



Balance of Payments Statistics

A NEWSLETTER FROM THE BALANCE OF PAYMENTS AND EXTERNAL DEBT DIVISIONS • STATISTICS DEPARTMENT • IMF

Data Quality Assessment Framework Reviewed at an International Seminar¹

This article highlights discussions held at a recent seminar in Korea on data quality and describes the work in progress in the IMF's Statistics Department (STA) on developing a Data Quality Assessment Framework (DQAF).

Seminar Held To Discuss Data Quality

The Korean National Statistical Office (KNSO) and the IMF jointly organized a seminar on data quality on Jeju Island, Republic of Korea, during December 6–8, 2000. The seminar was attended by participants from 18 countries from around the world, as well as seven international organizations. Eleven papers about national and international experiences on statistical quality assessment, management, and promotion were presented, and 10 discussants provided comments that opened the general discussions.²

Participants took note of the existing wide variety of frameworks, approaches, objectives, techniques and instruments, having, however, the common objective to promote and monitor the quality of statistics within national statistical organizations and at the international level.

Appreciation was expressed for the IMF's work on data quality, specifically the Data Quality Reference Site on the Internet (<http://dsbb.imf.org/dqrsindex.htm>) and the comprehensive data quality assessment framework. These were viewed as global initiatives to enlighten users on the quality of official statistics and to support countries in their efforts to improve the quality of their statistics. The IMF was encouraged to continue work on the generic and specific assessment frameworks, using the interactive, consultative processes it had applied so far. In particular, the IMF was encouraged to expand the number of specific frameworks, including through cooperation with other international organizations on datasets outside the IMF's core focus.

The effort of the United Nations Statistics Division (UNSD) to collect and disseminate examples of good practices relating to the Fundamental Principles of Official Statistics was welcomed. This effort had been recommended by a work session co-organized by the Singapore Department of Statistics, UNSD, and the IMF in January 1999. These examples, which are now available on a Website (<http://esa.un.org/unsd/goodprac/>), highlight factors that influence the overall environment in which statistical systems function and are therefore directly or indirectly affect statistical quality.



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The IMF *Balance of Payments Statistics* newsletter is published twice a year by the Statistics Department of the International Monetary Fund. The purpose of the newsletter is to inform balance of payments data compilers and users about national and international developments in the collection of such data. Editions are published in English, French, Spanish, and Russian. The opinions and material contained in this newsletter do not necessarily reflect the

official views of the IMF. Draft submissions are welcome and should be addressed to Anne Y. Kester, Editor, IMF Balance of Payments Statistics Newsletter, Balance of Payments and External Debt Division II, Statistics Department, Room IS5-300, International Monetary Fund, Washington, D.C. 20431, U.S.A. Telephone: (202) 623-7922 • Fax: (202) 623-8017. Graphic design for this newsletter is provided by Kathy Tilmans.

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As to country practices and experiences, various approaches to promoting and enhancing statistical quality were discussed. These include Total Quality Management (TQM), ISO 9000 and similar techniques, as well as methods for internal quality inspection (or self-assessment) and external assessments, including peer reviews (assessment of the quality of statistical systems, processes, and products by experts from other countries).

Some of these approaches focus on statistical processes, some on products, and some on the institutional setting; some encompass more than one of these perspectives. Some of these approaches focus on an individual data source (e.g., a survey), some on collective products derived from several data sources (e.g., national accounts). Some emphasize providing information to assist users in assessing data quality for their own uses, while others emphasize information to feedback into the process. It was recognized that different quality indicators may have to be used according to the differing approaches and purposes.

Despite the differences among the approaches used, it was concluded that an overriding common characteristics of these approaches should be that they take the users' needs as their principal starting point.

Equally, it was concluded that, no matter whether the methodologies used were readily available on the market or were self-developed systems, one of the key success factors for all quality initiatives was the commitment of the senior management of statistical offices (including statistical units in ministries, central banks, etc.). In pursuing quality and creating an environment in which quality was a core corporate issue, it was felt that the focus ought to be on initiatives for innovation and stimulating the exchange of expertise and experience, rather than on penalizing mistakes. In other words, management should aim to develop the "learning organization" and a "culture of quality."

Current approaches to assessing data quality vary.

