet regularly. Systematic reviews of the national accounts program, to ascertain whether it meets user needs, are not conducted. However, the NAD makes every effort to satisfy user requests for improvements.

4.2 Timeliness and periodicity

4.2.1 Timeliness follows dissemination standards

The subannual GDP estimates are published around two weeks after the end of the period—well within Special Data Dissemination Standard (SDDS) requirements. Preliminary annual GDP figures are, therefore, also published two weeks after the end of the year, conforming to the General Data Dissemination Standard (GDDS).

4.2.2 Periodicity follows dissemination standards

The periodicity of the GDP estimates is quarterly, in line with GDDS recommendations, and also conforms to the requirements of the SDDS.

4.3 Consistency

4.3.1 Statistics are consistent with the dataset

The statistical discrepancy between the production and expenditure measures of GDP is generally less than three percent. The subannual estimates are fully consistent with the annual figures.

4.3.2 Statistics are consistent or reconcilable over a reasonable period of time

Consistent national accounts datasets are available from 1990.

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

GFS data are the main source for the national accounts estimates for the government sector. The SSC also includes data it collects from municipalities, which are not currently covered by the GFS.

Operating data for the commercial banks are reported directly to the SSC rather than via the NBA, which has no interest in such information. However, the data for the financial accounts, currently being developed, are obtained from the NBA.

International trade data are obtained from the NBA and include adjustments for informal activities. However, they have to be converted from U.S. dollars to manat by the NAD.

4.4 *Revision policy and practice*

4.4.1 Revisions follow a regular, well-established, and transparent schedule

The GDP estimates are usually only revised once when the annual figures become available. This is a well established process, known to all users.

4.4.2 Preliminary data are clearly identified

Preliminary figures are clearly identified in the publications.

4.4.3 Studies and analyses of revisions are made public

The routine analyses of revisions are not made public, but any unusual revisions are explained.

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 quarterly GDP estimates are published with a description of the movements. Only limited details for the latest period are published. The annual publication is far more comprehensive and contains a full set of annual figures from 1990.

5.1.2 Dissemination media and formats are adequate

Annual and quarterly data are disseminated in printed publications. The annual publication is in Azeri and English, while the quarterly release is only in Azeri. A limited range of annual figures is also included on the website www.statcom.baku-az.com, again in Azeri and English. Quarterly figures are not on the website, even though there is strong user demand.

5.1.3 Statistics are released on a preannounced schedule

There is no preannounced publication schedule. However, the quarterly estimates are normally released on the 15th or 16th of the following month, and this is well known to

users. On the other hand, the annual publication is released when it is ready, which can vary significantly from year to year.

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

The quarterly and annual figures are made available to all users at the same time, except that the Prime Minister gets early access to the GDP estimates.

5.1.5 Nonpublished (but nonconfidential) subaggregates are made available upon request

Unpublished, but nonconfidential, figures can be supplied on request. A charge is made if the request involves additional work.

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 SSC published a detailed methodological guide of a range of its statistics in 2001, in Azeri only. Some 150 pages of this publication were mainly devoted to a comprehensive description of the GDP estimates. There is an established program to document the rest of the national accounts.

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

As well as the above detailed guide, a shorter description is also included in the annual publication and in the *Statistical Yearbook*, which is in Azeri and English. Additionally, guides on specific issues are published to meet user demands, in Azeri only.

5.3 Assistance to users

5.3.1 Contact person for each subject field is publicized

All publications contain the names and telephone numbers for specific contact persons in the NAD.

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

There is an annual catalog of the SSC's publications, in Azeri and English.

Table 1. Azerbaijan—Data Quality Assessment Framework: Summary Presentation of Results for National Account Statistics
(Compiling Agency: State Statistical Committee of Azerbaijan Republic)

Element	NA	Assessment			Comments on Assessment	Plans for Improvement and Target Dates
		O	LO	LNO		
0. Prerequisites of quality						
0.1 Legal and institutional environment		X				Planned amendment to Law on Statistics to remove Courts' right of access to respondents' data.
0.2 Resources			X		Insufficient resources for full dissemination.	
0.3 Quality awareness			X		Quality affected by hasty releases.	
1. Integrity						
1.1 Professionalism		X				
1.2 Transparency			X		Limited unannounced prerelease access.	
1.3 Ethical standards		X				
2. Methodological soundness						
2.1 Concepts and definitions		X				
2.2 Scope			X		Constant price figures are expressed at the prices of the same period of the previous year. Financial accounts are not produced.	Sector financial accounts are currently being developed.
2.3 Classification/Sectorization		X			Imports and exports are converted from US dollars using average quarterly exchange rates; government transactions are recorded on a cash basis.	
2.4 Basis for recording			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 1. Azerbaijan—Data Quality Assessment Framework: Summary Presentation of Results for National Account Statistics
(*Compiling Agency: State Statistical Committee of Azerbaijan Republic*)

Element	NA	Assessment			Comments on Assessment	Plans for Improvement and Target Dates
		O	LO	NO		
3. Accuracy and reliability						
3.1 Source data			X		Some data do not meet the needs of the national accounts.	Discussions are underway with the AIOC to improve the reported data.
3.2 Statistical techniques			X		Problems with the techniques in some specific areas, e.g., calculation of the data for the oil industry; improvements could be made to the quality of the estimates for informal activities.	Improved estimates for informal activities will be introduced with the publication of the 2001 accounts.
3.3 Assessment and validation of source data		X				
3.4 Assessment and validation of intermediate data and statistical outputs		X				
3.5 Revision studies		X				
4. Serviceability						
4.1 Relevance			X		Regular reviews of user needs are not undertaken.	
4.2 Timeliness and periodicity		X				
4.3 Consistency		X				
4.4 Revision policy and practice		X				
5. Accessibility						
5.1 Data accessibility			X		Quarterly figures are not on the website. There is no preannounced schedule.	
5.2 Metadata accessibility		X				
5.3 Assistance to users		X				

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

II. CONSUMER PRICE INDEX

0. Prerequisites of quality

0.1 *Legal and institutional environment*

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

The Consumer Price Index (CPI) figures are compiled and disseminated by the SSC, which is governed by the Law on Statistics. Article 2 of this Law establishes the SSC as the main organization responsible for producing official statistics, and Article 5 holds it responsible for (i) disseminating statistical information of broad interest to the public; (ii) guaranteeing the reliability and objectivity of statistical information; and (iii) assuring the accuracy, quality, and timeliness of the data produced. This responsibility is firmly established and has never been challenged.

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

Article 6 of the Law on Statistics guarantees the SSC's access to administrative records and other data produced by legal entities, including the data produced by government ministries and the NBA. Important areas of statistics are covered by other agencies, such as the NBA, which compiles monetary data and balance of payments statistics; the MOF, which is responsible for compiling budget statistics; and the SCC, which compiles international merchandise trade data. The Law gives the SSC primary and coordinating roles in the development of the country's statistical program. The SSC maintains close contact with the other agencies. These contacts ensure that the data are obtained on a timely basis and at the required level of detail.

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

Confidentiality of the data reported to the SSC is guaranteed under Article 11 of the Law on Statistics. The SSC is planning an amendment to this Law that will remove some problems. For example, the Law states that the data should be kept secret, which implies complicated and costly procedures for its collection and retention, so the word "secret" is to be replaced by the word "confidential." Also the Article has provision for law enforcement agencies to obtain these data, under certain conditions, and the planned amendment will remove this provision. Survey forms clearly state that reported data are subject to confidentiality under the Law.

Staff are required to keep individual data confidential, subject to dismissal should breaches occur, and they are required to sign a form on joining the SSC that confirms that they undertake not to disclose data. Access to individual data is restricted to the appropriate staff, both as regards the actual forms and to the computer records. Due to lack of suitable equipment, questionnaires are destroyed by tearing up rather than shredding.

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

Article 6 of the Law on Statistics empowers the SSC to obtain data from registered economic units and households, including commercially confidential data. In cases of violation or non-compliance with the Law, Articles 15 and 16 provide for substantial penalties, including disciplinary, administrative or criminal sanctions. In order to encourage voluntary response, the SSC has reduced the reporting burden on small enterprises, and now requests data quarterly rather than monthly and for all respondents the total number of report forms has been reduced by over two thirds. Full assistance is available for respondents in completing questionnaires.

0.2 Resources

0.2.1 Staff, financial, and computing resources are commensurate with statistical programs

The CPI section has two persons for day-to-day operations, and these are supported by computer staff and fifteen price collectors in Baku plus fifty one others, as required, in the districts. The number of persons compiling the CPI is adequate for current requirements.

Staff are trained in price collection procedures on a regular basis and the Prices Division takes every opportunity to have its staff participate in international training opportunities, including the training courses conducted by the IMF.

Computing resources are generally adequate, but more staff are having to share computers than is desirable, and there is a problem in the age of the personal computers. These problems result in the use of out of date software, especially in the regional offices.

Salary rates were significantly increased two years ago, which has improved the quality of recruited staff and reduced the staff turnover.

0.2.2 Measures to ensure efficient use of resources are implemented

The SSC Board, comprising the chairman, deputy chairpersons and the head of the Computing Center, provides overall supervision of the organization of statistical work and oversees strategic plans for statistical development. It coordinates the activities of the various departments and gives advice on priorities, determines the requirements for adequate funding, establishes priorities concerning the collection of the data, and ensures that compatible methodologies, classifications and conventional practices are followed within the SSC.

0.3 Quality awareness

0.3.1 Processes are in place to focus on quality

Management of the SSC is fully aware of the importance of quality and strives to instill this attitude into the staff. This is demonstrated by the professionalism and obvious desire to solve problems. In addition, index quality is maintained by a careful review of price changes—with particular attention paid to anything that looks unusual—prior to final index tabulation.

0.3.2 Processes are in place to monitor the quality of the collection, processing, and dissemination of statistics

The SSC regularly reviews and plans improvements to its internal processes. More formal five year plans for the development of statistics are also produced and approved by the President of the Republic. The SSC heads a Users Committee comprised of heads of ministries, agencies and academics, but this does not meet very frequently—the last meeting was in March 2001.

0.3.3 Processes are in place to deal with quality considerations, including tradeoffs within quality, and to guide planning for existing and emerging needs

Technical issues are discussed and approved by the Methodology Council, comprising the SSC senior staff, who meet on a weekly basis to monitor current work.

1. Integrity

1.1 Professionalism

1.1.1 Statistics are compiled on an impartial basis

The Law on Statistics guarantees the professional independence of the SSC and is used to stop any interference from other agencies. The Chairman of the SSC is appointed directly by the President. Professionalism is actively promoted in the recruitment and career development of staff.

1.1.2 Choices of sources and statistical techniques are informed solely by statistical considerations

Article 1 of the Law provides the statutory basis for independently selecting sources and methods required to produce and disseminate CPI data.

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

The SSC responds, as appropriate, to specific criticism of its estimates by external users, usually through the news 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 publicly available Law on Statistics specifies the terms and conditions which statistics are collected, processed and disseminated.

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

The monthly CPI figures can be released to the Prime Minister before other users, but this fact is not publicized.

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

All outputs of the SSC are clearly identified as such.

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

There is an established pattern of annual CPI rebasing.

1.3 Ethical standards

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

Presently, there are no formal ethical guidelines for official statistics, but CPI staff are highly professional and responsible. Staff are not allowed to undertake outside employment, to avoid any potential conflicts of interest.

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 concepts and definitions used are generally in line with internationally accepted standards as defined by the International Labor Organization, IMF, United Nations and

others. The classification system used is outdated but the pending rebase will incorporate a system that is similar to COICOP and be completely converted in 2003.

2.2 Scope

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

The Household Budget Survey (HBS) covers all resident private households in Azerbaijan, with the exception of those headed by non-Azerbaijani citizens. The 1999 Population Census did not contain a question regarding citizenship so the proportion excluded is not known, but is not considered to be large. Households engaged in business are included, with separate data for business activities and private consumption. Excluded are non-private households such as jails, military barracks and boarding schools, which is normal for such surveys. All goods and services are covered in the HBS with the exception of the rental of owner-occupied dwellings.

The weights are derived from data consistent with household final consumption expenditure, including the production of food for own consumption but excluding the rental of owner-occupied dwellings, although expenditure on building materials is included as a substitute for this item.

Prices are collected for a sample of districts across the country and from a wide range of outlets at each pricing point, so the index represents price changes for the whole of Azerbaijan.

2.3 Classification/sectorization

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

Institutional units and transactions are in line with *1993 SNA*, except for the exclusion of resident foreigners. COICOP is being used as the classification system for the HBS from 2002. The earlier system (developed in Belarus) was mapped into COICOP for ease of year-to-year comparisons. The CPI has followed the same classification systems but will be converted to the COICOP system proper when the next rebasing is completed in August 2002.

2.4 Basis for recording

2.4.1 Market prices are used to value flows and stocks.

The HBS, which is the basis for the CPI weights, and the CPI price collections themselves measure consumption at market purchasers' prices.

2.4.2 Recording is done on an accrual basis

For non-diary items, the HBS uses a three month recall period for data collected at the end of each quarter, so the period covered is in fact more precise than many household surveys.

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

The weights for the purchase of cars, furniture, appliances—all those where sales might occur—are measured net of sales.

3. Accuracy and Reliability

3.1 Source data

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

The HBS sample frame was derived from the 1999 Census of Population and is updated when enumerators find new households in their area. The survey is conducted each quarter, which allows the CPI weights to be updated annually, although this has not been done since 1999 as there were some teething problems when the HBS was revised in 2000. The coverage of the HBS is good—estimated to be in excess of 95 per cent of all households. The survey covers both urban and rural areas and the sampling technique is a stratified random sample, stratified by region. All cash expenditures are included, measured at purchasers' prices, and goods produced for own consumption are included, valued at average purchasers' prices in the region. The rental value of owner-occupied dwellings is excluded. With the frequency of the HBS, ad hoc surveys are not necessary.

The price collections also cover not only a broad geographical range, but also a wide range of outlets. Some 9,500 outlets are covered, selected by the sales volumes observed in the SSC Trade Division Surveys. Prices are collected for 390 different products, representing 268 CPI items. The 2001 HBS collected point of purchase data which will greatly assist outlet selection.

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

The framework of the HBS is consistent with the requirements of the CPI.

Prices are collected on a weekly basis for all food items, and the others are collected monthly, except items whose price is known to change less frequently—or if they do change, the change is well publicized—such as utilities, education and health.

3.1.3 Source data are timely

There has been a slight delay in the receipt of data from the 2001 HBS, but the expected delivery date of August is still extremely timely by usual standards. Prices are normally collected in time for the monthly deadline.

3.2 Statistical techniques

3.2.1 Data compilation employs sound statistical techniques

The 2001 HBS collected expenditure data at the 5-digit level, with a classification system similar to COICOP, and COICOP proper has been used since the beginning of 2002. The CPI weights are based on household consumption as measured in the 1993 SNA, with the cost of housing materials replacing the rent of owner-occupied dwellings. Valuation is at purchasers' prices, including production for own consumption. Elementary level indexes are calculated using the arithmetic means of observed commodity prices. A modified Laspeyres formula is used to calculate the aggregate indexes and the index is normally rebased each year, by February of the following year, at which time it is linked to the January index. Temporarily missing prices are imputed using the group mean approach—estimating the missing price using the average price change of the other items in the subgroup—and when a product reappears the calculation process returns to using its observed price. Imputations are made for seasonal products using a variety of methods which are still subject to review. Products that become permanently unavailable are replaced, but no adjustments have been made for quality differences, nor have any new products been introduced to the item sample since 1993.

The commodity specifications used for price collections are sufficient to provide true price changes. The problem identified by the IMF Technical Assistance mission in February 2001, regarding the lack of self-correcting imputations for missing prices, was corrected in February 2001.

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

The main difference between the coverage of the CPI weights and household consumption is the value of owner-occupied rentals, although the CPI weights include housing materials as a substitute. The conversion of the HBS data to CPI weights is flawed—the new weights for the CPI items are not adjusted to subgroup totals, so the relative weights of each subgroup are not maintained—and this procedure needs to be corrected during the next rebasing exercise.

3.3 *Assessment and validation of source data*

3.3.1 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 planning

The published HBS results include both estimates of sampling errors and a discussion of methodology, including the sources of nonsampling errors and the treatment of nonresponse. No imputation is made for nonresponse, which reduced the sample for the 2001 HBS from a potential 8,800 to around 7,800.

No investigations or adjustments have been made for the understatements of alcohol and tobacco consumption which are commonly observed in household consumption surveys.

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

3.4.1 Main intermediate data are validated against other information where applicable

Now that PPI figures are available, changes in the CPI are cross-checked against them and the two show similar trends.

3.4.2 Statistical discrepancies in intermediate data are assessed and investigated

Unusual price movements are constantly monitored to determine whether they arise from a data entry error, commodity misspecification, or a particular problem in the region concerned.

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

Unusual geographical trends are monitored to ensure they are realistic and the imputation of prices of seasonal products will occasionally lead to a revision of the previous month's data if estimates prove to be inaccurate. Technical assistance has been requested from the IMF to improve the estimation of the prices of seasonal products.

3.5 *Revision studies*

3.5.1 Studies and analyses of revisions are carried out routinely and used to inform statistical processes

In between rebasing, there are only occasional revisions when price estimates for seasonal products prove to be inaccurate and efforts are being made to improve these. The index is normally rebased annually using the results of the HBS for the previous year and, with this

frequency, any changes in broad consumption patterns are quickly reflected in the CPI weights, although new products are not introduced.

4. Serviceability

4.1 Relevance

4.1.1 The relevance and practical utility of existing statistics in meeting users' needs are monitored

There is a Users Committee comprised of heads of ministries, agencies and academics, but this does not meet very frequently.

4.2 Timeliness and periodicity

4.2.1 Timeliness follows dissemination standards

Monthly figures are published between the 12th and 15th of the following month which is within the GDDS recommendation of one to two months.

4.2.2 Periodicity follows dissemination standards

The periodicity of the CPI is monthly, in line with GDDS recommendations

4.3 Consistency

4.3.1 Statistics are consistent within the dataset

The CPI is internally consistent.

4.3.2 Statistics are consistent or reconcilable over a reasonable period of time

A consistent time series is available back to 1995, when the official CPI was first published. An unofficial series of lesser quality, is available back to 1990. Methodology notes are published in the *Annual Statistical Yearbook* which also contains comments on trends.

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

While the CPI is theoretically consistent with the NA—apart from one easily recognizable difference, owner-occupied dwellings—there is a problem with the methodology used to rebase the index, which leads to both an error in the weighting pattern and inconsistency with the NA. This has been discussed with CPI staff and will be addressed at the next rebasing in 2002.

4.4 *Revision policy and practice*

4.4.1 *Revisions follow a regular, well-established, and transparent schedule*

The index is rebased annually and published in a range of publications.

4.4.2 *Preliminary data are clearly identified*

Rebasing, while technically a revision, is a normal part of CPI production and there is no need to identify data as preliminary.

4.4.3 *Studies and analyses of revisions are made public*

Such studies are not normally undertaken.

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)*

CPI data are published in considerable detail, with charts in some publications, and down to the level of the prices of individual goods. Some commentary is included on the changes that have occurred. No seasonally adjusted series are produced.

5.1.2 *Dissemination media and formats are adequate*

Because the SSC does its own printing, the monthly publication appears within a day or two of the CPI release. However, there is a need to ensure that this publication is made available to an unrestricted range of users. The CPI is also available on the SSC website but, as of mid-April 2002 this only had annual figures to the year 2000.

5.1.3 *Statistics are released on a preannounced schedule*

The statistics are produced regularly and promptly between the 12th to the 15th of the following month.

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

Statistics are released early to the Prime Minister, and then to government departments via the Monthly Statistics Bulletin, prior to being available to the general public.