Data Quality Reference Site (DQRS)

The DQRS site, accessible at <http://dsbb.imf.org/dqrsindex.htm>, provides an introduction to the topic of data quality by referencing contributions in the field. Specifically, it introduces definitions of data quality, describes tradeoffs among aspects of data quality, and gives examples of evaluations of data quality. It also includes a bibliography of articles about data quality, and a section that includes articles on data quality written by IMF staff and other work in progress in the IMF on data quality.

It was also concluded that the various approaches used all have their own advantages and disadvantages and that these advantages and disadvantages would have differing weights according to differences in organizational structure (including the difference between centralized and decentralized statistical systems), management styles, main statistical sources (surveys or administrative registers), and levels of statistical development. Thus, the choice of an approach to the management of quality would need to reflect on the differing national situations; in other words, no "one size fits all."

Nevertheless, enough common ground was found to exist that it was felt that more work should be done at the international level in harmonizing terminology and concepts regarding statistical quality. In addition, international organizations should continue playing a role in training activities aiming at improved statistical quality assessment and management, as well as in the development of statistical quality manuals that would systematically document experiences and approaches used at the national and international levels. Finally, it was concluded that the international discussion on statistical quality ought to be continued. In this regard, the initiative taken by Statistics Sweden and Eurostat to co-host another seminar on the same topics in May 2001 (<http://www.q2001.scb.se/index.asp>), was welcomed, as were the session on Quality Programs in Statistics Agencies at the International Statistical Institute meeting in August 2001 and the Statistics Canada symposium on Methodological Issues in Quality Management in late 2001.

The DQAF

Work toward a framework for assessing the quality of data has been under way in STA for some time, but the project has been pursued with special intensity in 2000. The work responds to a number of needs, in particular, to complement the quality dimension of the IMF's Special Data Dissemination Standard (SDDS) and General Data Dissemination System (GDDS), to focus more closely on the quality of the data provided by countries to the IMF that underpin the institution's surveillance of their economic policies, and to assess objectively the quality of the information provided as background for the IMF's Reports on the Observance of Standards and Codes (ROSCs).

STA has sought feedback at all stages of the development of the framework. The framework that is emerging comprises a generic assessment framework and specific assessment frameworks for the main aggregates used for macroeconomic analysis. The generic framework, which brings together the internationally accepted core principles/standards/or practices for official statistics, serves as the umbrella under which the dataset-specific quality assessment frameworks are developed.

The generic framework

The generic framework follows a cascading structure that flows from five main dimensions that have been identified as critical constituents of data quality. For each of these interrelated, and somewhat overlapping, dimensions, the

framework identifies pointers, or observable features, that can be used in assessing quality. These pointers to quality are broken down into elements (major identifiers of the quality dimension) and further, into more detailed and concrete indicators. Below the indicator level, especially in the dimensions dealing with methodological soundness and with accuracy and reliability, the specific frameworks tailor these pointers to the individual datasets.

The five dimensions of quality are as follows:

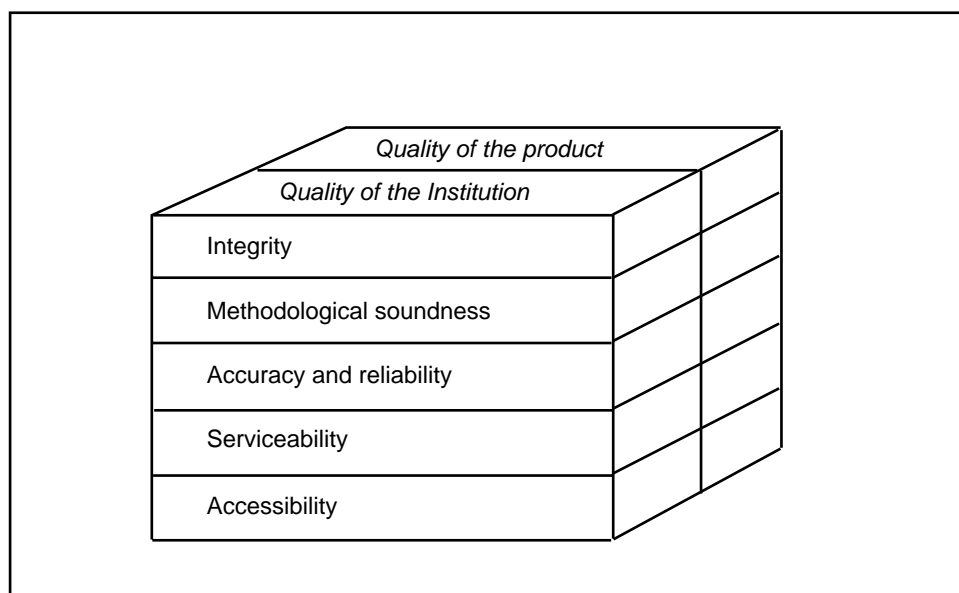
- **Integrity.** This dimension is intended to capture the notion that statistical systems should be based on firm adherence to the principle of objectivity in the collection, compilation, and dissemination of statistics. The dimension encompasses the institutional foundations that are in place to ensure professionalism in statistical policies and practices, transparency, and ethical standards.
- **Methodological soundness.** This dimension of quality covers the idea that the methodological basis for the production of statistics should be sound and that this can be attained by following international standards, guidelines, and agreed practices. In application, this dimension will necessarily be dataset-specific, reflecting differing methodologies for different datasets (for example, the 1993 SNA for national accounts and the fifth edition of the Fund's *Balance of Payments Manual* for balance of payments).
- **Accuracy and reliability.** This dimension relates to the notion that source data and compilation techniques must be sound if data are to meet users' needs.
- **Serviceability.** This dimension of quality relates to the need to ensure that data are produced and disseminated in a timely fashion, with an appropriate periodicity, provide relevant information on the subject field, are consistent internally and with other related datasets, and follow a predictable revisions policy.
- **Accessibility.** This quality dimension relates to the need to ensure that clear data and metadata (information on compilation practices) are easily available, and that assistance to users of data is adequate.