5.1.5 Nonpublished (but nonconfidential) subaggregates are made available upon request

Data can be provided to users, but the CPI is already published in great detail.

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

Metadata have been posted on the IMF's GDDS website since February 2001 and, in view of recent improvements in statistical practices, need to be updated.

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

The annual CPI publication contains very detailed information on the CPI and will soon be published monthly.

5.3 *Assistance to users*

5.3.1 Contact person for each subject field is publicized

Contact persons names and telephone numbers are published in the annual prices publication, while the monthly publication contains the general SSC contact number.

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

There is an annual publication "Catalog of Statistical Publications" which contains contact addresses, phone numbers, and expected publication dates of SSC products.

Table 2. Azerbaijan—Data Quality Assessment Framework: Summary Presentation of Results for Consumer Price Index
(*Compiling Agency: State Statistical Committee*)

Element	NA	Assessment			Comments on Assessment	Plans for Improvement and Target Dates
		O	LO	NO		
0. Prerequisites of quality						
0.1 Legal and institutional environment		X				
0.2 Resources		X				
0.3 Quality awareness		X				
1. Integrity						
1.1 Professionalism		X	X		Limited unpublicized pre-release access.	
1.2 Transparency						
1.3 Ethical standards		X				
2. Methodological soundness						
2.1 Concepts and definitions		X				
2.2 Scope		X				
2.3 Classification/Sectorization		X				
2.4 Basis for recording		X				
3. Accuracy and reliability						
3.1 Source data		X	X		New items need to be introduced and the estimation of weights from HBS data, needs to be improved	Improvements will be made during August 2002 revision
3.2 Statistical techniques						
3.3 Assessment and validation of source data		X			HBS data should be cross-checked against other sources	
3.4 Assessment and validation of intermediate data and statistical outputs		X				
3.5 Revision studies		X				
4. Serviceability						
4.1 Relevance			X		Should take account of the needs of all users	
4.2 Timeliness and periodicity		X				
4.3 Consistency		X				
4.4 Revision policy and practice		X				
5. Accessibility						
5.1 Data accessibility				X	Data should be provided to all users simultaneously	
5.2 Metadata accessibility		X				
5.3 Assistance to users		X				

III. PRODUCER PRICE INDEX

0. Prerequisites of quality

0.1 *Legal and institutional environment*

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

The Producer Price Index (PPI) figures are compiled and disseminated by the SSC, which is governed by the Law on Statistics. Article 2 of this Law establishes the SSC as the main organization responsible for producing official statistics, and Article 5 holds it responsible for (i) disseminating statistical information of broad interest to the public; (ii) guaranteeing the reliability and objectivity of statistical information; and (iii) assuring the accuracy, quality, and timeliness of the data produced. This responsibility is firmly established and has never been challenged.

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

Article 6 of the Statistical Law guarantees the SSC's access to administrative records and other data produced by legal entities, including the data produced by government ministries and the NBA. Important areas of statistics are covered by other agencies, such as the NBA, which compiles monetary data and balance of payments statistics; the MOF, which is responsible for compiling budget statistics; and the SCC, which compiles international merchandise trade data. The Law gives the SSC primary and coordinating roles in the development of the country's statistical program. The SSC maintains close contact with the other agencies. These contacts ensure that the data are obtained on a timely basis and at the required level of detail.

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

Confidentiality of the data reported to the SSC is guaranteed under Article 11 of the Law on Statistics. The SSC is planning an amendment to this Law that will remove some problems. For example, the Law states that the data should be kept secret, which implies complicated and costly procedures for its collection and retention, the word "secret" is to be replaced by the word "confidential." Also the Article has provision for law enforcement agencies to obtain these data, under certain conditions, and the planned amendment will remove this provision. Survey forms clearly state that reported data are subject to confidentiality under the Law.

Staff are required to keep individual data confidential, subject to dismissal should breaches occur, and they are required to sign a form on joining the SSC that confirms that they undertake not to disclose data. Access to individual data is restricted to the appropriate staff, both as regards the actual forms and to the computer records. Due to lack of suitable equipment, questionnaires are destroyed by tearing up rather than shredding.

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

Article 6 of the Law on Statistics empowers the SSC to obtain data from registered economic units and households, including commercially confidential data. In cases of violation or non-compliance with the Law, Articles 15 and 16 provide for substantial penalties, including disciplinary, administrative or criminal sanctions. In order to encourage voluntary response, the SSC has reduced the reporting burden on small enterprises, and now requests data quarterly rather than monthly and for all respondents, the total number of report forms has been reduced by over two thirds. Full assistance is available for respondents in completing questionnaires.

0.2 Resources

0.2.1 Staff, financial, and computing resources are commensurate with statistical programs

The PPI section has three persons for day-to-day operations, and these are supported by computer staff and fifteen price collectors in Baku plus fifty one others, as required, in the districts. The number of persons compiling the PPI is adequate for current requirements. Staff are trained in price collection procedures on a regular basis, and, the Prices Division takes every opportunity to have its staff participate in international training opportunities, including the training courses conducted by the IMF.

Computing resources are generally adequate, but more staff are having to share computers than is desirable, and there is a problem in the age of the personal computers. These problems result in the use of out of date software, especially in the regional offices.

Budget limitations create some problems, for instance in the number of publications that can be produced. However, salary rates were significantly increased two years ago. This has improved the quality of recruited staff and reduced the turnover of staff.

0.2.2 Measures to ensure efficient use of resources are implemented

The SSC Board, comprising the chairman, deputy chairpersons and the head of the Computing Center, provides overall supervision of the organization of statistical work and oversees strategic plans for statistical development. It coordinates the activities of the various departments and gives advice on priorities, determines the requirements for adequate funding, establishes priorities concerning the collection of the data, and ensures that compatible methodologies, classifications and conventional practices are followed within the SSC.

0.3 *Quality awareness*

0.3.1 Processes are in place to focus on quality

Management of the SSC is fully aware of the importance of quality and strives to instill this attitude into the staff. This is demonstrated by the professionalism and obvious desire to solve problems. In addition, index quality is maintained by a careful review of price changes—with particular attention paid to anything that looks unusual—prior to final index tabulation.

0.3.2 Processes are in place to monitor the quality of the collection, processing, and dissemination of statistics

The SSC regularly reviews and plans improvements to its internal processes. More formal five year plans for the development of statistics are also produced and approved by the President of the Republic. The SSC heads a Users Committee comprised of heads of ministries, agencies and academics, but this does not meet very frequently—the last meeting was in early March 2001.

0.3.3 Processes are in place to deal with quality considerations, including tradeoffs within quality, and to guide planning for existing and emerging needs

Technical issues are discussed and approved by the Methodology Council, comprising the SSC senior staff, who meet on a weekly basis to monitor current work.

1. Integrity

1.1 Professionalism

1.1.1 Statistics are compiled on an impartial basis

The Law on Statistics guarantees the professional independence of the SSC and is used to stop any interference from other agencies. The Chairman of the SSC is appointed directly by the President. Professionalism is actively promoted in the recruitment and career development of staff.

1.1.2 Choices of sources and statistical techniques are informed solely by statistical considerations

Article 1 of the Law provides the statutory basis for independently selecting sources and methods required to produce and disseminate PPI data.

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

The SSC responds, as appropriate, to specific criticism of its estimates by external users, usually through the news 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 publicly available Law on Statistics specifies the terms and conditions which statistics are collected, processed and disseminated.

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

The PPI figures can be released to the Prime Minister before other users, but this fact is not publicized.

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

All outputs of the SSC are clearly identified as such.

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

The PPI is a new series subject to annual rebasing, and so far there have been no major revisions.

1.3 Ethical standards

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

Presently, there are no formal ethical guidelines for official statistics, but PPI staff are highly professional and responsible. Staff are not allowed to undertake outside employment, to avoid any potential conflicts of interest.

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 guidelines in the PPI Manual are followed as regards classification systems, frequency of reweighting, tight commodity specification and the use of a modified Laspeyres formula. The weights are consistent with the *1993 SNA*, with the exception that they do not include own-account capital formation. The collected prices are at producers' values, relate to market sales and include transactions between related reporting units. Both economic activity-based output PPIs and product-based PPIs are produced.

2.2 Scope

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

The PPI covers mining and quarrying—which includes the oil sector— manufacturing and electricity production. All market enterprises are in scope and the weights are based on market sales, but exclude own-account capital formation.

2.3 Classification/sectorization

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

The institutional units and transactions are defined according to the *1993 SNA*, the industry classification is based on an 4-digit NACE and the product classification is the European PRODCOM³ classification at the 8-digit level.

2.4 Basis for recording

2.4.1 Market prices are used to value flows and stocks.

Output valuation is at producer prices and transactions between related reporting units are correctly valued. Input PPIs are not produced.

³ The European Classification system for products.

2.4.2 Recording is done on an accrual basis

For the product indexes, weights are based on sales of each product in the previous year, but for the type of economic activity indexes, the weighting patterns are based on total output levels, including stock change. Prices are recorded at the time the transaction occurs, regardless of when the actual payment takes place.

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

Transactions between related establishments are recorded on a gross basis, which is the accepted practice.

3. Accuracy and Reliability

3.1 Source data

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

The SSC maintains a comprehensive business register which is updated annually from data on official business registrations. In addition, lists of individual producers are obtained from the Ministry of Taxes. There is a survey of all large—greater than one hundred and fifty employees—and medium size—between fifty and one hundred and fifty employees—enterprises, collecting monthly data on production and labor, quarterly data on expenses and more comprehensive summary data on an annual basis. This is supplemented by a quarterly survey of smaller businesses. Joint ventures and foreign owned businesses are included in the coverage.

Total coverage is good, aiming at full coverage, with response rates in the order of ninety five percent of businesses by number.

Price data for eight hundred and seventy items are collected monthly between the 20th and the 25th of the month. The collected prices refer to the most recent sale price, excluding output taxes. In 2001, there was a considerable expansion in the number of enterprises from which data are collected, the number commodities covered, and the range of specifications used to identify these commodities, which has enhanced the quality of the index.

With such frequent and detailed coverage, there is no need to consider ad hoc surveys.

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

The business surveys cover mining and quarrying, manufacturing and electricity production which coincides with the coverage of the PPI. The classification systems for both industries and products are the same in the business surveys and price collections.

3.1.3 Source data are timely

The business survey data—which includes data on individual producers—are available within a year, which enables the PPI to be updated annually using weighting patterns based on production values of the year before last, updated for price changes to the previous December. For example, the 2002 PPI is based on 2000 survey data, price adjusted to December 2001.

3.2 *Statistical techniques*

3.2.1 Data compilation employs sound statistical techniques

The business surveys collect data at the 4-digit NACE industrial level and the 8-digit PRODCOM commodity level, which is the detail required for PPI calculations. Output includes stock change, including work-in-progress. Price averaging, where required, is an arithmetic average weighted by the appropriate base period production levels of the enterprises concerned. The index uses a Laspeyres formula, with short term price relatives. Weights are updated annually and chained linked between each December and January. Missing prices are estimated using price changes of similar products and any required replacement items are incorporated annually. A wide range of product specifications ensures that price changes are properly measured. Quality adjustments have not been made to date.

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

The PPI sample frame covers over 95 percent by number of the in scope enterprises, so no further adjustments are made to the data. Price averaging is done using a weighted average technique.

3.3 *Assessment and validation of source data*

3.3.1 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 planning

The business surveys aim at full coverage so no sampling errors are estimated, nor are estimates made for nonresponse, but efforts are made to reduce this to a minimum. Responses are cross-checked, where possible, against other SSC data collections.

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

3.4.1 Main intermediate data are validated against other information where applicable

The PPI and the CPI are cross-checked against each other and the two show similar trends.

3.4.2 Statistical discrepancies in intermediate data are assessed and investigated

Prices are checked for unusual movements, as sources of possible errors or misspecification, prior to entry in the system, and resulting indexes are also checked.

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

There is an internal consistency between the PPI by type of economic activity and the product indexes, so discrepancies will not occur. Because of the large weight of the production of the oil sector, the prices for these products are often cross-checked with the supplier.

3.5 *Revision studies*

3.5.1 Studies and analyses of revisions are carried out routinely and used to inform statistical processes

The official PPI has been produced only since January 2001, so there has been only one rebase. Because of delays in obtaining current oil prices, these prices have to be estimated until final data are available and this index is subject to an annual revision. The lack of current oil price data is a problem across all data sets and constant efforts are being made to solve it

4. Serviceability

4.1 *Relevance*

4.1.1 The relevance and practical utility of existing statistics in meeting users' needs are monitored

The primary users of the PPI are the NAD, the Division of Statistical Information and the Industry Division of the SSC. The PPI was set up to cover national accounts needs only two years ago, so there has been no subsequent review.

4.2 *Timeliness and periodicity*

4.2.1 Timeliness follows dissemination standards

The PPI estimates are disseminated between the 12th and 15th after the end of the reference period which is within the GDDS recommendation⁴ of one to two months.

4.2.2 Periodicity follows dissemination standards

The periodicity of the PPI estimates is monthly, in line with the GDDS recommendations.

4.3 *Consistency*

4.3.1 Statistics are consistent within the dataset

As the PPI and the product indexes are derived from the same underlying data set, they are totally consistent with each other.

4.3.2 Statistics are consistent or reconcilable over a reasonable period of time

As the official index has been produced only since January 2001 there is no long term consistent series. The index was rebased in February 2002 and the series linked according to standard procedures. An experimental index—of lesser quality—was produced for the year 2000 and an unofficial index, with even more limited coverage, has been produced, for internal use only, since 1990, these have recently been published along with the official index. Differences in these series were not publicized.

⁴ Note that the production of a PPI is not a recommendation, but an “encouraged extension” in the GDDS.

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

The PPI statistics are generally consistent with the national accounts estimates.

4.4 Revision policy and practice

4.4.1 Revisions follow a regular, well-established, and transparent schedule

The cycle of production is in its early days but the notes accompanying the publication mention the plan for annual revisions.

4.4.2 Preliminary data are clearly identified

Preliminary data are not marked as such in the publications.

4.4.3 Studies and analyses of revisions are made public

The official PPI has been published only since the beginning of 2001. The revision that occurred at the beginning of 2002 has not been documented in the publications, but this is planned.

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 PPI is published, including charts and tables. There has been an effort to assist users by including back series of a lesser quality, but without adequate documentation this could mislead rather than inform. Datasets are published in considerable detail, down to the level of individual commodity prices.

5.1.2 Dissemination media and formats are adequate

Data are released on a restricted basis to government departments in a monthly bulletin. These data then find their way to the general public.

5.1.3 Statistics are released on a preannounced schedule

The statistics are produced regularly and promptly between the 12th and the 15th of the following month.

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

Statistics can be released early to the Prime Minister, and then released to government departments officials via the Monthly Statistics Bulletin, prior to being available to the general public.

5.1.5 Nonpublished (but nonconfidential) subaggregates are made available upon request

Data can be provided to users, but the PPI is already published in great detail.

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

Metadata have yet to be prepared for the PPI, nor has any sources and methods documentation has been published.

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

The PPI kind of activity indexes are published in the monthly and quarterly publications, and the annual prices publication, contains, in addition, detailed price series by type of product. The product price indexes are not published at this time, but are supplied directly to the National Accounts and Industrial Survey Divisions.

5.3 Assistance to users

5.3.1 Contact person for each subject field is publicized

Contact persons names and telephone numbers are published in the annual prices publication.

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

The SSC publishes a catalog of statistical publications and is in the process of arranging permission to sell these rather than distributing them free of charge.

Table 3. Azerbaijan—Data Quality Assessment Framework: Summary Presentation of Results for Producer Price Index
(*Compiling Agency: State Statistical Committee*)

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			Comments on Assessment	Plans for Improvement and Target Dates
		O	LO	LNO		
0. Prerequisites of quality						
0.1 Legal and institutional environment		X				
0.2 Resources		X				
0.3 Quality awareness		X				
1. Integrity						
1.1 Professionalism		X	X		Limited unpublicized pre-release access.	
1.2 Transparency						
1.3 Ethical standards		X				
2. Methodological soundness						
2.1 Concepts and definitions		X				
2.2 Scope		X				Scope to be extended to include agriculture, transport, construction and distribution.
2.3 Classification/Sectorization		X				
2.4 Basis for recording		X				
3. Accuracy and reliability						
3.1 Source data		X				
3.2 Statistical techniques		X				
3.3 Assessment and validation of source data		X				
3.4 Assessment and validation of intermediate data and statistical outputs		X				
3.5 Revision studies		X				
4. Serviceability						
4.1 Relevance			X		Should take account of the needs of all users	
4.2 Timeliness and periodicity		X				
4.3 Consistency		X				
4.4 Revision policy and practice			X		Preliminary data should be identified	
5. Accessibility						
5.1 Data accessibility				X	Data should be provided to all users simultaneously	
5.2 Metadata accessibility				X	Metadata needs to be prepared	
5.3 Assistance to users		X				

IV. GOVERNMENT FINANCE STATISTICS

0. Prerequisites of quality

0.1 *Legal and institutional environment*

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

The responsibility for collecting and preparing fiscal statistics is assigned to the MOF. The MOF collects, processes and compiles fiscal data for budget management purposes under the “Law on the State Budget” (dated May 18, 1999) and the annual budget laws. The responsibility for publicly disseminating fiscal statistics is assigned to the SSC. The Law on Statistics assigns to the statistical agency the responsibility for publishing statistics in all statistical areas, issue statistical bulletins, reviews, press releases and other statistical information (Article 5). No specific legal provisions mandate the MOF to publicly disseminate fiscal statistics. However, it has been publishing budget execution data following the budget classification in its periodic bulletin *Finance and Accounting* and started disseminating these data on its website established at the beginning of 2002.

The new law on the Budget System under discussion in Parliament in April 2002 provides for the preparation of data on the general budget (budgetary and extrabudgetary funds) according to internationally accepted statistical standards. This Law also mandates the municipalities to provide data on the budget execution to the local statistical agencies.

The MOF also compiles government finance statistics (GFS)⁵ that are reported to the IMF for publication on its annual statistical publication. There is no unit or staff fully dedicated to the compilation of GFS.

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

Data sharing and coordination are adequate between the MOF and the NBA, as well as between the MOF and the local governments and the Nakhchivan Autonomous Republic. There is regular consultation between these agencies to reconcile any differences. However, there is insufficient data sharing within the MOF with regard to operations related to the SOF and there is no data sharing with the SSC on these operations to allow the compilation of government finance statistics according to internationally accepted guidelines.

⁵ In this report, “GFS” refers to those fiscal data compiled and disseminated, for analytical purposes, according to internationally accepted standards or guidelines—see *A Manual on Government Finance Statistics 1986* and, more recently, the *Government Finance Statistics Manual 2001*.

The liaison maintained between compilers of budget execution data and of national accounts compilers ensures that the data used and the statistics compiled are broadly consistent.

0.1.3 Respondents' data are to be kept confidential and used for statistical purposes only

The Law on Statistics serves the interests of respondents with regard to confidentiality of individual data and calls for these data to be used for statistical purposes only. However, data on taxes paid by main public corporations are disseminated individually in the *Finance and Accounting*. (The Budget Law also includes forecasts on taxes to be collected from these enterprises).

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

Data for all budget and extrabudgetary government agencies, except the SOF, are compiled from the treasury accounts in a timely manner. GFS data are derived manually from the treasury data. However, compilers do not have the administrative power to access data for the SOF.

0.2 Resources

0.2.1 Staff, financial, and computing resources are commensurate with statistical programs

Staff, financial and computing resources are broadly adequate to compile data on general government operations. Actual data on government budget and extrabudgetary operations are compiled through the treasury information system of the Treasury Operations Department, although the compilation process is not yet fully computerized. There are ongoing efforts to expand the computerized system to all treasury agencies (currently 85), and the system is expected to be fully computerized during 2004. Staff/resources involved in compiling GFS are not sufficient to produce comprehensive statistics on a regular (quarterly) and timely basis. Compilers have knowledge of the concepts and recommendations of the IMF's *A Manual on Government Finance Statistics 1986 (GFSM 1986)*, and have attended GFS training courses at the IMF. However, there is a large need for training on the new GFS framework and methodology of the *Government Finance Statistics Manual 2001 (GFSM 2001)*.

0.2.2 Measures to ensure efficient use of resources are implemented

There is no separate cost information on compilation of government finance statistics. There is no specific allocation of resources for this activity.

0.3 Quality awareness

0.3.1 Processes are in place to focus on quality

Processes are in place to monitor the quality of the collection, and processing of budget execution data. Quality awareness is highly focused on the collection and processing of data for budget management and reporting purposes. Thus, the focus is on the strict application of the rules that govern the treasury operations. Since the MOF is not legally responsible for the public dissemination of budget execution data, there is little quality awareness on disseminating aspects, including those to ensure comparable and easily accessible data and metadata to serve the basis for public debate and analysis. Insufficient awareness on the overall quality aspects of disseminating fiscal statistics is also manifested in SSC publications. Officials at the Treasury Operations Department are aware of the importance of compiling GFS following internationally accepted concepts, definitions and classifications on a timely basis, and the treasury system already in place reflects this increasing awareness. However, the awareness of the importance of compiling and publicly disseminating internationally comparable government finance statistics has yet to permeate to all levels.

0.3.2 Processes are in place to monitor the quality of the collection, processing, and dissemination of statistics

Processes are in place to monitor the quality of the collection, processing, and compilation of budget execution data. Processes to monitor quality aspects associated with the dissemination of these statistics are yet to be strengthened. An accounting Chamber of Accounts was created in 1999, and in early 2002 the Parliament approved a revised Law on the Chamber giving it authorization to audit all government bodies including all budgetary and extrabudgetary funds. There are provisions for the independent auditing of the SOF operations. According to the new draft Law on the Budget System, each Municipality is responsible for controlling the execution of its budget and has the right to use independent auditors for this purpose.

0.3.3 Processes are in place to deal with quality considerations, including tradeoffs within quality, and to guide planning for existing and emerging needs

The existing treasury reporting system was developed to respond to the need to allow real-time and accurate budget management and monitoring of key variables, including details on government spending and debt. A project to set up a new Treasury Information Management System (TIMS) is expected to be implemented on a pilot basis in 2003 and expanded to achieve full implementation, including computerization, during 2004. Processes to consult with a broad spectrum of users of existing fiscal statistics (e.g., seeking the views of academia and research institutes, undertaking users' surveys or other systematic processes to obtain feedback from users) to gauge the relevance and practical utility of these statistics are not yet in place.

1. Integrity

1.1 Professionalism

1.1.1 Statistics are compiled on an impartial basis

The Law on Statistics stipulates the powers and functions of the state statistical agencies, and ensures the operation of a unified state information system. The Law applies to the statistical activities of all government agencies of the Azerbaijan Republic. According to this Law (Article 1), the main objective of the state statistical policy is to compile impartial and reliable data on the country's socio-economic situation. The compilation and dissemination of GFS following internationally accepted standards are not covered by specific regulations. However, the GFS data are compiled on an impartial basis from the data generated by the treasury system. Compilers are not responsible for, and have no control over, the dissemination of GFS within Azerbaijan.

The Law on Statistics (Article 5) acknowledges the responsibility of statistical agencies for conducting research and analysis. Efforts are made to promote professionalism among MOF staff, and articles and analytical work are published in *Finance and Accounting*.

1.1.2 Choices of sources and statistical techniques are informed solely by statistical considerations

Staff of the MOF are, in practice, free from political or other influence in choosing the most appropriate methods for compiling budget execution data. However, choices of sources are not informed solely by statistical considerations, in particular at present with regard to revenue invested in the SOF. Compilers of GFS have full access to budget execution data generated by the Treasury Accounting and Reporting Department. However, compilers have restrictions on accessing nontreasury sources, namely data generated by the SOF.

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

Staff from the Analytical Information Service at the MOF provide expert advice on technical aspects of the statistics produced and are allowed to respond publicly to misinterpretation of the statistics although this rarely happens. Explanations, for instance, to aid in the interpretation of the statistics, are provided by this service if requested.

1.2 Transparency

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

The laws and regulations governing the compilation and dissemination of budget execution data are in the public domain (namely, Laws on Statistics, Annual Budget and Presidential

Decree No. 398 on the operations of the treasury). The new Budget System Law under discussion provides for the public dissemination of consolidated government finance data following internationally accepted guidelines. The Presidential Decree No. 511, of June 19, 2001 provides for the publication of the SOF's activities in the press on a regular basis.

The compilation of existing GFS is implicitly governed by laws and regulations related to the budget reporting system, and to the statistical activities of government agencies. There are presently no specific regulations mandating the MOF to compile and disseminate GFS for analytic purposes. The provision of GFS data for publication in the IMF statistical publications is done as part of Azerbaijan's cooperation with international institutions. There are no restrictions on public access to GFS, but these statistics are not disseminated in national statistical publications.

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

According to the Law on Statistics (Article 5), the statistical agencies are authorized to provide government agencies with the statistical information on an on-going basis and in accordance with the "Regulation on Statistical Work" adopted by the Cabinet of Ministers. Statistics on budget execution data are provided to government agencies or officials outside the MOF, namely the Cabinet of Ministers and the Parliament prior to their release to the public. The metadata on Azerbaijan posted on the IMF's Dissemination Standards Bulletin Board (DSBB) indicate that data compiled by the MOF cannot be made available to persons who are not authorized to have access to them. However, these metadata do not identify the government agencies or officials who are so authorized.

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

Budget execution data following budget definitions are disseminated in the SSC publications and website, in the MOF periodic bulletin *Finance and Accounting* and, since the beginning of 2002, also on the MOF website, and in the NBA publications and website. The SSC's publications indicate in the foreword the government agencies that provide the published data. However, the data source is not clearly annotated in the tables published.

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

No advance notice is given of major changes in methodology and source data, and no major changes in methodology and source data implemented over the past years have been noted in the relevant publications where the data are first published. The need for advance notice of such changes is acknowledged by the compilers. No major changes in the statistical techniques have occurred in the past years.

1.3 Ethical standards

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

Staff are professional and guided by ethical standards. Public officials are bound by a code of conduct outlined in the Law on Public Servants approved in July 2000. The code specifies, *inter alia*, an obligation of loyalty to the State, honesty and service to the people, and professional and personal integrity. The statistical activity of the MOF is covered under the Law on Statistics.

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

Until recently, the overall structure of the budget execution data (State Budget) differed significantly from the overall structure of the GFS recommended in the *GFSM 1986*, although mapping is possible from one presentation to the other. Definitions of budget aggregates included in the 2002 Budget Law and in the draft Budget System Law under discussion have been improved to better reflect best practices.

The Law on the State Budget for 2002 includes a summary presentation of the budget (major aggregates only) following the overall structure recommended in the *GFSM 1986*. However, the detailed data presented in this Law follow country-specific definitions. For example, the concept “revenue” detailed in the State Budget corresponds roughly the *GFSM 1986* concepts of revenue, plus part of lending minus repayment (repayments of government lending for policy purposes and sales of equities by the government) and part of financing (government borrowing domestically and abroad); conversely, the national concept of “expenditure” detailed in the Law corresponds roughly to expenditure, government lending for policy purposes, and debt amortization payments.

There are no plans yet to migrate to the *GFSM 2001* framework. The authorities are, however, keen to improve the existing framework and methodology to conform with internationally accepted practices. Detailed classification systems in the new TIMS are expected to be broadly consistent with the classification recommended in the *GFSM 2001*.

2.2 Scope

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

The scope of data compiled by the treasury has improved over the years, and now covers all general government activities, with the exception of the activities related to the collection of

part of the oil-related revenues (tax and non-tax) and the deposit/investment of these revenues in the agency responsible for managing these resources, the SOF. The collection of these revenues is undertaken directly by the SOF and no procedures are yet in place to consolidate the data with those compiled by the Treasury. However, the expenditures financed by the SOF are carried out through the Treasury and therefore included in the expenditure data compiled. The exclusion of the SOF-related revenues in the coverage of the fiscal statistics is a significant departure from the scope of GFS as recommended in the *GFSM 1986*, given the share of these revenues in total revenues.⁶ However, the integration of the SOF-related operations in the fiscal statistics is planned and will be required under the Budget Systems Law being discussed.

Apart from the SOF⁷, the activities carried out by nonbudget government agencies have been progressively incorporated in the execution data compiled by the Treasury and, since January 2002, are fully covered by this system. Therefore, starting in 2002, the Treasury system covers the budgetary and extrabudgetary operations of government agencies, the social funds (Pension Fund, Disability Fund, and Unemployment Fund), and the Privatization Fund.

The SOF, established by Presidential Decree No. 434 dated December 29, 2000, is a nonbudget government agency responsible for managing specific oil-related government revenues.⁸ The operations of the SOF, including its revenues and expenditures and data sharing arrangements, are regulated in various legislative acts, publicly available, and a Memorandum of Understanding between the MOF and the SOF. According to the Presidential Decree No. 434, SOF revenues include the government share of profit oil under the Production Sharing Agreement, pipeline transit fees, rental fees, acreage fees, oil bonus payments, and other revenues under oil agreements. The SOF expenditures are related to the financing of specific programs and projects, for example, resettlement of refugees, and to the financing of its own operational expenditures. According to the Presidential Decree No. 511, of June 19, 2001, the expenditures to finance these programs and projects are to be executed through the Treasury, and therefore reflected in the execution data (budget and extrabudgetary) it compiles.

The scope of the GFS reported to the IMF for the period 1994–1999 covers the budget and extrabudgetary data compiled by the Treasury. Government operations carried outside the treasury system are not covered in these data. The definition of government debt is in line with internationally accepted standards. Information is also available on debt guaranteed by

⁶ In 2001, the oil revenues collected through the SOF were equivalent to about 22 percent of total revenues (budget and extrabudget).

⁷ A monthly statement of SOF-related revenues and expenditures is submitted to the Minister of Finance by the SOF.

⁸ Ernst and Young was selected as the SOF's external auditor, and work is ongoing between the SOF and Price Waterhouse-Coopers to set up SOF's financial statements according to international accounting standards.

the government. In this regard, the GDDS metadata need to be corrected to indicate clearly that the concept of government debt does not include debt guaranteed by government. Data on outstanding government debt is identified separately from debt guaranteed by government, as recommended by international standards.⁹

2.3 Classification/sectorization

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

Country-specific definitions and terminology have changed over time and have been progressively aligned with internationally accepted guidelines. Although these concepts and definitions differ from the sectorization recommended in the *GFSM 1986*, the two sectorization systems can be broadly reconciled. For example, at the end of 2001, the national definition of “state government” was akin to the general government sector, composed of “republican government” plus “local governments”, where “republican government” was akin to the central government subsector, and “local governments”, including the local governments and the Nakhchivan Autonomous Republic, was equivalent to the local government subsector recommended in the *GFSM 1986*. The general government sector includes also the recently established Municipalities. Municipalities are not covered by the treasury data but are not statistically significant (less than 1 percent of budget revenues in 2001).

The draft of the new Law on the Budget System includes the following concepts and definitions:

- budget breakdown, i.e., classification of the revenues, expenditures and sources of financing of the state budget, the budget of Nakhchivan Autonomous Republic, local budgets and extra-budgetary state funds on the basis of functional, economic, organizational and other principles;
- state extrabudgetary funds, i.e., financial funds belonging to the state in accordance with the relevant legislation, but not included in the budget system;
- extrabudgetary operations, i.e., financial operations (revenues and expenditures) of relevant bodies of the executive power and of budget agencies executed outside the budget proper, as established by the legislation;
- consolidated budget, consolidation of the revenues and expenditures of the state budget (including the extrabudgetary operations of budget organizations) and of the extrabudgetary state funds, classified in accordance with the budget classification and breakdown.

⁹ Guaranteed debt is only included in outstanding government debt once the guarantor defaults and government assumes such debt.

Thus, the definition of the consolidated budget according to this draft Law corresponds to the coverage of the operations of the general government sector according to international standards. Also, according to this draft Law, a common budget classification will be applied in Azerbaijan to ensure the comparison and consolidation of financial operations with regard to budgets, budget organizations and also extrabudgetary state funds (including the extra-budgetary operations of budget organizations) included in the budget system. It appears that the government revenues invested in, and expenditures financed, by the SOF are included in the definition of “consolidated budget”, which would be fully consistent with the concept of general government as internationally accepted. The draft of the Budget System Law requires the inclusion of internationally accepted functional, economic and administrative classifications in the annual budget presented to the Parliament.

The State Budget Law for 2002 presents aggregate data on total revenue, total expenditure, and the budget deficit, broadly comparable to internationally acceptable definitions. A distinction is not made between revenue and grants, which is in line with the *GFSM 2001*. However, national classifications of the transactions into major components presented in the Budget Law differ significantly from international standards. Moreover, the concepts of total revenue and total expenditure are used with a different meaning in the two legislative acts governing the State Budget for 2002 (the Budget Law and the Presidential Decree on its implementation). The main differences in the definitions used in the State Budget Law for 2002 and international standards are the following:

- Revenue—in addition to including nonrepayable receipts of the government (tax and nontax revenue) as recommended, the national definition of revenue includes the use of financial resources to cover the budget deficit; a distinction is not made between revenue and grants, which however is in line with the most recent international standards;
- Expenditure—in addition to including nonrepayable payments of the government, as recommended, the national definition of expenditure includes the repayment of financial resources (principal and interest) used to cover the budget deficits in previous years.
- Lending minus repayments—no data are provided in the State Budget because in the national definition these are treated as extrabudgetary transactions and are therefore not covered.
- Sales of equity (privatization)—recommended to be recorded under Lending minus Repayments (net lending and net acquisition of equities) in the *GFSM 1986*; however, in the analytic framework methodology of the *GFSM 2001* privatization receipts are classified below the line as a financing item (disposal of a financial asset). In Azerbaijan, privatization receipts are already classified below the line as a financing item in the treasury system. However, they consist of extrabudgetary operations and therefore are not included in the State Budget.

With the establishment of the Treasury in 1997, the classifications used in the budget and accounting systems have improved significantly, although still fall short of best practice. The budget functional classification, with 14 main categories, is a mix of functional and administrative classifications, and is not easily reconcilable with the classification

recommended in *GFSM 1986*. For example, expenditures on education do not include the administrative function of the Ministry of Education, which is classified under general administrative expenditures. The budget economic classification is broadly in line with *GFSM 1986*.

The annual GFS reported by the MOF for publication the IMF's *Government Finance Statistics Yearbook* follow the analytic framework recommended in *GFSM 1986* and cover the general government and the extrabudgetary operations of some of the funds existing during the period reported (1994–1999). The operations of two of the extrabudgetary funds existing during that period—the Unified Foreign Exchange Fund and the President's Fund—are not covered.

2.4 Basis for recording

2.4.1 Market prices are used to value flows and stocks.

Transactions are recorded at actual prices. Amounts denominated in foreign currency are converted to Azerbaijan Manat using the exchange rate prevailing at the date of the transaction. Debt liabilities are recorded at face value (i.e., the amount to be repaid at the end of the contract, rather than market value), in accordance with the *GFSM 1986*.

2.4.2 Recording is done on an accrual basis

Revenues and expenditures are recorded on a cash basis. Selected treasury agencies have already started operating on a commitment basis. Financing data are recorded on a cash basis. All transactions in the budget execution data and in the GFS are presented on a cash basis, as recommended in the *GFSM 1986*.

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

Generally, government finance transactions are recorded and presented on a gross basis, as recommended in *GFSM 1986*. However, until the end of 2001, subsidies provided to the utility companies were in practice being netted out against tax liabilities from the State Oil Company of Azerbaijan (SOCAR). This practice is being phased out during 2002–2003. Tax refunds are classified as (negative) revenue transactions, as recommended.

3. Accuracy and Reliability

3.1 Source data

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

Comprehensive data on revenue, expenditure, and financing (budget and extrabudgetary, excluding SOF) are available from the accounting records of actual transactions that are maintained by the Treasury on a monthly basis.

Coordination regarding the preparation and execution of the budgets of the MOF and the SOF is regulated under a Memorandum of Understanding between the Minister of Finance and the Executive Director of the SOF. This memorandum regulates the information sharing between the two agencies, and requires the compilation of consolidated statistics with the coverage recommended by internationally accepted standards. Information sharing procedures to allow this consolidation are yet to be put in place

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

Detailed source data for the general government are in general consistent with the definitions, classifications, time of recording, and valuation recommended in *GFSM 1986*. However, the derivation of the GFS from existing budget execution data requires substantial reclassifications/adjustments particularly with regard to the functional classification.

3.1.3 Source data are timely

Monthly data for the general government (budgetary and extrabudgetary) are available on a timely basis (with a lag of only few days after the end of the reference month). Final accounts of the general government (budgetary and extrabudgetary) are available about six months after the end of the reference year.

3.2 Statistical techniques

3.2.1 Data compilation employs sound statistical techniques

No statistical techniques are applied to compile general government budget execution data. There are no procedures in place to allow the estimation of missing data in the compilation of GFS.

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

Other statistical procedures are not employed in compiling general government budget execution data or GFS.

3.3 *Assessment and validation of source data*

3.3.1 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 planning

Information is derived from source data which are not readily available elsewhere and cannot be validated from any secondary sources. In the cases where second sources exist, such as intra-government units transfers, there are automatic cross checks for accuracy.

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

3.4.1 Main intermediate data are validated against other information where applicable

No validations of intermediate government finance data are carried out.

3.4.2 Statistical discrepancies in intermediate data are assessed and investigated

Not applicable.

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

Statistical discrepancies between the deficit/surplus and financing, and between financing and changes in gross debt, are investigated and resolved.

3.5 *Revision studies*

3.5.1 Studies and analyses of revisions are carried out routinely and used to inform statistical processes

Revisions mainly result from the routine replacement of preliminary data by final data. No analyses are made of the revisions resulting from this process.

4. Serviceability

4.1 Relevance

4.1.1 The relevance and practical utility of existing statistics in meeting users' needs are monitored

Comprehensive budget execution data compiled by the treasury are used only within the government itself to monitor the impact of the budget on fiscal policy and for fiscal analysis more generally. Data are used by the MOF, the Ministry of Taxation, and the Ministry of Economic Development to inform the budget process. There is a perception that there is little demand for GFS. There is not yet a policy or practice to seek users' views (e.g., academia and research institutes, mass media) to gauge the relevance and practical utility of statistics currently published. GFS are presently compiled solely for provision to the IMF for publication.

4.2 Timeliness and periodicity

4.2.1 Timeliness follows dissemination standards

The MOF bulletin *Finance and Accounting* issued in the 1st quarter of 2002 includes the following data for 2001: (i) State Budget preliminary execution data (revenues and expenditures only) (ii) quarterly data on outstanding debt.

The latest final annual data on the State Budget execution (revenues and expenditures only) disseminated in the MOF website (as of early April 2002) refer to the year 2000.

The SSC *Statistical Bulletin*, 4th Quarter, disseminates cumulative monthly data of the State Budget total revenue and total expenditure up to November 2001, disaggregated by profit taxes, income taxes and taxes on international trade.

The recommended and actual timeliness according to the GDDS are the following:

- quarterly central government aggregates to be disseminated within one quarter after the end of the reference period: revenue, expenditure, balance, and financing with breakdowns by debt holder, debt instrument and currency, as relevant. The GDDS encourages the dissemination of data on interest payments. Current practice exceeds timeliness but it only covers budget data and not all aggregates are disseminated.
- annual central government debt data to be disseminated within one-two quarters after the end of the reference period—current practice exceeds the recommendation;
- comprehensive annual central government data to be disseminated within six-nine months after the end of the reference period—latest GFS actual data disseminated in the IMF statistical publication *Government Finance Statistics Yearbook 2002* refers to 1998.