The framework recognizes that the quality of an individual dataset is intrinsically bound together with that of the institution producing it. In other words, quality encompasses quality of the institution or system behind the production of the data as well as the quality of the individual data product.

The framework also includes a few elements and indicators that, although not constituting a quality dimension in themselves, have an overarching role as prerequisites, or institutional preconditions, for quality. These pointers to quality cover issues such as whether a supportive legal and administrative framework is in place, whether resources are commensurate with the needs of statistical programs and, perhaps most importantly, whether quality is recognized as a cornerstone of statistical work by producers of official statistics.

*Generic framework
would incorporate
common elements
of good data.*

The Dimensions of Data Quality in the Assessment Framework



Specific frameworks would help to ensure quality of particular data sets.

The dataset-specific frameworks

As the generic framework began to take shape, STA also undertook work on several dataset-specific frameworks. The national accounts was the first of these specific frameworks to reach a stage for discussion outside the IMF.³ This framework was discussed in June 2000 at a workshop in which representatives of national statistical offices and the organizations in the Inter-Secretariat Working Group on National Accounts participated.

Over the summer of 2000, other specific frameworks were developed for the balance of payments, the analytical accounts of the central bank, the producer price index, and government finance statistics. These specific frameworks also have been subjected to an intensive consultative process with the objective of having a round of comments on all five frameworks by the end of 2000. For example, the framework for the analytical accounts of the central bank was commented on by representatives of the Working Group on Money and Banking Statistics and members of Statistics Committee of the European Central Bank in September and October 2000, respectively. Extensive comments on the balance of payments framework were provided by the members of the IMF Committee on Balance of Payments Statistics, and the framework was discussed during a full-day session of the annual meeting of the Committee in late-October 2000.

In addition, STA staff have begun to use the specific frameworks on an experimental basis in field work, particularly for diagnostic missions to countries that we are less familiar with, to assist countries to prepare GDDS metadata, and to prepare the quality assessment summary of the ROSCs. STA has also sought informal feedback from other IMF staff who are involved in day-to-day operational work with member countries.

The comments that have been received, on both generic and the specific frameworks, have been encouraging. In general, those commenting saw the development of the frameworks as a welcome initiative that filled an important gap in the work on data quality. Most commentators saw the frameworks as a careful, thoughtful approach to the issue of assessing data quality that provided the basis for a coherent and practical way forward in a field that is conceptually and practically complex. They welcomed the frameworks' close mapping to existing statistical standards and manuals, and encouraged the Statistics Department to expand the range of datasets covered. Commentators, including those whose organizations provide technical assistance in statistics, encouraged further field tests to gain practical experience.