Annual data disseminated are not comprehensive—they do not include data on extrabudgetary operations, on SOF, or on financing.

4.2.2 Periodicity follows dissemination standards

The recommended and actual periodicity according to the GDDS are the following:

- GDDS recommendation: dissemination of quarterly and annual central government aggregates: revenue, expenditure, balance, and financing with breakdowns by debt holder, debt instrument and currency, as relevant. The GDDS encourages the dissemination of interest payments data. Current practice meets recommendation on periodicity but it only covers budget data and not all aggregates are disseminated.
- GDDS recommendation: annual central government debt data, with quarterly data encouraged. The GDDS encourages also the dissemination of annual data on outstanding debt guaranteed by the government separately from outstanding government debt (see above). Current practice meets recommendation on periodicity of government debt.

4.3 Consistency

4.3.1 Statistics are consistent within the dataset

Internal consistency of data disseminated is difficult to assess by users since only data on revenue and expenditures are disseminated. Moreover, the use of the same concept with different definitions (see 2.3.1 above) complicates the assessment of the consistency within the dataset.

Data compiled by the Treasury for government internal use are consistent in that the deficit/surplus equals negative financing. Domestic and foreign financing are consistent with changes in domestic and external debt, respectively.

4.3.2 Statistics are consistent or reconcilable over a reasonable period of time

Historical execution data and GFS are not revised to reflect changes, such as the expanded coverage of the government operations, to allow a meaningful reconciliation over time.

The MOF is aware of the need to document and explain changes to the time series.

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

Treasury data are the main source for the national accounts estimates for the government sector compiled by the SSC. Although the SSC also includes data collected from municipalities, not currently covered by the Treasury data, these data are not statistically significant. Existing GFS are not used for compiling national accounts.

Treasury data cannot be reconciled with monetary statistics due to diverging definitions of government used by the NBA and MOF. The MOF and the NBA are addressing this issue and common list of government accounts is under preparation.

Domestic debt statistics are consistent with banking statistics, after adjusting for the SOF accounts in 2000 and 2001. Treasury data on foreign debt are used in the compilation of balance of payments statistics.

GFS are not explicitly reconciled with either monetary or balance of payments statistics.

4.4 Revision policy and practice

4.4.1 Revisions follow a regular, well-established, and transparent schedule

Minor revisions to data are incorporated in the cumulative data disseminated for the following month(s). Annual data are considered final after having been approved by the Parliament.

GFS are final when compiled.

4.4.2 Preliminary data are clearly identified

Preliminary data are not always clearly identified.

4.4.3 Studies and analyses of revisions are made public

No revision studies are undertaken. However, preliminary figures are usually close to final figures, and can be relied upon.

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 State Budget execution data disseminated fall short of the coverage and detail set out in the *GFSM 1986* tables. Annual statistics disseminated on the MOF website follow the classification of the Budget Law, with revenue presented by sources of revenue/main groups of taxpayers, and expenditure presented mostly by function with some expenditures by economic activity. This presentation has limited analytical usefulness for fiscal analysis by users in general. Monthly cumulative statistics (revenue, expenditure, and government debt) published in the MOF bulletin *Finance and Accounting* were also presented following the classification of the Budget Law, although starting in January 2002 expenditures are also presented by economic classification.

GFS are not available in national publications.

5.1.2 Dissemination media and formats are adequate

There is no publication dedicated to providing complete government finance statistics. The MOF bulletin has a limited circulation (850 copies), and has now started to be translated in English (Table of contents only). Data published by the SSC are available in both Azeri and English.

5.1.3 Statistics are released on a preannounced schedule

There is no preannounced release schedule for budget execution data.

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

Statistics are not made available to all users simultaneously.

5.1.5 Nonpublished (but nonconfidential) subaggregates are made available upon request

Nonconfidential subaggregates approved by the MOF Analytical Information Service can be made available upon request.

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

Detailed documentation of concepts, scope, classifications, basis of recording, data sources, and statistical techniques does not exist. Information in this regard is only available—in summary format—on the IMF's DSBB. Breaks in the GFS time series for 1994–99 have not been identified.

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

The only information available is that on the DSBB.

5.3 Assistance to users

5.3.1 Contact person for each subject field is publicized

The contact person for GFS is publicized, including telephone and facsimile numbers and email addresses, on Azerbaijan's GDSS metadata website in the DSBB. The *Finance and Accounts* include a general telephone number and the name of the chief editor.

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

Catalogs of publications containing government finance statistics are not available.

Table 4. Azerbaijan — Data Quality Assessment Framework: Summary Of Results For Government Finance Statistics
(*Compiling Agency: Ministry of Finance*)

Element	NA	Assessment				Comments on Assessment	Plans for Improvement and Target Dates
		O	LO	LNO	NO		
0. Prerequisites of quality							
0.1 Legal and institutional environment			X		No data sharing on SOF within MOF. No mandatory reporting on all oil revenues until 2001.	Put in place procedures of the Memorandum of Understanding between the MOF and SOF	
0.2 Resources			X		No dedicated staff to compile GFS		
0.3 Quality awareness			X		Process focuses on a limited segment of overall quality.		
1. Integrity							
1.1 Professionalism			X		Choices of sources are not informed solely by statistical considerations.		
1.2 Transparency			X		Government access to data prior to release not fully identified.		
1.3 Ethical standards		X					
2. Methodological soundness							
2.1 Concepts and definitions			X		Different definitions for the same concept and differences from international standard.	Approve new budget classification system in line with international guidelines by end 2002.	
2.2 Scope				X	Data do not cover part of oil-related revenue.	Include all extrabudgetary funds in the budget law for 2003.	
2.3 Classification/Sectorization				X	Functional classification is mix of functional, economic and administrative.	(see above on new classification system)	
2.4 Basis for recording			X		Some taxes are in practice net of substantial subsidies.	Include all subsidies explicitly in the 2003 state budget.	
3. Accuracy and reliability							
3.1 Source data			X		Compilation program not comprehensive.	(see above on SOF-related operations). Implement the new TIMS	
3.2 Statistical techniques			X		No estimation of missing data. Some problems in consolidation of government subsectors.	Put in place a fully automated data processing system, as part of the TIMS..	

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. Azerbaijan — Data Quality Assessment Framework: Summary Of Results For Government Finance Statistics
(*Compiling Agency: Ministry of Finance*)

Element	NA	Assessment				Comments on Assessment	Plans for Improvement and Target Dates
		O	LO	LNO	NO		
3.3 Assessment and validation of source data		X					
3.4 Assessment and validation of inter-mediate data and statistical outputs		X					
3.5 Revision studies				X	Limited studies undertaken.		
4. Serviceability							
4.1 Relevance				X	Statistics are mainly produced for government use. Processes to monitor users' needs not in place.	Align budget classification with international guidelines as a step towards meeting the needs of a broad spectrum of users.	
4.2 Timeliness and periodicity		X			Statistics are not reconcilable over a period of time.		
4.3 Consistency			X		Revisions on a cumulative basis not informed to the public.		
4.4 Revision policy and practice			X				
5. Accessibility							
5.1 Data accessibility				X	Country-specific budget classifications used in tables. No dedicated publication with time series. Data available to users not at same time.	Continue improvements on recently established website of the MOF.	
5.2 Metadata accessibility				X	No metadata disseminated in the country. Summary metadata on DSBB do not indicate clearly deviations from standards.		
5.3 Assistance to users			X		Limited assistance to users. No catalogs.		

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

V. MONETARY STATISTICS

0. Prerequisites of quality

0.1 *Legal and institutional environment*

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

Within the general framework provided by the Law on Statistics, the responsibility for collecting, processing, and disseminating monetary statistics is assigned to the NBA. Article 48 of the Law on the National Bank of the Azerbaijan Republic¹⁰ entitles the NBA to get the necessary information from executive authorities for the presentation of bank statistics and analysis of the economic situation. The same article indicates that the NBA publishes generalized statistical data on the banking system, creates an information network for the banking system, and ensures its functioning. Furthermore, Article 44 indicates that the NBA publishes documents as well as data about the state of its money circulation, and can also publish other data about economic issues.

To fulfill this responsibility, article 31 of this Law gives the NBA the authority to determine rules on bookkeeping, preparation, and submission of statistical reports, making these rules obligatory to the credit organizations. Article 49 of the Law on Banks and Banking Activity also states this obligation by the credit organizations. In case of noncompliance of the obligation to submit the required reports, or the submission of unreliable reports, the NBA can establish different penalties, such as a fine of one percent of the paid-in capital of the institution, or to demand the replacement of its managers (Article 35 of the Law on the National Bank).

The Department of the NBA in charge of compilation and dissemination of monetary statistics is the Statistics Department (SD), through its Economic Information Division (EID) and its Banking Statistics Division (BSD). Commercial banks submit electronically to the BSD and the Department for Supervision of Lending Institutions' Activities (DSLIA) their monthly balance sheets and 24 supplementary report forms used for statistical and supervisory purposes. The BSD transmit the summarized information to the EID, which processes and disseminates it. The primary source for the analytical accounts of the NBA is its balance sheet, produced daily by the Accounting Department (AD) and transmitted electronically to the BSD.

¹⁰ Referred to in the rest of the text as the "Law on the National Bank."

0.1.2 Data sharing and coordination among data producing agencies are adequate

To further enhance the coordination and data sharing between the different departments of the NBA, the Bank is in the process of implementing an automation process to fully centralize the collection and processing of monetary data. After an experimental period of three months, it is expected that by the fourth quarter of 2002 the SD will be the only unit compiling accounting, statistics, and supervisory data, and will distribute them to the different departments of the NBA. In this way, commercial banks will submit only one set of information to the NBA, namely to the SD, instead of the current two sets to the DSLIA and the SD.

There is adequate communication between the NBA and the other official agencies collecting statistics, namely, the SSC and the Ministry of Finance (MOF). The NBA receives data from these agencies to be published in its monthly *Bulletin*, and also provides them with monetary statistics. This coordination takes place in a more formal manner through letters and other written documents, and also informally through direct telephone contact. Recently, this interaction culminated in two revisions in the forms used by the NBA for reporting to the SSC. If needed, meetings and workshops are held between these agencies to address specific issues, as was the case recently when discussions were held on the future implementation of a decree to be issued by the Cabinet of Ministries on national accounts.

0.1.3 Respondents' data are to be kept confidential and used for statistical purposes only

Articles 1, 6, and 11 of the Law on Statistics address confidentiality issues. They indicate that the state statistical policy shall respect the rights of legal and physical persons and maintain the confidentiality of the primary data (Article 1); that the statistical data received by the statistical bodies is subject to their nondisclosure (Article 6); and that primary statistical data on legal and physical persons shall be confidential (Article 11). At the same time, however, article 11 foresees the possibility that, following procedures established by the legislation, law enforcement bodies could receive statistical information, including information covered by statistical confidentiality.

Information on the status of accounts of juridical and natural persons is provided only to those same persons or their representatives, a court in case of the entry into legal force of a court verdict, and to tax agencies. The Criminal Procedural Code (Article 177.3.6) also forbids the disclosure of confidential information, except when mandated by a court ruling. The provision of Article 76 of the Tax Code regarding the disclosure of confidential information to comply with a court order applies to individual commercial banks, and not to the information transmitted by them to the NBA for statistical purposes.

Article 13 of the Law on the National Bank deals explicitly with confidentiality. Members of the Board and employees of the NBA are not allowed to disclose the professional information obtained by them in connection with the execution of their duties, without the permission of the Board, and they are held legally responsible in case of breach of this obligation. The same article also states that information about all operations and transactions

obtained from credit organizations cannot be disclosed without the consent of the corresponding organization.

Penalties for violation of confidentiality include a fine of 40–55 times the minimum wage for public employees, and 150–200 times the minimum wage for juridical persons (Administrative Code, Article 223); and a fine of 500–1,000 times the minimum wage, or imprisonment, or corrective labor for up to two years (Criminal Code, Article 202). Financial institutions are aware that the information provided by them will be handled in a confidential manner, and there are no known cases where the confidentiality was violated.

Data of commercial banks are presented in a consolidated form, and due to the fact that the financial system consists of more than 50 commercial banks and more than 60 credit unions, residual or indirect disclosures of individual data do not occur. Therefore, the NBA has not developed special aggregation rules to protect against these problems. Departments of the NBA have only restricted access to the working database of the Bank, according to their specific functions. Documents within the NBA are classified into strictly confidential, confidential, and for internal use only.

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

In its articles 6 and 7, the Law on Statistics gives the state statistical bodies the right to receive free of charge reliable statistical data. The Law on the National Bank (Article 31), as well as the Law on Banks and Banking Activities (Article 49) give the NBA the authority to request information from the credit institutions and to define the terms and conditions of the reporting. In case of noncompliance, the Law on the National Bank foresees penalties (Article 35).

Commercial banks must submit their monthly balance sheets, and the accompanying forms, by the 10th day after the end of the reporting month. Credit unions, must submit their balance sheets on a quarterly basis.

The NBA supports the credit institutions through seminars and training provided to their staff. In these seminars, financial institutions are informed on how the information will be used. Additionally, the institutions are informed of the reporting requirements envisaged in the annual tactical plans of the NBA. Each staff of the BSD is assigned as a counterpart to individual commercial banks, is responsible for the information provided by these banks, and is available to respond to queries from the institutions.

0.2 Resources

0.2.1 Staff, financial, and computing resources are commensurate with statistical programs

Two divisions of the SD are in charge of monetary statistics: the BSD, which receives the primary data from the banks, and the EID, which processes and disseminates the information.

All the staff of both divisions (eight professionals in the BSD and five professionals of the EID) work full-time on monetary statistics. Additionally, 22 professional staff in the DSLIA spend an average of one week a month on the compilation of monetary statistics. In connection with the introduction of the full automation of the statistical system (expected by the last quarter of 2002), the compilation and dissemination of monetary statistics will be concentrated in the SD, improving the use of human resources within the NBA.

All the persons working on monetary statistics hold a university degree, and have a long experience in the subject. Over one third of them have worked between 15 and 20 years in government statistics agencies. They regularly participate in international courses, and three of them have attended the IMF's Monetary and Financial Statistics Course. They have also paid visits to central banks of other countries (e.g., Germany, the Czech Republic, Turkey, Kazakhstan). Clearly, a policy is in place at the NBA to train its staff and to provide on-the-job training to new staff. Incentives are in place to retain the better qualified staff, such as bonuses given on a monthly basis according to performance, or awarded yearly for length of uninterrupted work in the banking system.

People working on monetary statistics seem to have an excessive workload. The expanded responsibilities that the SD would assume after the introduction of the fully automated statistical system could eventually jeopardize the quality of the statistical work if staff numbers remain at their present levels.

Computer resources are adequate for the task. Every employee of the EID and the BSD has at his or her disposal a personal computer with the standard software. Information from the banks is received in an electronic format and consolidated using bridge tables developed in Excel. With the introduction of the new automated system, all the information will be processed electronically and the reports automatically generated by the system.

0.2.2 Measures to ensure efficient use of resources are implemented

Within the framework of a long term strategic plan, introduced in 2001, the Board of the NBA annually approves a tactical plan for every department. In the case of the SD, its tactical plan contains the objectives to be achieved in matters of macroeconomic, monetary, and balance of payments statistics; as well as the specific activities planned to achieve these objectives. The work to be carried on is regularly assessed and broken down into components at meetings of the Board, and work tasks are assigned for the next quarter. Each month, the SD must report to the Board on the progress in the implementation of the tactical plan. Work tasks are assigned to different staff, who are evaluated on the basis of their monthly performance.

In the case of monetary statistics, there is still room for improvement in the methods used to detect processing and reporting errors, since few processes are automated and most of them rely on manual controls.

0.3 Quality awareness

0.3.1 Processes are in place to focus on quality

Staff working on monetary statistics have a long experience in the field. As a result, they are sensitive to the different dimensions of data quality and the importance of quality to build trust among users. The annual tactical plans also emphasize the need of producing monetary statistics in line with international standards and of methodological improvements.

In 2001 the NBA established an internal auditing mechanism, which has not yet reached the SD, but will do in the future. Following the recommendations of an IMF on-site safeguards assessment conducted in January 2002, the balance sheet of the NBA is now being reviewed by the Internal Audit Department prior to the data being reported to the IMF for program monitoring purposes.

0.3.2 Processes are in place to monitor the quality of the collection, processing, and dissemination of statistics

The strategic plan and the annual tactical plans provide the framework for assessing the quality of the collection, processing, and dissemination of monetary statistics. Apart from informal consultations with the SSC, there is no outside body that the NBA regularly consults for guidance to improve the data collection process. This notwithstanding, the regular contacts that the NBA holds with central banks of other countries has led to improvements in the design of report forms and the collection process.

Revisions of statistical procedures can eventually occur as a result of inquiries of users who approach the SD. However, the NBA does not follow a proactive policy to obtain feedback from users outside the institution on data quality issues, like surveys or periodic meetings.

0.3.3 Processes are in place to deal with quality considerations, including tradeoffs within quality, and to guide planning for existing and emerging needs

Due to the characteristics of monetary statistics (based on accounting records), the accuracy of the information is not affected by the timeliness of its dissemination. The SD publishes, in general, final data which only occasionally have been revised. The SD does not seek actively to receive users' views on timeliness, accuracy, and comprehensiveness of monetary statistics.

1. Integrity

1.1 Professionalism

1.1.1 Statistics are compiled on an impartial basis

The Law on Statistics establishes as one of the duties of the statistical bodies to guarantee the reliability and objectivity of the statistical information (Articles 1 and 5). Internal regulations

of the different departments of the NBA foster the independence of the statistical compilation process. Staff of the EID feel that the quality of the compilation is not negatively affected by pressures from the upper management or other government agencies. New staff are selected through testing and personal interviews to evaluate the professional qualifications of the candidates. The professional development of the people working in monetary statistics at the NBA is fostered through their participation in international seminars, courses, and conferences.

1.1.2 Choices of sources and statistical techniques are informed solely by statistical considerations

The compilation of monetary statistics is based on the balance sheets of the reporting institutions. The monetary survey includes the NBA and all commercial banks operating in the country, so there is no possibility to alter the results by changing the source of information or the size of the sample. The NBA and commercial banks utilize a common chart of accounts that conforms to international accounting standards, further minimizing the chances of misclassification. Other financial statistics not based on the accounting records of the depository corporations, such as interest rates or sectoral distribution of credits, are based on responses by all the institutions or on a representative sample

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

The most common cases of misinterpretation of monetary statistics have occurred when the press used the data provided by the NBA in a wrong context or analyzed them inaccurately. In such circumstances, the NBA contacts the person responsible for the mistake and tries to clarify the situation. In cases of serious mistakes, the NBA has sent letters to the editor for their publication.

1.2 Transparency

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

Azerbaijan is a participant in the GDDS and its metadata on monetary statistics are accessible on the DSBB. This notwithstanding, the general public does not have easy access to information about the framework under which monetary statistics are compiled and disseminated. On the one hand, it is true that all the laws of the Azerbaijan Republic, including the ones on the National Bank, and on Banks and Banking Activities, are disseminated by the mass media and accessible on the website of the NBA (www.nba.az). On the other hand, they deal with more general matters rather than focusing on monetary statistics and, moreover, it is not guaranteed that users of monetary statistics are aware of the possibility of accessing them. More specifically, the NBA's website does not contain a section with the terms and conditions under which monetary statistics are compiled.

Commercial banks, however, are aware of the use that will be given to the information they provide and the confidentiality with which it will be handled.

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

Monetary statistics are disseminated (in Azeri and English) by the NBA through its monthly *Bulletin*, which is also posted on the NBA's website, and its *Annual Report*. There is an internal deadline for the publication of the *Bulletin*, but it is not known to the public. Prior to their release to the public, members of the board of the NBA and the SSC have access to monetary data. Although Azerbaijan's metadata posted on the DSBB warn that monetary data may be prereleased to authorized persons for official use only, the NBA's publications do not make the general public aware of this early access .

In addition to the *Bulletin* and the *Annual Report*, the EID produces a *Quarterly Economic Survey* containing considerably more data and more detailed statistics than the monthly *Bulletin*. The *Quarterly Economic Survey* is distributed only to the members of the Board and the upper management of the NBA. Although it does not contain confidential information, it is not accessible to the general public, apparently due to shortage of human and financial resources.

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

The *Bulletin* is identified as a product of the NBA, but no mention is made about the departments or the divisions of the NBA responsible for its publication. With one exception, the tables presented in the *Bulletin* do not identify their sources, under the implicit understanding that, if not mentioned, the source is the NBA.

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

Advance notice is not given of major changes in methodology. The *Bulletin* does not contain, either, a section where notice is given of revisions in historical series, breaks, discontinuities, or changes in methodology. Methodological footnotes are very scarce in the tables included in the *Bulletin*.

1.3 Ethical standards

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

The Statistical Law holds staff and officials working in statistical agencies legally responsible in cases of violation of the statistical confidentiality (Article 17). When joining the NBA, new staff must sign a labor contract whose Article 7.3 makes him or her responsible for the protection of the secrets of the Bank, as well as of the information related to his duties, and penalties are foreseen in cases of non compliance. Staff are also very

conscious that high ethical standards are expected during the performance of their duties at the NBA.

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 methodological framework used by the EID to compile the analytical accounts of the NBA and the monetary survey follows the guidelines of the Fund's *Monetary and Financial Statistics Manual (MFSM)*. Prior to the introduction of the new 4-digit chart of accounts for the NBA in January 2002, NBA's accounts presented some deviations from internationally accepted standards (e.g., recording on a cash instead of an accrual basis) that were not identified.

A monetary survey is compiled consolidating the central bank accounts with the aggregated balance sheet of the commercial banks. The main monetary and credit aggregates identified within this framework are broad money (includes all means of payments, in national and in foreign currency), net foreign assets, net domestic assets, credit to the nongovernmental sector, M2 (defined as national currency outside banks plus deposits only in national currency), and the money multiplier.

2.2 Scope

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

As at end March 2002, the depository corporation sector in Azerbaijan comprised the NBA and 53 commercial banks. There were also 63 credit unions, which since August 2000 have been restricted from taking deposits and whose participation in the total volume of loans is less than one percent. The NBA receives the balance sheets of all commercial banks, plus 24 additional report forms for statistical and supervisory purposes. Data reported cover the headquarters and the branches of the credit institutions.

2.3 Classification/sectorization

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

The principles underlying the classification of financial instruments and the sectorization of institutional units are consistent with the methodology of the Fund's *MFSM*. Residents and nonresidents units are grouped following the principle of "center of economic interest", and economic units are grouped into financial corporations, general government, nonfinancial

public corporations, nonfinancial private corporations, and individuals (households). For the year 2001, unclassified assets and liabilities constituted less than two percent of their totals at the NBA and the commercial banks.

Financial instruments are classified according to their maturity (short and long term) and the currency denomination (national and foreign currency). In November 2001 the NBA started engaging in repurchase agreements (Repos) of treasury bills with commercial banks: the NBA treats these transactions as collateralized loans, and instructed the banks to follow the same criterion.

2.4 Basis for recording

2.4.1 Market prices are used to value flows and stocks.

Financial assets are valued at market prices. Foreign currency denominated transactions are converted into manats using the official exchange rate (which is fixed on the basis of market auctions), and adjusted daily to reflect changes in this rate. Gold and other precious metals are valued on the basis of official regulations.

Loans are valued based on gross outstanding claims, and the corresponding provisions are presented in a separate group of accounts as a negative asset (“valuation adjustment”). Loans in arrears are presented in separate accounts.

2.4.2 Recording is done on an accrual basis

The *MFSM* recommends that interest on deposits, loans, and securities other than shares be recorded on an accrual basis and presented together with the underlying instrument, rather than as “other assets” or “other liabilities”.

With the full introduction of its new chart of accounts in January 2002, the NBA moved from a cash to an accrual basis when recording interest income and expenses. Commercial banks were already recording interest on an accrual basis. Accrued interest is not presented together with the underlying instrument, but classified in special groups according to maturity and sectoral classification of the debtor/creditor. Hence, at an aggregate level it is possible to bring together interest and instrument.

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

Assets and liabilities are presented on a gross basis, with no netting of claims on a particular transactor against the liabilities to that transactor or group of transactors. The current chart of accounts contains special groups to record current accounts in overdrafts as short term loans.

For the preparation of the monetary survey, the NBA utilizes a program developed and coordinated with the IMF, which cancels out all financial flows and outstanding claims and

liabilities between all depository corporations. Assets and liabilities in the monetary survey are aggregated by resident and nonresident positions.

3. Accuracy and Reliability

3.1 Source data

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

Commercial banks transmit electronically to the NBA their monthly balance sheets and additional report forms with statistical and supervisory information. Because all commercial banks and the NBA use the same chart of accounts, balance sheet data of the commercial banks and the NBA can be easily aggregated into an Excel spreadsheet to produce the consolidated sectoral balance sheets and the monetary survey. With the current presentation, the data collected allows in-depth analysis by instruments and sectors, and cross checks at an aggregated level.

Since early 1997, the NBA has been in a process of revising the chart of accounts to adapt it for a financial system in a market oriented economy. Until 1997, a 1000-line Gosbank chart of accounts was used. In the second half of 1997 the NBA adopted a new 3-digit chart of accounts, which was in line with the Fund's *Recommended Chart of Accounts for Central Banks* and represented a considerable improvement over the old chart, although it did not fully comply with international accounting standards. The 4-digit chart of accounts for commercial banks, introduced in mid-2000, followed internationally accepted accounting standards, allowed a proper sectorization of the transactions, and permitted a clear identification of the operations with residents and nonresidents. The latest revision, which took place in the last quarter of 2001 and brought some adjustments to the commercial banks' chart of accounts, produced a common chart of accounts for the NBA and the commercial banks.

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

The monetary survey is based on actual accounting records of the NBA and all commercial banks; therefore, no sampling or estimations are employed. The structure of the chart of accounts permits an adequate sectorization and identification of the accounts of residents and nonresidents.

Recently, some errors were detected in the way commercial banks were classifying some of their accounts; they were investigated and the corresponding corrections introduced. After this correction, staff of the EID feel more comfortable about the quality of data submitted by commercial banks, though there are still classification issues outstanding that need to be resolved. There is also room for improvement in the area of checking the reliability of commercial banks' figures.

3.1.3 Source data are timely

Commercial banks must submit an electronic copy of their balance sheets within 10 days after the end of the reference month. The information is checked and summarized by the BSD, and transmitted to the EID, which consolidates it with the balance sheet of the NBA to produce the monetary survey within 20 days after month-end.

3.2 *Statistical techniques*

3.2.1 Data compilation employs sound statistical techniques

The fact that commercial banks transmit their data in an electronic format, and that the data are also processed in an automated way, minimizes the possibilities of processing errors. The current programs contain some internal checks that reject the data when inconsistencies are detected. With the introduction of the new automated banking statistics system at the end of 2002, these controls will be reinforced.

The statistical information required from the banks in the report forms that accompany their balance sheets is standard and they do not experience difficulties in completing them. The design of the forms facilitates their electronic processing.

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

In cases when data on interest rates are not provided by commercial banks, which happens very seldom, and if the EID is unable to obtain the information through direct contact with the institution, the latest available data are repeated. The EID does not have programs for the seasonal adjustment of money supply.

3.3 *Assessment and validation of source data*

3.3.1 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 planning

The main source of monetary statistics, the balance sheets of depository corporations, was revised and improved three times during the last five years, to bring it more in conformity with international accepted accounting standards. The report forms are also routinely reviewed, drawing on the experience of central banks of other countries.

To ensure appropriate reporting, the NBA sends written instructions to the commercial banks and holds regular meetings to explain methodological issues. However, the accuracy of the source data is not systematically controlled by the EID.

3.4 Assessment and validation of intermediate data and statistical outputs

3.4.1 Main intermediate data are validated against other information where applicable

The information contained in the balance sheets of the commercial banks is cross checked at an aggregate level with the information of the report forms (e.g., sectoral distribution of loans and deposits). Similarly, money measures (M1, M2) derived from balance sheet data are compared with information provided in the report forms. Deposits of, and credit to, the central government are also compared with governmental statistics to check their consistency. Relevant monetary data are regularly compared with the corresponding balance of payments information. The EID does not receive information that would permit cross checking of individual interbank positions. Because of lack of computerized programs, most of the controls are performed manually.

3.4.2 Statistical discrepancies in intermediate data are assessed and investigated

When discrepancies arise they are investigated and corrected.

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

To avoid the recurrence of errors, the NBA contacts in writing the management of a bank where an error has been detected, explaining the nature of the problem and asking the bank to correct it.

3.5 Revision studies

3.5.1 Studies and analyses of revisions are carried out routinely and used to inform statistical processes

Monetary data processed by the EID tend to be of a final nature, so revisions are seldom carried out. When data are revised due to mistakes or misinterpretations by the credit institutions, the proposed solutions are incorporated into the compilation process.

4. Serviceability

4.1 Relevance

4.1.1 The relevance and practical utility of existing statistics in meeting users' needs are monitored

The NBA does not have a proactive policy of periodically consulting users to get their feedback on the quality and the relevance of its monetary statistics. However, concerns addressed by users to the NBA are taken into consideration for future improvements. The

regular visits that the staff of the EID pay to other central banks help them to assess the relevance of NBA's monetary statistics.

4.2 *Timeliness and periodicity*

4.2.1 Timeliness follows dissemination standards

The timeliness of Azerbaijan's monetary statistics exceeds the requirements of the GDDS, which foresees up to three months for their dissemination (two months for reserve money). The EID produces the monetary survey by the 20th of the following month and publishes it in the NBA's *Bulletin* with a lag of 35 days. This information is available on the NBA's website 25 days after the end of the reference month. This timeliness also meets the prescriptions of the SDDS.

4.2.2 Periodicity follows dissemination standards

As recommended by the GDDS, the broad money survey and other monetary data (sectoral distribution of loans, interest rates) are published on a monthly basis in the *Bulletin* and made available on the NBA's website. Although also available on a monthly basis, information on reserve money is not included in the *Bulletin*.

4.3 *Consistency*

4.3.1 Statistics are consistent within the dataset

Monetary statistics are internally consistent.

4.3.2 Statistics are consistent or reconcilable over a reasonable period of time

Time series published in the monthly *Bulletin* are consistent over time except for some occasional breaks. Some breaks in series were identified in the corresponding tables, but detailed explanations were not provided, either in the corresponding table or in a methodological annex. Recent changes in the chart of accounts produced breaks in monetary series, which were not marked.

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

Monetary statistics are consistent with government data on net credit to government and government deposits. They are also consistent with the relevant figures from balance of payments statistics.

4.4 *Revision policy and practice*

4.4.1 Revisions follow a regular, well-established, and transparent schedule

Because published monetary data are in principle final, revisions occur only occasionally, when errors are detected. The public does not have access to documentation on revisions.

4.4.2 Preliminary data are clearly identified

The tables in the *Bulletin* do not contain any indication whether their data are preliminary or final, although the EID publishes only final monetary data. Revised data are not highlighted in the tables.

4.4.3 Studies and analyses of revisions are made public

Studies containing methodological revisions are not available to the public.

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 tables of the monthly *Bulletin* present the information in a clear form, although a greater level of disaggregation would be desirable.

5.1.2 Dissemination media and formats are adequate

The NBA disseminates monetary statistics through its monthly *Bulletin*, which is published in Azeri and English and posted on the NBA's website, and its *Annual Report*. The hard copy of the *Bulletin* is distributed free of charge to a list of subscribers and is also available upon request. The *Quarterly Economic Survey*, produced only in Azeri and intended for internal use, is not available to the public, allegedly due to lack of resources.

5.1.3 Statistics are released on a preannounced schedule

According to an internal schedule, the EID must prepare the monetary statistics by the 20th of the following month. The processed data are sent for editing and printing. The date when the *Bulletin* is available for distribution can vary, although it is normally 35 days after the end of the reference month. The EID does not wait until the hard copy is ready to post the edited version on the NBA's website, which is done by the 25th of the following month. The general public is not aware of these release schedules.

The NBA's website contains daily information on exchange rates, regular information on Treasury bill and Repos auction rates, and the NBA's press releases.

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

Except for the early access by the SD, monetary statistics are made available to all users at the same time.

5.1.5 Nonpublished (but nonconfidential) subaggregates are made available upon request

Upon request, the SD provides nonpublished (but nonconfidential) information at a major level of disaggregation.

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 *Bulletin* contains a final section with some methodological notes and definitions, which should be regularly reviewed to facilitate the understanding of monetary statistics by the public. Missing in the *Bulletin* is an introductory section with an analysis of recent economic developments and an explanation of the most relevant changes in the published data.

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

At present, no different levels of detail are available to meet the different needs of users.

5.3 Assistance to users

5.3.1 Contact person for each subject field is publicized

The *Bulletin* does not contain any indication regarding the department or the division of the NBA that is responsible for its publication, nor the name of a contact person. It lists as a contact, however, the central telephone number of the Bank and an extension.

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

The NBA does not produce a catalog with its publications, and this information is not available in the *Bulletin*.

Table 5. Azerbaijan—Data Quality Assessment Framework: Summary Presentation of Results for Monetary Statistics
(*Compiling Agency: National Bank of Azerbaijan*)

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			Comments on Assessment	Plans for Improvement and Target Dates
		O	LO	LNO		
0. Prerequisites of quality						
0.1 Legal and institutional environment		X				Introduction of a fully automated statistical system and concentration of all activities related to compilation and dissemination of monetary statistics in the Statistics Department. (Fourth quarter of 2002).
0.2 Resources		X				
0.3 Quality awareness		X				
1. Integrity						
1.1 Professionalism		X				Need to improve transparency on (i) the specific terms and conditions under which monetary statistics are collected, (ii) earlier access by the SSC, (iii) changes in methodology, and (iv) sources of the tables published in the monthly <i>Bulletin</i> .
1.2 Transparency			X			
1.3 Ethical standards		X				
2. Methodological soundness						
2.1 Concepts and definitions		X				
2.2 Scope		X				
2.3 Classification/Sectorization		X				
2.4 Basis for recording		X				

Table 5. Azerbaijan—Data Quality Assessment Framework: Summary Presentation of Results for Monetary Statistics
(Compiling Agency: National Bank of Azerbaijan)

Element	NA	Assessment			Comments on Assessment	Plans for Improvement and Target Dates
		O	LO	LNO		
3. Accuracy and reliability						
3.1 Source data		X				
3.2 Statistical techniques		X				
3.3 Assessment and validation of source data		X				
3.4 Assessment and validation of intermediate data and statistical outputs		X				
3.5 Revision studies			X		Revision studies are seldom carried out.	
4. Serviceability						
4.1 Relevance			X		Lack of a proactive policy to consult users' needs.	
4.2 Timeliness and periodicity		X				
4.3 Consistency		X				
4.4 Revision policy and practice				X	Public not informed about revisions. No clear indication of preliminary data.	
5. Accessibility						
5.1 Data accessibility			X		Earlier access by the SSC. Deadline for publication not known by the public.	
5.2 Metadata accessibility				X	Scarce documentation on metadata. Data published only at an aggregate level.	
5.3 Assistance to users			X		Contact persons available on the SDBB, but not through the NBA.	

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

VI. BALANCE OF PAYMENTS STATISTICS

0. Prerequisites of quality

0.1 *Legal and institutional environment*

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

The legal environment for collecting and disseminating the balance of payments statistics in Azerbaijan is sound. Article 1 of the Resolution of the Cabinet of Ministers of Azerbaijan Republic No. 25 of February 8, 1995 “Compilation of the Balance of Payments Statistics of the Azerbaijan Republic” designated the NBA as the compiling and disseminating agency for the balance of payments statistics with power and functions that are stipulated in the Law on the National Bank and the Law on Statistics. Article 3 of the Law on the National Bank specifies the authority and responsibility of the NBA to compile balance of payments data.

Articles 1 and 6 of the Law on Statistics state that statistical policy should ensure the consistency of methodology and comparability of statistics with international standards. Article 5 of the Law provides authority to the statistical agency to publish statistics, issue statistical bulletins, reviews, press releases and other statistical information, and stipulates that the state statistical agencies are responsible for the methodological supervision of collecting, processing, and dissemination of statistics.

The balance of payments statistics are compiled by the Balance of Payments Division (BPD) of the NBA’s SD. The NBA collects data for the balance of payments estimates from various sources, including the SSC, the MOF, the SCC, Ministry of Foreign Affairs, Ministry of Communication, Ministry of Economic Development, other governmental agencies, SOCAR, international oil consortia (IOCs), transportation companies, and commercial banks. Annex 1 of the Resolution of the Cabinet of Ministers of Azerbaijan Republic No.25 of February 8, 1995 provides the detailed specification of working arrangements.

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

Data sharing and coordination among the data producing agencies are adequate. Azerbaijan operates a countrywide centralized statistical system (Article 2 of the Law on Statistics). To avoid duplication of effort, and to take into account respondent burden, Article 6 of this Law provides state statistical agencies with the legal authority to introduce or cancel statistical reports and to coordinate work on their improvement. Because Article 7 allows ministries and other government agencies as well as legal entities and individuals to conduct statistical surveys independently, based on agreements with the relevant institutional units or individuals, the NBA does not approve its survey questionnaires, and has not consulted with the SSC on any aspects of the development or conduct of surveys. However, the cooperation between the two agencies with regard to data sharing is good.

Amendment 1 of May 16, 2000 to The Law on Statistics defines the powers and functions of the state statistical agencies and ensures the operation of a unified state information system. The Law applies the activities of all government agencies of Azerbaijan. Article 48 “*Collection of information and information network*” of the Law on the National Bank and Article 3 of the Resolution of the Cabinet of Ministers of Azerbaijan Republic No. 25 of February 8, 1995 stipulates the right of the NBA to obtain all necessary information from government agencies for compiling the balance of payments statistics. The NBA undertakes regular consultations with the balance of payments data producing agencies including the SCC, the SSC, the MOF, and the Ministry of Foreign Affairs to ensure proper understanding of data requirements.

Within the NBA there are informal arrangements in place to ensure the smooth flow of information needed to compile the balance of payments statistics between the SD, the Department of Market Transactions, and the Settlement Department.

0.1.3 Respondents’ data are to be kept confidential and used for statistical purposes only

Article 1 of the Law on Statistics requires statistical policy to serve the interests of respondents with regard to confidentiality of individual respondent’s data. Articles 6 and 11 set out the responsibility of the statistical agency to prevent disclosure of statistical information. Article 11 requires the individual data to be used for statistical purposes only. Article 13 “Confidentiality” of The Law on the National Bank stipulates that members of the NBA Board and employees of the National Bank do not have the right to disclose the professional information acquired in the course of performing their duties, including information about transactions of the banks, except with the permission of the Board or with the consent of the relevant bank. Persons breaching this rule bear legal responsibility.

The International Transaction Reporting System (ITRS) employed by the NBA and the NBA’s survey forms contain the statement that the data provided by respondents will be used for statistical purposes in order to compile official statements of Azerbaijan’s balance of payments.