The Work Ahead

In the coming months, STA will continue working to refine the framework in the light of experience gained in the field and feedback from those outside the Department. Work is under way on a glossary to accompany the generic framework. One important part of the work will be to define what kind of supporting notes should accompany the frameworks, particularly the dataset-specific frameworks, and to develop those notes. So far, five dataset-specific frameworks have been produced; work will also begin on a few additional major data categories—such as the monetary accounts, the consumer price index, and merchandise trade. Collaboration with other agencies on these macroeconomic datasets is welcome. A promising avenue may be collaboration with another organization on a quality framework for one or more sets of socio-demographic data—a category of the GDDS.

Comments on the frameworks by nonstatisticians will also be sought.

¹ Carol S. Carson, Director, Statistics Department, IMF, contributed this article.

² The papers and the summary of the meeting, on which this section is based, is on the Internet at <http://www.nso.go.kr/sqs2000>.

³ Statistics Sweden provided early input into work on the generic framework, and the United Nations Statistics Division provided comments on the national accounts framework at an early stage in the drafting.

IMF Disseminates Comprehensive Data on International Reserves and Related Information on Internet

The IMF's Executive Board in March 2000 approved the creation of a database on countries' international reserves and related information to be available on the IMF's external Website. The site, which is accessible at <http://www.imf.org/external/np/sta/ir/index.html> provides comprehensive and timely data in a common format and in a common currency. The objectives are to facilitate comparisons of data among countries, provide market participants and other users easy access to the data, and promote transparency of information of important interest.

Countries participating in this effort do so voluntarily. They provide information to the IMF in a common template soon after they disseminate the data in their national media. The common template is a reporting form developed by the IMF and the common currency is the U.S. dollar.

In addition to current data, the IMF database presents historical (time series) information on countries' data on international reserves and foreign currency liquidity and by selected data categories (for example, official reserve assets and other foreign currency assets of the monetary authorities and the central government). To facilitate users' viewing, printing, and downloading of the information, the data available in the IMF's external Website are presented in several ways. For example, countries' current data are accessible in html (hypertext markup language) format, and historical (time series) data are shown in both pdf (portable document format) and in csv (comma separated values, spreadsheet compatible) files.

Development of the IMF database was possible because many countries in the past year have begun disseminating data using the innovative template on international reserves and foreign currency liquidity. The IMF and a working group of the Committee on the Global Financial System of the Group of Ten central banks jointly developed the template. As part of efforts to strengthen the Special Data Dissemination Standard (SDDS), the IMF's Executive Board in March, 1999 approved incorporation of the template into the SDDS as a prescribed component.

The template is designed to provide a comprehensive account of country authorities' foreign currency assets and drains on such resources resulting from various foreign currency liabilities and commitments of the authorities. It reports the amount and composition of official reserve assets, other foreign currency assets held by the monetary authorities and the central government, and foreign currency obligations of the monetary authorities and the central government coming due in the short term, including those related to their financial derivative positions and guarantees extended for quasi-official and private-sector borrowing. The IMF in October 1999 issued operational guidelines to assist countries in compiling the template data.

Since December 2000, 46 countries have been disseminating the template data on their national Websites on at least a monthly basis with a lag of no more

Timely and comprehensive data on international reserves and foreign currency liquidity available on IMF's external Website.

than one month. These countries are listed in the chart shown in this article, which also shows countries whose data are redisseminated in the IMF's external Website in a common format and in a common currency. (See also *Balance of Payments Statistics Newsletter*, midyear 1999, year-end 1999, and midyear 2000.)

Countries Disseminating Data on International Reserves and Foreign Currency Liquidity

Argentina *	Korea
Australia *	Latvia *
Austria *	Lithuania *
Belgium *	Malaysia *
Canada *	Mexico
Chile *	Netherlands, the *
Colombia *	New Zealand *
Croatia *	Norway *
Czech Republic *	Peru *
Denmark *	Philippines *
El Salvador *	Poland *
Estonia	Portugal *
Finland *	Singapore *
France *	Slovak Republic *
Germany *	Slovenia *
Hong Kong, P.R.China *	South Africa*
Hungary *	Spain *
Iceland*	Sweden *
Indonesia	Switzerland *
Ireland	Thailand *
Israel	Turkey *
Italy *	United Kingdom *
Japan *	United States *

*** Template data available on IMF's external website at <http://www.imf.org/external/np/sta/ir/index.htm>**

Work Program of Committee of Balance of Payments Statistics Making Headway

The thirteenth meeting of the IMF Committee on Balance of Payments Statistics (the Committee) was held at the IMF headquarters during October 23–27, 2000. At the meeting, the Committee reviewed its work program and planned future initiatives, including the second coordinated portfolio investment survey to be conducted for year-end 2001.