No special aggregation rules have been developed by the NBA to ensure residual disclosure does not occur when aggregations of confidential data are disseminated. While theoretically residual disclosure is possible with regard to the oil sector transactions, no breach of confidentiality of data has been identified to date.

Procedures are in place to ensure that the data are kept confidential. Only the staff of the BPD of the SD have access to the ITRS reporting forms and the responses to the IOC surveys. The electronic files in which the balance of payments statistics are compiled are password-protected and accessible only by staff of the BPD. In addition, general security procedures within the NBA ensure the restricted access of the NBA departments to the specified segments of the working database, including at the level of respondents. Documents within the NBA are classified as strictly confidential, confidential, or for internal use only. Access to individual data is limited to staff of the NBA. All staff members sign an obligation

to guarantee the confidentiality of information and to follow thoroughly the NBA's general security procedures.

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

Amendment 1 of May 16, 2000 to the Law on Statistics states that the Law should be applied to all financial, banking, fiscal and customs services, enterprises, organizations, institutions, associations, companies and other legal entities located in the Republic's territory and Azerbaijan's entities beyond its frontiers, irrespective of their type of ownership, as well as to the activities of individuals conducting entrepreneurial and other activities not forbidden by the legislation. Article 7 requires all institutional units and individuals on the territory of Azerbaijan to provide the statistical agencies with all the data required for compiling statistics free of charge and according to the defined terms.

Article 49 (1) of the Law on Banks and Banking Activity and Article 31 (1) of the Law on the National Bank state that the NBA defines the terms and conditions for submitting the reports it requires. Article 3 of the Resolution of the Cabinet of Ministers of Azerbaijan Republic No.25 of February 8, 1995 stipulates the right of the NBA to obtain all necessary information from institutional units for compiling the balance of payments statistics. Article 35 (2) of the Law on the National Bank prescribes penalties for non-submitting of reports or submitting of unreliable reports.

Article 4 (2) of the Law on Banks and Banking Activity in the Azerbaijan Republic stipulates that respondents bear responsibility for errors caused by non-supply of information or supply of erroneous or incomplete information. Sanctions, specified by the Law on the National Bank may be applied to banks for the infringement of banking legislation and normative acts of the NBA Article 40 (1). In addition, Article 16 of the Law of Statistics states that financial sanctions should be applied in the event of non-presentation or unpunctual presentation of data required for conducting statistical surveys or for updating the state register of institutional units.

Under Article 6 of the Law on Statistics, the state statistical agencies have rights to check the reliability of statistical data from individual respondents, and to receive from a legal entity or individual relevant documentation and explanatory or reference material.

In case of any distortions in statistical data, the statistical agency has the right to introduce corrections into the reports and provide the enterprise, association, institution, or organization with the necessary instructions for making the corrections. Penalties are applied for noncompliance with reporting requirements, including regarding timeliness.

The SD puts great effort into encouraging the cooperation of ITRS data reporters by maintaining good working relationships, including personal visits, providing extensive consultations, and conducting training seminars for the commercial banks.

0.2 Resources

0.2.1 Staff, financial, and computing resources are commensurate with statistical programs

The BPD has a total of five staff assigned to the compilation, analysis, and dissemination of the balance of payments statistics—all university-trained professionals. All staff have five—seven years' experience in balance of payments compilation. The staff of the BPD are highly motivated and skilled professionals with a good understanding of balance of payments concepts and methods. All staff members have been trained at IMF regional balance of payments courses. In addition, internal on-the-job training is conducted in subject matter areas. There were no cases of staff turnover during last seven years. Nevertheless, in view of the amount of statistical information required to be processed and analyzed in connection with the tasks identified below, the Division's staff resources are not entirely adequate to perform their tasks.

The BPD is equipped with personal computers, which are LAN connected. There is no information technology officer dedicated to working with the BPD. In general, computer resources are adequate to perform existing tasks. However, there is a need to develop the electronic transmission of the statistical information from respondents and to improve data processing in the NBA.

The allocation of budgetary resources to the balance of payments statistics is based upon identified statistical needs within the overall NBA's development strategy. As the NBA utilizes a centralized-budgeting system, the financial resources available to the BPD could not be assessed.

0.2.2 Measures to ensure efficient use of resources are implemented

In general, strategic planning in the NBA is subject to budget considerations and performance assessments. Within the framework of a long-term strategic plan, introduced in 2001, the Board of the NBA approves each year a tactical plan for every department. Once a year, the BPD provides inputs for the NBA budget planning that result in adjusting the allocation of budgetary resources. This document is discussed with Director of the SD and with a member of the Board—the supervisor of the SD. The application is based on the division-planning document that contains an elaborated annual action plan, with project responsibilities assigned to each staff member. Each month, the SD reports to the Board on the status of the implementation of the tactical plan. There are no internal processes in place to compare the resource usage of the balance of payments compilation system with other statistical programs.

Article 48 of the Law on the National Bank outlines the responsibility of the NBA to create an information network for the banking system and to ensure its efficiency. Recently, within the framework of the strategic development plan for 2001–2004, the NBA's senior management endorsed the implementation of advanced computing technology for data processing that is expected to result in resource savings.

The SD seeks outside expert assistance to evaluate statistical methodologies and compilation systems. Over the 1995–2001 period, IMF technical assistance in the area of the balance of payments statistics was provided to the NBA through five balance of payments statistics missions.

0.3 *Quality awareness*

0.3.1 Processes are in place to focus on quality

Article 1 of the Law on Statistics states that the main goal of the state statistical policy is to provide objective and reliable statistical information that would satisfy the needs of all users including government authorities.

At the institutional level, NBA management conducts a strategic planning meeting once a year, where decisions are undertaken on the reallocation of resources and future developments. The BPD prepares strategic planning documents to be discussed with the management of the NBA during these meetings. Managers are sensitive to the accuracy, reliability, and timeliness of statistics. There is an understanding of the importance of high quality statistics.

In addition, the director of the SD has the function of advising the government on a broad range of issues relating to the balance of payments statistics to ensure that they meet the needs of economic analysis and policy implementation.

0.3.2 Processes are in place to monitor the quality of the collection, processing, and dissemination of statistics

Under Article 4 of the Law on Statistics the state statistical agencies coordinate their work with law-enforcement, financial, banking and tax services and other agencies entitled to perform supervision in checking the reliability of the reported data. This allows balance of payments data to be validated against administrative data sources.

Informal feedback received from users, mainly from the Government, is incorporated into improvements to the data collection system. In general, the focus on the quality of the statistical product is driven by the need to be in compliance with the *BPM5*.

0.3.3 Processes are in place to deal with quality considerations, including tradeoffs within quality, and to guide planning for existing and emerging needs

Article 4 of the Law on Statistics states that statistical agencies are responsible for the quality and timeliness of statistics. Trade-offs between quality and other considerations are not explicitly acknowledged, but there is strong emphasis on timeliness of the balance of payments data.

The BPD closely monitors economic developments in Azerbaijan to identify any emerging data requirements. Data quality improvements are taken into account in the development of the forward work program. A contact telephone number is included in the NBA's Monthly Bulletin to facilitate user feedback on balance of payments statistics.

1. Integrity

1.1 Professionalism

1.1.1 Statistics are compiled on an impartial basis

Article 5 of the Law on the National Bank stipulates that the NBA is an independent institution. The NBA reports only to the President of Azerbaijan. The chairman of the NBA Board may report to the President of Azerbaijan on any attempted interference into NBA's activities. Members of the Board cannot join political parties or hold a position in public associations (Article 9).

Under Article 47 (1) the NBA determines acts, rules, instructions, and regulations independently. The NBA is not required to submit the balance of payments statistics to any government authorities for approval prior to their publication, and the decision to publish is made entirely within the NBA.

Article 5 of the Law on Statistics outlines the responsibility of statistical agencies to conduct research and analysis. The Director of the NBA's SD conducts lectures in the President's Academy of State Management to government authorities and bankers, to promote knowledge of the balance of payments statistics and analysis. Staff are encouraged to produce analytical papers that are made available publicly through the mass media (e.g., in the newspaper *Banks and Business*).

Professionalism of the staff in charge of compilation of the balance of payments statistics is actively promoted by encouraging participation in lectures, conferences, seminars, and training courses, including those organized by the IMF. The management regularly informs the IMF of emerging training needs.

1.1.2 Choices of sources and statistical techniques are informed solely by statistical considerations

Article 1 of the Law on Statistics states that the main objective of the state statistical policy is to compile impartial and reliable data on the socio-economic situation in the country. Decisions about the methodology and data sources to be used to compile the balance of payments statistics are made entirely within the SD of the NBA.

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

While there appears to have been no incidence of erroneous interpretation and misuse of balance of payments statistics, the NBA has appointed a coordinator with the mass media, who is entitled to comment on such issues.

1.2 Transparency

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

Article 1 of the Law on Statistics states that state statistical policy should ensure transparency of statistics as public goods. Article 47 (2) of The Law on the National Bank stipulates that decisions of the NBA should be immediately announced and disseminated to all interested parties. The decisions of the NBA are posted on the NBA website at <http://www.nba.as>. In addition, the terms and conditions under which the balance of payments statistics are compiled are shown in the GDDS metadata on the DSBB.

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

Under Article 4 “Relations between the state statistical bodies and other government bodies and international organizations”, and Article 5 of the Law on Statistics, the statistical agencies, when necessary, provide the corresponding government agencies with the statistical information on an on-going basis, and in accordance with “Regulation on Statistical Work” adopted by the Cabinet of Ministers of Azerbaijan. There is no internal governmental or other public access to the balance of payments statistics prior to their release in the *NBA Bulletin*. However, this policy is not widely disseminated.

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

The *NBA Monthly Bulletin* and the *NBA Annual Report*, in which balance of payments statistics are published, are clearly identified as a product of the NBA by name and by logo. Balance of payments data published in the SSC’s *Statistical Bulletin* are attributed to the NBA. However, in the NBA’s other statistical publications that use or reproduce statistics compiled by the NBA, no source reference is usually given.

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

The NBA publishes some information on major changes in methodology, and on source data, in the official publications.

1.3 Ethical standards

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

Article 17 of the Law on Statistics states that staff and officials of state statistical agencies and persons entitled to conduct state statistical surveys who are found guilty of violation of statistical confidentiality, and persons entitled to conduct state statistical surveys who without good reason refuse to perform their duties or perform them in an untimely or inaccurate manner, shall be liable in accordance with the specified regulation. There are internal NBA guidelines that instruct the staff to observe the code of conduct. These guidelines cover potential conflict of interest situations, secrecy, and confidentiality. New staff are made aware of these guidelines when they join the NBA. High professional standards are expected and observed by staff; all new staff are hired only after a probation period.

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 overall structure of the balance of payments statistics is in broad conformity with the guidelines presented in the *Balance of Payments Manual*, fifth edition (*BPM5*). However, in several areas the concepts and definitions set out in *BPM5* are not currently followed:

Residency: In the survey conducted by the SSC the institutional units engaged in services transactions are required to include the transactions of their foreign affiliates. In Article 5 of the Law on Currency Regulation of Azerbaijan, the branches and representative offices of legal entities located outside Azerbaijan and established in accordance with the laws of Azerbaijan are defined as residents. Under Article 49 (2) of the Law on Banks and Banking Activity, banks are required to report the transactions of their foreign branches. To date there are two banks with foreign branches—the Azerbaijan International Bank and the Bank of Caucasian Development, which have reported FDI abroad to the BPD. The inconsistencies noted above between the Laws and the statistical concept of residency, reduce the comprehensiveness and accuracy of balance of payments statistics.

Services: The data on expenditures for construction activity include projects completed within one year and projects that require more than one year to complete. The latter should be reclassified under foreign direct investment.

Direct investment: Direct investment enterprises are defined as enterprises with a foreign equity participation of more than 10 percent. These enterprises include mainly the International Oil Consortium (IOC) and joint ventures. The NBA does not fully apply a definition of foreign direct investment, as no distinction is made in the ITRS between foreign

direct investment enterprises and other enterprises with nonresident participation. As a result, portfolio investment is not separately identified in the financial account.

Reserve assets are comprised of the NBA's holdings of reserves and SOF assets in line with Article 24 "Management of International Reserves" of The Law on the National Bank. However, the rules on the preparation of the Program and Management of the annual revenues and expenditures of the SOF of the Azerbaijan are approved by the Decree of the President of Azerbaijan of September 12, 2001 N579. Article 6 of The Memorandum of Understanding on Coordination of the Preparation and Execution of the Consolidated State Budget Between MOF and the SOF states that the State Treasury shall provide quarterly reports to the SOF on expenditures related to projects financed by the SOF. As SOF assets are not at the effective disposal of monetary authorities, namely the NBA, they should not be included in reserve assets.

Net errors and omissions: This component is included in the goods component because compilers consider their estimation procedure for unlicensed shuttle trade to result in underreporting and because they believe there are no other major omissions of balance of payments transactions.

The main deviations from the concepts and definitions specified in the *BPM5* are not identified in publications.

2.2 Scope

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

Geographic Coverage: The economic territory is defined as consisting of the Republic of Azerbaijan. The balance of payments data cover the whole territory of Azerbaijan and its embassies abroad.

Unit Coverage: Basically, all resident institutional units engaged in transactions with nonresidents are covered. At present, there are 11 international consortia operating in the oil sector. Starting from 2001, consortia engaged in the exploration of oil report data directly to the NBA.

Transaction Coverage: In principle, all transactions with nonresidents are covered. However, some transactions, such as repairs on goods and migrants' transfers (that are not included in custom statistics), and reinvested earnings are not covered. These transactions are believed to be not materially significant. Some transactions are not identified separately within the scope of the balance of payments statistics. These are goods for processing, non-monetary gold, transportation services by modes of transport, insurance services, portfolio investment, and subcomponents of reserve assets. Azerbaijan does not hold monetary gold. Other reserve assets are included without a breakdown to identify SDRs, Reserve Position in the Fund, and foreign exchange.

Deviations from the international standard (*BPM5*) regarding coverage are not identified in the publications.

2.3 Classification/sectorization

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

Under the current ITRS arrangements, banks are to classify transactions in accordance with instructions modeled along the classification framework recommended by *BPM5*.

The current account records transactions in goods (exports and imports of goods), services (transportation, travel, construction, other business services), income (direct and other investment income, compensation of employees), and current transfers (with a breakdown by general government and private sector). The capital account records mainly general government transfers. The financial account is compiled with a breakdown by direct investment and other investment. Other investment is disaggregated by trade credits, loans of the monetary authorities, general government, and private sector, currency and deposits.

Transfers between individuals cover a wide variety of transactions, including direct investment capital by small direct investment enterprises, transfers abroad for unrecorded imports, and capital transfers into and out of foreign accounts. Even though banks are aware of the underlying reasons for current transfers between individuals, these transactions are not classified as the FDI or capital transfers. Amounts transferred to international institutions are classified under the current transfers component and not identified as current contributions and subscription payments, with the latter to be classified in the capital account.

Loans guaranteed by the government should be reclassified to other sectors.

Other assets and liabilities: Data on other assets cover amounts transferred by resident enterprises to their representative offices abroad to finance the expenditures there, while data on other liabilities cover amounts received from enterprises abroad to their representative offices in Azerbaijan. These flows are identified in the ITRS as funds to finance operational costs. Such remittances should be reclassified from the financial account to the current account according to the underlying purpose of these transactions. These transactions, in particular the inflows, classified as foreign liabilities, are substantial.

The sectorization in the balance of payments is consistent with *BPM5*. Thus, four sectors are distinguished: monetary authorities, general government, banks, and other sectors. In addition, to address the country's special factors, the oil sector, which comprises the IOC, is shown separately from 1996.

2.4 Basis for recording

2.4.1 Market prices are used to value flows and stocks.

The balance of payments data are compiled in thousands of U.S. dollars. Transactions denominated in national and other currencies are converted into U.S. dollars using the average exchange rate for the month, calculated from the current official exchange rate quotations. The reserves at the close of the period are converted into U.S. dollars using the corresponding exchange rates of the end of the period

Exports and imports of goods are valued on an f.o.b. basis.

Transactions are, where possible, valued at market prices at the time that legal ownership changes. Data on oil exports are calculated on the basis of prices reported by the AIOC, notably the prices actually applied/reported to a specific exchange, which could give rise to discrepancies with market prices. In addition, time of recording of the oil export does not strictly follow the principle of change of ownership. Oil on consignment is included in goods at the time it crosses the frontier, and no timing adjustments are made in cases when the oil is not actually sold within the reference period, as this information is not available to the NBA.

The SCC is currently in the process of setting up a database to facilitate valuation at market prices.

2.4.2 Recording is done on an accrual basis

In general, balance of payments data are recorded on an accruals basis. However, all interest and dividend receipts and payments are recorded on a cash basis, although accrual data are available from the accounting records.

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

Following the recommendations of the *BPM5*, 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 components. However, non-oil sector income distributions subject to withholding taxes at source are recorded net (rather than gross) of taxes withheld, as the reported data are based on settlements.

3. Accuracy and Reliability

3.1 Source data

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

The NBA employs an elaborate data collection program that is comprised of the ITRS and a survey of the oil sector enterprises. Data from these sources are supplemented with information from the SCC on the international merchandise trade statistics, data on the international services trade derived from 10 surveys conducted by the SSC, data on FDI in the non-oil sector from the SSC, data on the external loan liabilities from the MOF, and information on the government's external transactions from the Ministry of Foreign Affairs. The data sources are broadly sufficient to compile the balance of payments statistics.

The existing "open ITRS" was established in 1994 and is a first step toward achieving a complete ITRS. The contribution of the open ITRS to the overall value of balance of payments transactions is around 40 percent, but it fluctuates up to 70–100 percent for some components, for example, services, income receipts, and current transfers. Monthly report Form 1-TB "On financial transactions with non-residents" is received from 53 reporting banks, including the NBA. An open-type ITRS report form does not provide a check of the completeness of reporting, as there is no requirement for the banks to reconcile changes in their foreign currency positions at the beginning and the end of period with the reported transactions system. Three enterprises that obtained a license from the NBA to open accounts abroad for special purposes submit a quarterly report form "On foreign exchange flows on the accounts abroad". The report form for enterprises is built on the closed ITRS principle, notably the enterprise reports are self-balancing, the transactions are reconciled with the net changes in the enterprises' accounts held abroad. Article 30 (2) of the Law on Banks and Banking Activity requires all banks to inform monthly the NBA of newly opened correspondent accounts on the territory of the Republic and abroad. The structure of the ITRS is consistent with the accounting practices employed by banks. The ITRS has full coverage, as no reporting threshold is established; therefore banks and enterprises are required to report all transactions with nonresidents.

In general, the survey framework is dependable, but contains certain coverage and accuracy problems. Article 9 of the Law on Statistics stipulates how the State Register of reporting units of the Azerbaijan Republic is to be maintained. Thus reporting units not covered by the State Register are not allowed to open bank accounts or to undertake any other financial transactions.

The SSC survey forms are well designed, especially the FDI survey form that contains components, including reinvestment earnings, sufficient for the balance of payments compilation. Moreover, data on the FDI survey of the SSC do not cover the FDI in oil sector and are augmented by the NBA survey of the IOCs.

While the survey frame used to report FDI is adequate, the same frame is used to report services, which is inadequate (as a longer survey frame is appropriate for service debits). As a result, there is a substantial undercoverage of the services import component. In recognition of this, the NBA uses service trade data obtained from the ITRS.

The source data for each balance of payments component are as follows:

Goods: Data on imports/exports of goods are compiled on the basis of customs declarations, which are processed by the SCC and the aggregated results are forwarded to the SSC, including data on shuttle trade conducted by licensed traders and humanitarian goods. Each customs declaration contains 54 cells of information, including currency and the exchange rate on the date of crossing the frontier, financial terms of exchange, mode and terms of transportation, and valuations based on both a c.i.f. and f.o.b. basis. The customs data also include migrants' transfers in kind, which should be recorded as a capital transfer in the balance of payments statement. The sources of data for oil exports are monthly reports submitted by the AIOC to the NBA, in which oil exports for the two most recent months are reported. The data source for goods procured in ports (fuel only) by carriers is accounts held with Azal Bank. Export of goods procured in ports are excluded but could be derived from the SSC form 3-TB "Services rendered in ports and airports". Adjustments are not made for the repair of goods component, which is not included in the custom data.

Services: The major sources of information for the services account are the ITRS and surveys conducted by the SSC.

Transportation: Estimates of exports are compiled from two main sources: (1) summary data collected by the SSC quarterly from transporters (rail (Form 2-TB), sea and air (Form 1-TB), and enterprises responsible for managing seaports and airports; and (2) from the banks. Data on passenger fares and port services charges are based mainly on information collected by the SSC from marine shipping, airline, and railway transport companies. Data on road transport are not collected by the SSC. These surveys provide the data on freight receipts and passenger fares receipts and payments. The credit entries for freight consist mainly of transit fees in connection with the transit traffic from neighboring countries. Data for other transportation services are derived from the ITRS, but could be usefully validated against line 05 of the SSC Forms 1-TB and 2-TB.

Travel: Data for the travel component are estimated on the basis of the SCC data on the number of foreign visitors entering Azerbaijan and Azerbaijan residents traveling abroad, and data collected from the banks, on the average per capita expenditures of travelers. The NBA should consider the possibility of making more use of the SSC Form 9-TB "Report of Travel Agencies", Form 7-TB "Report of Hotels" with regard to travel expenditure of Azerbaijan residents abroad and foreign travelers in Azerbaijan, respectively. In turn, the SSC should improve coverage of these data.

Communication services: Data for communication services are derived from the ITRS, mainly from Rabita Bank, and from the SSC Form 10-TB containing the aggregated information from the Ministry of Communications.

Construction services: Data on construction services are collected by the SSC from construction companies, and by the NBA from IOCs. Construction activities of the oil sector (only debit entries) cover the construction of the pipeline, buildings, and any other construction activity carried out by oil sector enterprises. Some payments pertaining to construction activities do not enter the ITRS as they are made from accounts abroad, particularly by IOCs. Construction activities of other sectors cover the construction of hotels, and apartments.

Other business services: Data on other services are mainly derived from the ITRS, supplemented with information obtained from direct reporting entities, including the IOCs (for data on other business services acquired from abroad by enterprises in the oil sector). Data include insurance premiums and claims (including insurance on merchandise imports), computer services, marketing, etc.

Government services: The data cover government services, including expenditure abroad of embassies and missions. The source of the data on government services is the ITRS and the Ministry of Foreign Affairs. For the receipt of government services, the entries reflect the inflows into the accounts of foreign embassies with domestic banks. The NBA may consider the possibility of using SSC Form 5-TB “Expenditure of foreign embassies in Azerbaijan,” although coverage of this survey is unsatisfactory.

Financial services data are obtained from the ITRS.

The aggregated information on other business services provided by the SSC on the basis of its survey (Form 4-TB) cannot be used because these data include only the total services acquired from, or rendered to, nonresidents by all enterprises in the survey, including transportation, communication, and construction enterprises. However, for the education services component, SSC Form 8-TB may be considered.

Compensation of employees: The data are collected from enterprises with foreign workers by the SSC and provided to the NBA. However, the main source of the data for payments of compensation of employees in the oil sector is the monthly reports from the IOCs, compiled by the NBA. Wages and salaries of nonresidents employed in Azerbaijan are estimated on the basis of information reported by the IOC, the Azerbaijan State Caspian Marine Shipping Company, and the State concern AZAL. Payments of compensation of employees in other sectors cover the payments of staff in offices maintained abroad by enterprises headquartered in Azerbaijan. Only debit entries are recorded for this series.

Direct investment income: The source of the data for direct investment income of the oil sector is reports from the AIOC and, consequently this item covers only direct investment income transactions of the AIOC. The source of the data for direct investment income of

enterprises in the non-oil sector is the ITRS. Improvements could be achieved through using more extensively data from SSC survey (Form 1-INVEST) that provide information on total investment income, broken down into the reinvestment of earnings and other direct investment income for the non-oil sector. The SSC could also improve the quality of this form by including a reconciliation of data with information on the investment goods available via the merchandise trade statistics.

Other investment income: Data are obtained quarterly from the ITRS, quarterly reports of the NBA, the MOF, and enterprises.

Current transfers: The data on the debit side comprise Azerbaijan's subscriptions to international organizations and are obtained from the ITRS. The source of the data for membership dues to international institutions is the MOF. Data on humanitarian aid in kind are obtained from the SCC. Cash remittances received by the humanitarian institutions through the banking system and data on workers' remittances are derived from the ITRS. The estimate for technical assistance and data on private current transfers are derived from the ITRS.

Capital transfers: Migrants' transfers are not covered in the capital account, while customs data include migrants' transfers in kind over a certain threshold without separately identifying them.

Direct investment: The data on direct investment in the oil sector are obtained directly from the IOCs. Direct investment in the oil sector covers 11 consortia, including the AIOC, which are engaged in the construction of the pipeline and other projects, exploration activities, and production of crude oil. The share of oil sector in the FDI in 2001 is 87.6 percent. Direct investment enterprises include mainly the IOCs and joint ventures. Data provided by IOCs pertain to (i) production (in tonnes); (ii) exports (estimated tonnes and values); (iii) transportation; (iv) operating costs; (v) capital costs; (vi) payments to local and foreign companies (covering operating and capital expenditures); and (vii) salaries. Information is also provided on the distribution of holders of the equity capital of IOCs. Data on capital repatriation are treated by the NBA as disinvestments in the oil sector.

Data on non-oil related direct investment are obtained from the SSC. The survey conducted by the SSC (Form 1- INVEST) is comprehensive and includes 2,500 enterprises with foreign capital participation, however only 50–60 enterprises report quarterly. The survey report form requires enterprises to report only the cumulative flow from the beginning of the year on the foreign liabilities of the enterprise, supplemented with details on equity participation by nonresidents and data on income. Inflows of equity are further broken down into cash, loans, and credits. The report form also requests information on portfolio investment inflows (bonds and securities), trade credits received, and other inflows. No information is collected on the flows and stocks of foreign assets of these enterprises. Data on the inflows collected by the SSC on the basis of these surveys is reported to NBA.

Estimates of direct investment abroad are based on the data received from the ITRS.

Other investment: Data on trade credits are estimated on the basis of the trade statistics data and the ITRS.

Data on public sector loans include loans received by the government and government guaranteed loans and are derived from reports received from the MOF. The data are compiled by the Government Debt and Asset Department of the MOF. External debt includes borrowing guaranteed by the government. Government debt is regulated by the Law on "Government Debt of the Azerbaijan Republic" (December 29, 1992), the decree of the cabinet of ministers concerning "Procedures on Issuing Government Guarantees" (No. 137, December 18, 1997), and by provisional Government orders concerning the issue of treasury notes and bills. Cumulative data on external government guaranteed debt are compiled in U.S. dollars, on a quarterly basis, with a breakdown by debt instruments, by maturities based on the original maturity and by creditors, and reported to the NBA. The data also include a breakdown by debt holders, mainly public sector institutions, and by purpose, mainly program and project credits. The foreign debt of the central government is also tracked with a breakdown by lines of credit, including financial borrowing terms, by sources (for example, multilateral agencies, the Islamic Bank, the German government), and by use of credits.

Data on loans received by banks cover drawings and repayments reported in the ITRS.

Currency and deposits: Data on changes in foreign deposit assets and liabilities are compiled by converting monthly stock data in manat into U.S. dollars at end of period exchange rates, and changes are calculated as differences in outstanding amounts. This method therefore includes the effects of valuation changes. However, the compilers indicated that this would not result in serious discrepancies, since around 95 percent of the foreign assets and liabilities of commercial banks are denominated in U.S. dollars.

Other assets and liabilities: Data on other assets and liabilities are derived from the ITRS, and reports of the NBA. There are some misclassifications, as already referred to in section 2.3.1.

Reserve assets: Data on reserve assets and IMF credits, as well as other assets and liabilities of the NBA are obtained monthly from internal sources of the NBA (Settlement Department). Reserve transactions in foreign exchange are derived from stock data. No adjustment is made to remove the effects of exchange rate fluctuations.

No agency has been designated to compile the nonguaranteed external debt of banks, enterprises, and individuals. Some indications of private sector debt (banks and other sectors) are available from the ITRS.

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

In general, source data reasonably approximate *BPM5* definitions and recommendations for scope and classification. The following specific procedures have been developed by the NBA to adjust data from various sources:

Goods: Merchandise trade data supplemented with a number of adjustments made by NBA to improve the coverage, classification, and valuation of the trade statistics and to conform to *BPM5* methodology. Data obtained from the SSC include exports valued on a f.o.b. basis, and imports valued on a c.i.f. basis. For balance of payments purposes, import data are converted to a f.o.b. basis by deducting an estimate of transportation and insurance costs. These estimates are derived from two valuations provided by the SCC. Other adjustments are to include shuttle trade conducted by unlicensed traders, bunker fuel provision, goods procured in ports, and to record crude oil exports at the time of change of ownership, (to correct customs statistics that report the crude oil exports of the AIOC registered in the Black Sea ports 2–3 months after crossing the border of Azerbaijan). The NBA makes an adjustment to these data based on the monthly reports submitted by the AIOC, in which only the volume of oil exports in tonnes and the estimated value of crude oil exports are reported. No data on actual export values of crude oil are reported, and the reported monthly data do not indicate revisions to data for the previous period. The NBA indicated that the amount estimated for shuttle trade by unlicensed traders is a conservative estimate and gives rise to significant entries under errors and omissions.

Direct investment income: The basis of the calculation of direct investment income is the information provided by the AIOC on their exports, operating expenditures, and capital expenditures. The calculations are based on conditions stipulated in the contractual agreement and therefore differ considerably from the internationally recognized method of calculating income. Under the agreement, shareholders of the AIOC are allowed to recover all expenditures made in the development and the exploitation of oil fields. Operating expenditures are fully recoverable, but capital expenditures are recoverable only when sales exceed operating expenditures, within the limit of 50 percent of revenues after operating expenditures, the other part being shared as profits between the shareholders. The major weakness in the present methodology is the lack of detail on the operating and capital expenditures incurred during the exploration and development of the oil fields, which will be recovered during the periods when oil is produced.

Services: The estimates are made by the NBA on the basis of additional information from the SSC surveys.

Current transfers: The estimates are made by the NBA on the basis of data from the ITRS, including cash remittances received by the humanitarian institutions through the banking system, and humanitarian aid data collected by the SCC.

Direct investment: Data on direct investment capital outflows of the AIOC are estimated in accordance with contractual agreements.

3.1.3 Source data are timely

The data received from the ITRS are very timely. Data are required to be reported within 10 days after the end of the reference month. Merchandize trade data are provided monthly, within 30–35 days after the reference month. Monthly reports from the IOCs are provided to the NBA within 15 days after the reference month. The SSC survey data are provided quarterly within 40–45 days after the reference quarter. External debt data are submitted quarterly by MOF, approximately one month after the end of the reference period. International reserves data are compiled monthly, 10 days following the reference month. The compilers follow-up with late respondents via telephone.

3.2 Statistical techniques

3.2.1 Data compilation employs sound statistical techniques

Article 5 of the Law on Statistics stipulates the responsibility of statistical agency to ensure the optimal scope and design of statistical reports. ITRS data management procedures have been set up to minimize processing errors. However, the ITRS report forms for banks are designed in a way that is not appropriate for applying computer validation checks. Data are received in hardcopy and have to be entered manually into the detailed compilation spreadsheet. The ITRS form for enterprises is checked for internal consistency of opening stock levels and transactions against closing stock levels. The NBA is in the process of developing the computerized data management procedures. Custom data management procedures employ the electronic data transmission from each custom point to the main office and the development of computerized edit checks to identify coding and other errors in source data, and to minimize processing errors of editing and coding.

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

Goods: For imports under consignment, entries are made when the goods are sold in Azerbaijan and, for imports financed through trade credits, matching credit entries are made in the financial account as trade credit liabilities.

The estimates of shuttle trade conducted by unlicensed traders are based on data for the number of individuals crossing the customs frontier and the average value of goods imported per individual crossing. These amounts may be unreliable, as no surveys have been conducted to estimate the average value of goods.

The procedure to estimate imports f.o.b. has been improved by using information available from the customs documents. Around 60 percent of the current import declarations show

both c.i.f. and f.o.b. values, and the NBA uses these data to calculate an overall figure. The current c.i.f./f.o.b. ratio amounts to approximately 110 percent.

Services: Freight payments to nonresidents are estimated at approximately 80 percent of the amounts deducted for freight and insurance from imports valued on a c.i.f. basis.

Data for the travel component are estimated by combining the SCC data on the number of foreign visitors entering Azerbaijan and Azerbaijan residents traveling abroad with data collected from the ITRS on the average per capita expenditures of travelers. Travelers leaving Azerbaijan include Azerbaijan nationals classified as organized tourists and nationals leaving on a personal trip or permitted to leave to Iran and Turkey under simplified procedures. The latter category mostly includes the shuttle traders. It appears that travel receipts might be significantly overstated, not only because of the arbitrary nature of the per capita expenditure estimate, but also because the data on the number of persons underlying the estimation procedure for travel receipts includes persons entering Azerbaijan to take up employment.

Investment income: To estimate direct investment income in the oil sector, as a first step, operating expenditures of the AIOC are deducted from the export revenues of the AIOC. One half is classified in the financial account as investment repatriations. In addition, capital expenditures are also classified in the financial account as investment repatriations. The other half serves as the basis for the calculation of direct investment income. First, the NBA deducts 30 percent, reflecting royalty payments to the government (contribution to the SOF). The remaining 90 percent of the 70 percent of profit for distribution represents the share of the foreign equity capital holders of the AIOC, and the 10 percent belongs to SOCAR. The former is entered in the balance of payments as direct investment income, being the share of all of the equity capital holders of the AIOC. The existing methodology for estimating direct investment income does not adequately capture the income flows associated with the large foreign investments in the oil sector. The data provided by AIOC are insufficient to permit an appropriate estimation of direct investment income flows. The major weakness is the lack of detail on the operating and capital expenditures incurred during the exploration and development phases, which will be recovered during the periods that oil is produced.

Other investment: Data on trade credits extended by other sectors are estimated as the difference between exports of goods shown in the trade statistics and the receipts of foreign exchange shown in the ITRS. The receipts are adjusted to exclude advance receipts on goods exports, and customs data are adjusted to exclude barter trade. Credit entries on trade credit liabilities are estimated by comparing goods data from the customs returns with payments of foreign exchange from the ITRS. Goods imports are adjusted to exclude imports not requiring settlements through the banking system, notably direct investment contributions, barter trade, and humanitarian aid in kind. The major deficiency in the estimation procedure for trade credits extended by other sectors is the likelihood that exports proceeds are not fully reflected in the ITRS because some exports proceeds are held abroad.

3.3 *Assessment and validation of source data*

3.3.1 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 planning

Any errors, inconsistencies, and large or unusual transactions are identified by the NBA and followed up with the respondents or with the agency responsible for the data. However, in the ITRS, there is no requirement for the reporting banks to reconcile changes in their foreign currency positions with recorded transactions. A valuation unit is created in the SCC to check and verify the declared export and import values by using the available information on average internal prices for traded items. Where needed, the declared values are revised. A procedure for validation of custom trade data using the average world prices should be developed. In addition, temporal consistency checks of merchandise trade data are employed by the SSC. More validation procedures should be developed for the SSC surveys on foreign trade in services.

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

3.4.1 Main intermediate data are validated against other information where applicable

Information reported in the financial press is used to verify the oil sector transactions and other transactions of high value. In addition, data on oil exports are validated against data on revenues of the SOF. To date no data on withholding taxes on income payments received from the Tax Ministry are used to assess the accuracy of reported information on income transactions.

3.4.2 Statistical discrepancies in intermediate data are assessed and investigated

In the ITRS, the discrepancies between merchandise trade and the associated financial flows are reviewed. Reserve transactions are reconciled with stock data from money and banking statistics.

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

The NBA monitors merchandise trade data for major trade partners. Bilateral data reconciliation is conducted with Russia (on the travel, and foreign direct investment components), Turkey (on the construction service component), Kazakhstan (on the oil sector investment component). Bilateral data reconciliation for merchandise trade data was conducted by the SSC with Georgia within the framework of Technical Assistance to the Commonwealth of Independent States (TACIS) project. To date no comparisons of data on selected external debt transactions are made with the Joint BIS-IMF-OECD-World Bank Statistics on External Debt or the BIS locational international banking statistics. The data

compiled by the Development Assistance Committee of the Organization on Economic Cooperation and Development (OECD) on foreign assistance to individual countries are not used to cross-check the data on foreign aid provided to Azerbaijan.

3.5 Revision studies

3.5.1 Studies and analyses of revisions are carried out routinely and used to inform statistical processes

All revisions to quarterly data made by the SCC or by the NBA are hidden in data that are compiled on a cumulative basis. For instance, declarations for goods that crossed the frontier, but have not been processed to be included in data in the reported quarter would be incorporated into semi-annual trade data. No revisions are made for the previous quarter. No record is kept of revisions to the published quarterly data, and no systematic study of quarterly revisions has been carried out.

4. Serviceability

4.1 Relevance

4.1.1 The relevance and practical utility of existing statistics in meeting users' needs are monitored

The NBA monitors closely the government's needs in statistics. A wide consultation process is established with government agencies and the Parliament. However, there is no established process of consultation with users other than government, although, the balance of payments compilers encourage informal feedback from other groups of users, including mass media. When opportunities arise, staff of the BPD participate in regional and international meetings with balance of payments statistics compilers.

4.2 Timeliness and periodicity

4.2.1 Timeliness follows dissemination standards

Data on the balance of payments are disseminated within 75 days following the reference period. The annual data are disseminated within three months after the end of the reporting period, which exceeds the GDDS recommendation of six to nine month timeliness.

4.2.2 Periodicity follows dissemination standards

Data on the balance of payments are disseminated on a quarterly basis, which exceeds the annual periodicity recommended by the GDDS and meets the SDDS requirements.

4.3 Consistency

4.3.1 Statistics are consistent with the dataset

In general, quarterly and annual balance of payments statistics are consistent. However, an important indicator of consistency—net errors and omissions—is not disseminated.

4.3.2 Statistics are consistent or reconcilable over a reasonable period of time

Annual balance of payments statistics dating from 1995 and quarterly data for 2001 are available in time series format. The time series utilize *BPM5* classifications. No breaks or discontinuities in the balance of payments component time series were identified by the mission.

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

The BPD is working towards consistency of balance of payments and international investment position data. There is also consistency with monetary and financial statistics, merchandise trade statistics, and government external debt data, which are used as a data source. The current account statistics are consistent with the data on the external sector in the national accounts.

4.4 Revision policy and practice

4.4.1 Revisions follow a regular, well-established, and transparent schedule

There is no written policy on revisions.

4.4.2 Preliminary data are clearly identified

All disseminated data are considered to be final.

4.4.3 Studies and analyses of revisions are made public

Users are not informed that new balance of payments information will be incorporated into data for the subsequent period.

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)

Article 5 of the Law on Statistics ensures accessibility of statistics that commensurate with the broad range of users' needs.

The *Annual Report of the NBA*, includes an analysis of balance of payments data; charts and tables are disseminated with the data to facilitate analysis. Current period developments are compared with the relevant period of previous year.