The Committee was established in 1992 to oversee implementation of the recommendations contained in the reports of two IMF working parties that investigated the principal sources of discrepancy in the global balance of payments statistics; to advise the IMF on methodological and compilation issues in the context of balance of payments and international investment position statistics; and to foster greater coordination of such data collection among countries. The Committee is chaired by the IMF and in 2000 included 15 national experts in balance of payments statistics from a range of countries. In addition, four organizations (the Bank for International Settlements (BIS), the European Central Bank, the Organization for Economic Co-operation and Development (OECD), and the Statistical Office of the European Communities) are invited to send representatives to the meetings.

Work on existing and new initiatives advancing.

Coordinated Portfolio Investment Survey

Reflecting the growth of international financial markets, many of the major achievements of the Committee have been in the area of the financial account of the balance of payments. In 1993, the Committee began work on a Coordinated Portfolio Investment Survey (CPIS). This survey, conducted in respect of yearend 1997, measured the holdings of cross-border, long-term securities of major investing countries. Data were collected on holdings of equities and debt securities with an original maturity date of one year or more, and issued by non-resident entities, with a full geographic attribution of these securities by the country of the issuer. Twenty-nine countries participated in this CPIS, and in 1999 the IMF published the *Results of the 1997 Coordinated Portfolio Investment Survey (Results)*. The Committee and the participating countries found the survey to have been valuable in improving data on countries' inward and outward portfolio investment (that is, both asset and liability positions in portfolio investment and related flows).

Analysis of the 1997 Coordinated Portfolio Investment Survey Results and Plans for the 2001 Survey, a companion document to *Results*, was released in September 2000. A second CPIS, with broader coverage, will be conducted in respect of yearend 2001. The IMF's Task Force on the 2001 Coordinated Portfolio Investment Survey, which was established by the Committee, has drafted a second edition of the *Coordinated Portfolio Investment Survey Guide* to assist national compilers in preparing for the 2001 survey. Thus far, 76 countries have indicated their intention to participate, including 19 offshore financial centers. At its thirteenth meeting, the Committee recommended that, after the 2001 CPIS, the survey should be

undertaken annually. The data will provide useful time series on stocks and flows of cross-border portfolio investment, complementing the international banking statistics produced by the BIS on bank creditor positions vis-à-vis debtor countries. Additional information about the CPIS can be found on the IMF's external Website at <http://www.imf.org/external/np/sta/pi/cpisgd.htm>.

Financial Derivatives

In 1994, the Committee began work on issues concerning the statistical measurement of transactions and positions in financial derivatives. Discussions on this topic, which also involved the Inter-Secretariat Working Group on National Accounts and extensive international consultation with compilers, resulted in the publication in 2000 of *Financial Derivatives: A Supplement to the Fifth Edition (1993) of the Balance of Payments Manual*.

Direct Investment

Another area where the Committee has been involved in improving the quality of balance of payments statistics is the Survey of Implementation of Methodological Standards for Direct Investment (SIMSDI) that was carried out in 1997 jointly by the IMF's Statistics Department and the OECD Working Party on Financial Statistics. The survey is a comprehensive study of country data sources, collection methods, and dissemination and methodological practices for foreign direct investment (FDI) statistics, providing information on the extent to which countries compile FDI statistics in conformity with international statistical guidelines. A total of 114 countries replied to the 1997 survey. The metadata (information on data) collected from the survey were processed and published jointly by the IMF and the OECD in March 2000 in the *Report on the Survey of Implementation of Methodological Standards for Direct Investment*.

Data Quality Assessment Framework

At the thirteenth meeting, the Committee reviewed extensively the data quality assessment framework for balance of payments statistics being developed by the IMF's Statistics Department. This work responds to a number of needs. In particular, it complements the quality dimension of the IMF's Special Data Dissemination Standard and General Data Dissemination System, focuses more closely on the quality of data provided to the IMF for surveillance purposes, and assesses objectively the quality of the information provided as background for the IMF's Reports on the Observance of Standards and Codes.

Other Initiatives

Since its first meeting, the Committee has worked with the BIS to improve coverage of the international banking statistics, which have been found to be particularly useful for compiling and/or evaluating the coverage of balance of payments and external debt statistics.

In addition, the Committee since its inception has discussed and made recommendations on a wide range of other balance of payments statistics issues. These include the estimation of barter trade, shuttle trade, and travel; data availability for current transfers; measurement of insurance services, accrued interest, and reinvested earnings on direct investment; and the statistical treatment of repurchase agreements and securities lending. The Committee also reviews and comments on the work of the Inter-Agency Task Force on Statistics of International Trade in Services in its work in developing the *Manual on Statistics of International Trade in Services* and the Inter-Agency Task Force on Finance Statistics in developing a guide for external debt statistics—*External Debt Statistics: Guide for Compilers and Users*.

Japan will host the Committee's next meeting from October 24 - 26, 2001. The work program of the Committee can be found on the IMF's external Website at <http://www.imf.org/external/bopage/bopindex.htm>. The Website provides information on the activities of the Committee, including recent annual reports of the Committee; research papers that have been discussed at recent Committee meetings; information about the CPIS and the SIMSDI; and the *Balance of Payments Newsletter*.

¹This report may be found on the IMF's Website at <http://www.imf.org/external/np/sta/di/rep97.htm>.

Estimating Foreign Trade Transactions in Russian Illegal Drug Trafficking

Russian statisticians currently are seeking to understand better shadow economy activities and their scale. As in the case of other countries, Russia's national accounting and balance of payments practices at present do not cover such unofficial activities. According to Russian compilers, estimating such transactions is feasible because to a certain extent such informal activities can be captured. Russian compilers see potential in greater international cooperation in exchanging data and comparing estimation methods.

Below is an edited version of a paper contributed by Mr. Sergei Shcherbakov of the Central Bank of the Russian Federation. It describes the model that the Central Bank and Russian law enforcement agencies jointly are developing to estimate illegal drug trafficking and related activities. The increase in such activities in Russia and elsewhere in recent years requires statistical coverage. Mr. Shcherbakov has noted that, despite public recognition of the existence and scale of illegal activities, all efforts to estimate their scope so far have been theoretical.

Model for Estimating Drug Trafficking in Russia

The model is intended to estimate the following:

- The volume and market value of illegal drugs trafficked for marketing;
- The volume and market value of illegal drugs consumed by occasional drug users and addicts;
- The volume and value of Russian-made illegal drugs;
- The volume and value of drugs imported from the Commonwealth of Independent States (CIS) and other countries; and
- The value of drugs brought into the country from abroad based on the average prices of the drugs in countries of origin.

The main sources of information for deriving such estimates are: the Interior Ministry's quarterly statistics, namely the *Report on Illegal Trade, Production, and Use of Narcotic Drugs*; the Public Health Ministry's data on registered persons addicted to narcotic, mood-changing, and highly intoxicating substances; estimates by the Interior Ministry, the Federal Security Service, and the Public Health Ministry's Drug Abuse Research Institute; and estimates of knowledgeable persons specializing in treating drug addiction and having access to information of former drug addicts. None of these sources, however, provides fully reliable and exhaustive data. The estimates are derived after significant adjustments are made through expert analysis.

Countries' balance of payments accounts currently do not include data on imports and exports of illegal drugs.

Estimates of illegal drug trafficking could be based on existing data on consumption and seizures.

A number of approaches can be used to increase the accuracy of such calculations. The total volume of drugs used can be estimated as a sum of drugs consumed by drug addicts and occasional users based on average daily doses. Alternatively, it can be estimated from the quantity of narcotic drugs seized by law enforcement authorities and adjusted for the fact that the figure represents only a fraction of all such consumption.

With regard to the first approach, estimates are based on data on drug addicts officially registered by the Public Health Ministry and on additional experts' estimates by the Interior Ministry on occasional drug users and latent addicts. Adjusted data, however, are estimated to exceed official figures by a factor of eight or nine.

The number of drug users is estimated by Russian region and by drug type consumed. Average periodic consumption rates (daily, quarterly, and yearly) are calculated based on estimates made by experts on drug abuse. According to information provided by drug addicts undergoing treatment or having recovered after treatment, actual consumption rates are somewhat higher for certain drugs. Only illegal drugs are included in the estimate.

The approach based on seized drugs is relatively simple because the quantity of confiscated drugs is multiplied by the internationally accepted coefficient of 10. This implies that only one-tenth of total illegal drug sales are detected by law enforcement agencies.

The results of the two approaches yield a difference of less than 20 percent. Figures based on the consumption approach are lower than those based on seizures because minimal consumption rates are applied in the first approach.