Various levels of detail are available. The publication *Foreign Trade* presents merchandise trade data on a cumulative basis from the beginning of the year. Data are compiled by main economic groups of countries (CIS and the rest of the world), selected countries, and by commodity groups (following the Harmonized System). Foreign Trade data are also published in "*Socio-Economic Development*" (Azeri), "*Foreign Trade of Azerbaijan*" (Azeri and English), <http://www.statcom.baku-az.com/> and reproduced in the *Annual Report of the NBA*, and *NBA's Monthly Bulletin*.

The data on external debt are also disseminated through the publication *Azerbaijan Economic Trends* by the MOF in the context of the ongoing TACIS project. The government and government guaranteed foreign debt data are reproduced in the *Annual Report of the NBA*. The data include external debt repayments, by principal and interest. A forward schedule of projected repayments is not published.

The data on the gross official international reserves in millions of U.S. dollars and in terms of months of imports of goods and services are published in the monthly publication of the *NBA Monthly Bulletin of Banking Statistics*. An analysis of changes in reserves and in the structure of international foreign exchange reserves is published annually in the *Annual Report of the NBA*.

5.1.2 Dissemination media and formats are adequate

The dissemination media are adequate. Quarterly balance of payments data are published in the *NBA's Monthly Bulletin*, the *Annual Report of the NBA*, and in the periodical press. Starting from data for 2001, balance of payments data are also available at the NBA's website (<http://www.nba.az>). Balance of payments data published in the SSC's *Statistical Bulletin* are attributed to the NBA. The dissemination media and format could be improved by, for example, posting the detailed data on the standard components of the *BPM5* presentation on the NBA website, and adding a footnote to the balance of payments hard copy publication indicating where to find the detailed data. The time series data on quarterly balance of payments statistics could also be disseminated by the same means.

5.1.3 Statistics are released on a preannounced schedule

There is no formal preannounced schedule of release dates, but internal NBA policy requires that the publication be released by specified date.

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

The data are released simultaneously to all interested parties through the publication on the website and of the hardcopy edition. The policy on data release is not made public.

5.1.5 Nonpublished (but nonconfidential) subaggregates are made available upon request

Occasionally, on request, special tabulations of nonpublished, nonconfidential data are provided to users, mainly from government. The general public are not informed of the terms and conditions of such a service.

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

Documentation of the methods used for compiling the balance of payments statistics is published in the *IMF Balance of Payments Statistics Yearbook*, and in the GDDS metadata posted on the DSBB.

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

The needs of users for a comprehensive document on sources and methods are not being met at present.

5.3 Assistance to users

5.3.1 Contact person for each subject field is publicized

A contact person is identified on the DSBB. Arrangements have been established within the NBA to ensure that any queries received by that contact are directed to the relevant person in the SD.

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

Hard copy catalogs of publications and other services are not produced by the NBA, but information on published documents is available on the NBA website.

Table 6. Azerbaijan—Data Quality Assessment Framework: Summary Presentation of Results for Balance of Payments
(Compiling Agency: - National Bank of Azerbaijan)

Element	NA	Assessment				Comments on Assessment	Plans for Improvement and Target Dates
		O	LO	LNO	NO		
0. Prerequisites of quality							
0.1 Legal and institutional environment		X					
0.2 Resources			X			Staff and computer resources are not entirely adequate to perform existing task.	
0.3 Quality awareness		X					
1. Integrity							
1.1 Professionalism		X					
1.2 Transparency		X					
1.3 Ethical standards		X					
2. Methodological soundness							
2.1 Concepts and definitions			X			Some definitions, notably of residency, FDI, reserves, and treatment of net errors and omissions are not strictly following the <i>BPM5</i> .	The data on international reserves will be reviewed for consistency with the international standard and revised where necessary.
2.2 Scope			X			The coverage and scope of selected transactions, notably private sector liabilities, migrants' transfers, reinvested earnings, some goods components, insurance services, and reserve component are not strictly following the <i>BPM5</i> .	Medium-term plans to prepare preliminary estimates of capital transfers of migrants from the information provided by the SSC on the number of migrants and average prices of apartments sold in different cities and regions.
2.3 Classification/Sectorization			X			Classification of portfolio investments, external debt, transfer components is not entirely consistent with the <i>BPM5</i> .	
2.4 Basis for recording			X			Valuation is on a mixture of market price and book value. Recording is on a mixture of cash and accrual bases All interest and dividend receipts and payments are recorded on a cash basis Non-oil sector income distributions subject to withholding taxes are recorded net.	

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 6. Azerbaijan—Data Quality Assessment Framework: Summary Presentation of Results for Balance of Payments
(Compiling Agency: - National Bank of Azerbaijan)

Element	NA	Assessment			Comments on Assessment	Plans for Improvement and Target Dates
		O	LO	LNO		
3. Accuracy and reliability						
3.1 Source data		X	X		More validation procedures should be developed for the SSC surveys on foreign trade in services and FDI. An open – type ITRS report form does not provide a check of the completeness of reporting and is not appropriate for applying computer validation checks.	Medium-term plan to implement advanced computing technology for data processing that will affect resource savings.
3.2 Statistical techniques					No surveys have been conducted to estimate the average value of goods for shuttle trade. The data provided by the AIOC is insufficient to permit an appropriate estimation of direct investment income flows. Redesign of the ITRS is required to ensure proper validation.	
3.3 Assessment and validation of source data			X			
3.4 Assessment and validation of intermediate data and statistical outputs		X				
3.5 Revision studies			X		No record is kept on revisions.	

Table 6. Azerbaijan—Data Quality Assessment Framework: Summary Presentation of Results for Balance of Payments
(Compiling Agency: -National Bank of Azerbaijan)

Element	NA	Assessment			Comments on Assessment	Plans for Improvement and Target Dates
		O	LO	NO		
4. Serviceability						
4.1 Relevance			X		There is no established process of consultation with users other than government.	Quality of merchandise trade data will be further improved by undertaking comparisons with the trade data of neighboring countries (mirror statistics)
4.2 Timeliness and periodicity		X				
4.3 Consistency		X				
4.4 Revision policy and practice				X	There is no written policy on revisions All disseminated data are considered to be final. Users are not informed that all new information is incorporated into data for the subsequent period	
5. Accessibility						
5.1 Data accessibility		X			The needs of users for more comprehensive documents on sources and methods are not being met at present.	
5.2 Metadata accessibility			X		Hard copy catalogs of publications and other services are not produced by the NBA, but information on published documents is available on the NBA website.	
5.3 Assistance to users				X		

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 both comprehensive frameworks as well as 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.
- 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.
- 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.
- 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, February 2002: <http://dsbb.imf.org>

Summary of the Special Data Dissemination Standard (SDDS)

The SDDS prescribes the following practices under each of the identified dimensions:

Data dimension (coverage, periodicity, and timeliness)

- the dissemination of 18 data categories, including component detail, covering the four main sectors of the economy, with prescribed periodicity and timeliness.

Access dimension

- the dissemination of advance release calendars providing at least one-quarter advance notice of approximate release dates, and at least a one-week advance notice of the precise release dates; and
- the simultaneous release of data to all users.

Integrity dimension

- the dissemination of the terms and conditions under which official statistics are produced and disseminated;
- the identification of internal government access to data before release;
- the identification of ministerial commentary on the occasion of statistical release; and
- the provision of information about revision and advance notice of major changes in methodology.

Quality dimension

- the dissemination of documentation on statistical methodology and sources used in preparing statistics; and
- dissemination of component detail and/or additional data series that make possible cross-checks and checks of reasonableness.

SDDS subscribers are required to:

- post descriptions of their data dissemination practices (metadata) on the IMF's DSBB. Summary methodologies, which describe data compilation practices in some detail are also disseminated on the DSBB.
- Maintain an Internet website, referred to as the National Summary Data Page (NSDP), which contains the actual data described in the metadata and to which the DSBB is electronically linked.

At the March 29, 2000 meeting of the IMF's Executive Board, Directors approved the incorporation of a new SDDS data category on external debt. The transition period for implementing this data category expires in March 2003.

As a result of the IMF Executive Board's Third Review of the SDDS in March 2000, the IMF staff began monitoring observance of the Standard through NSDPs maintained on the Internet. Monitoring commenced at the beginning of July 2000, and is limited to the coverage, periodicity, and timeliness of the data and to the dissemination of advance release calendars.

Source: Guide to the SDDS, February 2002: <http://dsbb.imf.org>

Data Quality Assessment Framework—Generic Framework
(July 2001 Vintage)

Quality Dimensions	Elements	Indicators
<p>Prerequisites of quality</p>	<p>0.1 Legal and institutional environment—<i>The environment is supportive of statistics.</i></p> <p>0.2 Resources—<i>Resources are commensurate with needs of statistical programs.</i></p> <p>0.3 Quality awareness—<i>Quality is a cornerstone of statistical work.</i></p>	<p>0.1.1 The responsibility for collecting, processing, and disseminating statistics is clearly specified.</p> <p>0.1.2 Data sharing and coordination among data producing agencies are adequate.</p> <p>0.1.3 Respondents' 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, financial, and computing resources are commensurate with statistical programs.</p> <p>0.2.2 Measures to ensure efficient use of resources are implemented.</p> <p>0.3.1 Processes are in place to focus on quality.</p> <p>0.3.2 Processes are in place to monitor the quality of the collection, processing, and dissemination of statistics.</p> <p>0.3.3 Processes are in place to deal with quality considerations, including tradeoffs within quality, and to guide planning for existing and emerging needs.</p>
<p>1. Integrity</p> <p><i>The principle of objectivity in the collection, processing, and dissemination of statistics is firmly adhered to.</i></p>	<p>1.1 Professionalism—<i>Statistical policies and practices are guided by professional principles.</i></p> <p>1.2 Transparency—<i>Statistical policies and practices are transparent.</i></p> <p>1.3 Ethical standards—<i>Policies and practices are guided by ethical standards.</i></p>	<p>1.1.1 Statistics are compiled on an impartial basis.</p> <p>1.1.2 Choices of sources and statistical techniques 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 2001 Vintage)

Quality Dimensions	Elements	Indicators
<p>2. Methodological soundness</p> <p><i>The methodological basis for the statistics follows internationally accepted standards, guidelines, or good practices.</i></p>	<p>2.1 Concepts and definitions—<i>Concepts and definitions used are in accord with internationally accepted statistical frameworks.</i></p> <p>2.2 Scope—<i>The scope is in accord with internationally accepted standards, guidelines, or good practices.</i></p> <p>2.3 Classification/sectorization—<i>Classification and sectorization systems are in accord with internationally accepted standards, guidelines, or good practices.</i></p> <p>2.4 Basis for recording—<i>Flows and stocks are valued and recorded according to internationally accepted standards, guidelines, or good practices.</i></p>	<p>2.1 Concepts and definitions—<i>Concepts and definitions used are in accord with internationally accepted statistical frameworks.</i></p> <p>2.2 Scope—<i>The scope is in accord with internationally accepted standards, guidelines, or good practices.</i></p> <p>2.3 Classification/sectorization—<i>Classification and sectorization systems are in accord with internationally accepted standards, guidelines, or good practices.</i></p> <p>2.4 Basis for recording—<i>Flows and stocks are valued and recorded according to internationally accepted standards, guidelines, or good practices.</i></p>

Data Quality Assessment Framework—Generic Framework
(July 2001 Vintage)

Quality Dimensions	Elements	Indicators
<p>3. Accuracy and reliability</p> <p><i>Source data and statistical techniques are sound and statistical outputs sufficiently portray reality.</i></p>	<p>3.1 Source data—<i>Source data available provide an adequate basis to compile statistics.</i></p> <p>3.2 Statistical techniques—<i>Statistical techniques employed conform to sound statistical procedures.</i></p> <p>3.3 Assessment and validation of source data—<i>Source data are regularly assessed and validated.</i></p> <p>3.4 Assessment and validation of intermediate data and statistical outputs—<i>Intermediate results and statistical outputs are regularly assessed and validated.</i></p> <p>3.5 Revision studies—<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 collected 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 Data compilation employs sound statistical techniques.</p> <p>3.2.2 Other statistical procedures (e.g., data adjustments and transformations, and statistical analysis) employ sound statistical techniques.</p> <p>3.3.1 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 planning.</p> <p>3.4.1 Main intermediate data 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 of problems in statistical outputs are investigated.</p> <p>3.5.1 Studies and analyses of revisions are carried out routinely and used to inform statistical processes.</p>

Data Quality Assessment Framework—Generic Framework
(July 2001 Vintage)

Quality Dimensions	Elements	Indicators
<p>4. Serviceability</p> <p><i>Statistics are relevant, timely, consistent, and follow a predictable revisions policy.</i></p>	<p>4.1 Relevance—<i>Statistics cover relevant information on the subject field.</i></p> <p>4.2 Timeliness and periodicity – <i>Timeliness and periodicity follow internationally accepted dissemination standards.</i></p> <p>4.3 Consistency—<i>Statistics are consistent within the dataset, over time, and with major datasets.</i></p> <p>4.4 Revision policy and practice—<i>Data revisions follow a regular and publicized procedure.</i></p>	<p>4.1.1 The relevance and practical utility of existing statistics in meeting users’ needs are monitored.</p> <p>4.2.1 Timeliness follows dissemination standards. 4.2.2 Periodicity follows dissemination standards.</p> <p>4.3.1 Statistics are consistent within the dataset (e.g., accounting identities observed). 4.3.2 Statistics are consistent or reconcilable over a reasonable period of time. 4.3.3 Statistics are consistent or reconcilable with those obtained through other data sources and/or statistical frameworks.</p> <p>4.4.1 Revisions follow a regular, well-established and transparent schedule. 4.4.2 Preliminary data are clearly identified. 4.4.3 Studies and analyses of revisions are made public.</p>

**Data Quality Assessment Framework Generic Framework
(July 2001 Vintage)**

Quality Dimensions	Elements	Indicators
<p>5. Accessibility</p> <p><i>Data and metadata are easily available and assistance to users is adequate.</i></p>	<p>5.1 Data accessibility – <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>5.2 Metadata accessibility – <i>Up-to-date and pertinent metadata are made available.</i></p> <p>5.3 Assistance to users – <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).</p> <p>5.1.2 Dissemination media and formats are adequate.</p> <p>5.1.3 Statistics are released on the preannounced schedule.</p> <p>5.1.4 Statistics are made available to all users at the same time.</p> <p>5.1.5 Non-published (but nonconfidential) sub-aggregates 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.</p> <p>5.2.2 Levels of detail are adapted to the needs of the intended audience.</p> <p>5.3.1 Contact person for each subject field is publicized.</p> <p>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 as a complement to the mission's own assessment of the quality of Azerbaijan's statistics, a survey was conducted among users of macroeconomics statistics. The survey asked users to evaluate 12 different aspects of national accounts, prices, labor market, fiscal, monetary, and balance of payments statistics. Out of 45 questionnaires sent, the mission received 35 answers, i.e., a response rate of 77 percent. Of the responses, almost two thirds corresponded to public policy organizations.

In Appendix IV the answers were distributed according to the questions and tabulated as per each category of statistics. Broadly, the respondents could be grouped into four main categories—government, press, international organizations and private sector. The main datasets referred to by the respondents were national accounts and prices, balance of payments, government/public sector statistics, and monetary statistics. Users are, in general, pleased with the detail provided, frequency, and accessibility of the statistics, except for labor market statistics, which received a lower rating. Also users wanted more data on economic well-being such as the use of telephones and televisions. Users were however broadly dissatisfied with the institutional coverage. The level of satisfaction among users diminished somewhat when they were asked about timeliness: here the answers were almost two-thirds positive and one-third negative. Users showed an even lower level of satisfaction in terms of clarity of the methodology used in preparing the statistics and, the support provided by the compiling agencies. The users' view regarding the frequency and magnitude of the revisions was also divided. Users were also critical of limited access to official statistics, with two-thirds of respondents not happy about present practices of agencies.

These views on data practices were restated and reinforced in a users' meeting with the mission in Baku. Users particularly from the private sector, complained about the difficulty of getting access to official statistics, as well as the absence of timely estimates (flash reports). Users also complained about their inability to subscribe to monthly publications of statistical agencies.

Results of Azerbaijan's User Survey
(number of responses in each category)

	Total	Percentage
<i>Questionnaires sent out</i> <i>Responses (excl. not applicable)</i>	32	100
1. Which macroeconomic statistics are you using regularly?		
▪ National accounts	16	50
▪ Production indices	15	48
▪ Prices	19	61
▪ Labor market	13	42
▪ Balance of payments	20	64
▪ Merchandise trade	12	38
▪ International reserves and foreign liquidity	9	29
▪ External debt	18	58
▪ International investment position	17	54
▪ Government/Public sector operations and debt	15	48
▪ Monetary statistics	27	86
2. Where do you obtain the official statistics?		
▪ Official press releases and publications	32	100
▪ Private sector summaries and analyses	8	25
▪ Official policy papers	30	96
▪ Publications from international organizations	25	80
3. Do you refer to official descriptions of the sources and methods that were used to compile the official statistics?		
▪ Yes	17	54
▪ No	14	45
▪ No opinion		
4. For what purposes do you use the official statistics?		
▪ Analysis of current developments for short-term decision making?	23	74
▪ Analysis of trends for longer-term policy formulation?	20	64
▪ Econometric model building and forecasting	11	35
▪ Economic research	15	48
▪ Comparison with economic developments in other countries	20	64
▪ General economic background	29	93

Quality Aspects of the Official Macroeconomic Statistics		
5.1 Is the coverage of these statistics satisfactory?		
▪ Yes	20	64
▪ No	10	32
▪ Don't know	4	13
5.2 Is the detail provided by these statistics satisfactory?		
▪ Yes	18	58
▪ No	13	42
▪ No opinion	3	10
6.1 Is the frequency (e.g., weekly, monthly, quarterly annual compilation) of these statistics satisfactory?		
▪ Yes	29	93
▪ No	3	10
▪ No opinion	1	3
6.2 Is the timeliness (the delay of publication) of these statistics satisfactory?		
▪ Yes	22	70
▪ No	7	22
▪ No opinion	2	6
7.1 do you know if there is a publicly disseminated calendar that announces the dissemination of the various official statistics?		
▪ Yes		
▪ No	4	13
▪ No opinion	2	6
7.2 If there is a calendar of release dates, are the official statistics released on the dates announced?		
▪ Yes	2	6
▪ No	13	42
▪ No opinion	15	48
7.3 Is there enough information about revisions to official statistics to satisfy your needs?		
▪ Yes	12	38
▪ No	13	48
▪ No opinion	8	25
8.1 Are the official statistics referred in item 1 easily accessible to you?		
▪ Yes	27	86
▪ No	6	19
8.2 Can you get easy access to information pertaining to official statistics you use (explanatory notes, methodological descriptions)?		
▪ Yes	22	70
▪ No	9	29
▪ No opinion	2	6

8.3 Is the above information on methodology clear and adequate?		
▪ Yes	19	61
▪ No	13	42
▪ No opinion	2	6
8.4 How do you get access to official statistics?		
▪ Official releases	20	64
▪ Hard copy	32	100
▪ Data specifically requested	17	54
▪ Official website	14	45
▪ Other	4	13
▪ Email requests	7	22
9.1 Is the underlying methodology of official statistics sound and appropriate?		
▪ Yes	16	50
▪ No	6	6
▪ No opinion	12	38
9.2 Do you consider the official statistics to be unbiased and accurate?		
▪ Yes	19	61
▪ No	7	22
▪ No opinion	7	22
9.3 How do you compare the quality of official statistics of Azerbaijan with those of other countries in the region?		
▪ About the same	1	3
▪ Better	10	32
▪ Worse	3	10
▪ Cannot make comparisons	4	13
9.4 How do you assess the overall quality of the official statistics?		
▪ Excellent	2	6
▪ Very good	17	54
▪ Good	14	45
▪ Sufficient	1	3
▪ Poor	1	3