Drug seizure statistics help identify the origins of drugs entering the Russian market, since drugs often are seized at airports and railway terminals. These data require further examination, however, if they are to be used to identify the country of origin. Experts have concluded that approximately one-quarter of all illegal drugs in the Russian market are produced in Russia, one-tenth are brought in from other CIS countries, and two-thirds are smuggled in from non-CIS countries, mainly from the so called "golden crescent" and "golden triangle" regions. This disaggregation may need to be further adjusted, since Russia, along with other CIS countries, in recent years increasingly has become a transit point for drugs moving from Asia to Europe.

The next stage of the model involves determining the values of illegal drugs sold in the market, and imported into Russia, at market prices. The f.o.b. (free on board) prices of illegal drug imports in the source country also can be estimated. The Interior Ministry's data on domestic market prices for illegal drugs are extensive and regionally differentiated. A major problem in using them is to relate a specific price for each drug to a pure substance standard content. For example, pure heroin in a standard "street" dose is known to vary in narcotic content. Calculating the average prices for each illegal drug type is difficult. A range of narcotics must be taken into account, and the consumption profile of each tends to be changeable. Law enforcement data indicate, for instance, that price increases for imported drugs resulting from the 1998 ruble devaluation caused a significant increase in demand for illegal drugs produced in different regions in Russia.

In the model, values are derived for the eight narcotic drug subgroups and their derivatives based on the weighted average regional price paid by a number of registered drug addicts. Values for five consolidated subgroups of synthetic illegal drugs also are estimated based on weighted average prices.

It is difficult to estimate the f.o.b. price in the source country of drugs imported into Russia. Law enforcement authorities at times provide data obtained from their foreign counterparts; but these data are not always available and can be controversial. This can be attributed in part to peculiarities of pricing practices across various regions even within one country. According to available data, the average price of 1 kilo of pure heroin in Thailand's capital, Bangkok, is 2 to 2.5 times higher than in the country's provincial centers. The model calculates average f.o.b. prices for the different drugs as weighted arithmetic means; that is, the average price in a producer country is weighted by the same country's imports share. Russia's Interior Ministry and its research institutions jointly estimate the latter figure.

Estimation Results

The model was used to derive experimental calculations for 1998. For that year, illegal drug trafficking in Russia was estimated to be worth about US \$1.5 billion, of which imported drugs in domestic prices were valued at \$1.2 billion. In f.o.b. prices, drug imports came to \$600 million. As they were not official estimates, these figures were not included in Russia's national accounts or balance of payments accounts.

In refining the model, the compilers intend to gather more detailed data for use in estimating imported services related to drug trafficking. The model shows that domestic market prices for selected drugs exceed f.o.b. prices in producer countries by 20 to 40 times. A considerable part of this difference can be attributed to payments to middlemen. Third-country nonresidents are known to be involved as middlemen.

Observations

International drug trafficking constitutes a specific problem for balance of payments statistics in various countries, since financial flows related to such transactions are largely channeled legally via banks and, consequently, are included in the financial accounts of countries' balance of payments. As in the case of other countries, such transactions, therefore, may have accounted for the increase in the "net errors and omissions" of Russia's balance of payments accounts. Adjustments will need to be made in these accounts after Russia subscribes to the Council of Europe's Convention On the Laundering, Identification, Seizure and Confiscation of Proceeds from Criminal Activities (the Strasbourg Convention), and after the respective federal law is passed.

The range of issues covered in the model does not include export activities because illegal drug exports are less important for Russia. Moreover, experts do not anticipate any significant increase in such transactions in the future.

Assumptions are made about the proportions of drugs that are of foreign origin, and drug values are calculated.

Announcing . . .

The 2000 Balance of Payments Statistics Yearbook

The IMF has released its Volume 51 of the *Balance of Payments Statistics Yearbook (Yearbook)*. The 2000 *Yearbook* has three parts. Part 1 presents annual balance of payments data for 165 countries and international investment position (IIP) data for 64 countries. The IIP of a country is a balance sheet of its external financial assets and liabilities. Part 2 of the *Yearbook* contains regional and world totals for major components of the balance of payments. Part 3 provides metadata (countries' methodologies, compilation practices, and data sources) relating to the balance of payments and IIP of reporting countries. Part 1 is separately bound, and Parts 2 and 3 are bound together.

Both the country data and related metadata that appear in the 2000 *Yearbook* are largely based on information countries provide to the IMF. The metadata are intended to enhance users' understanding of the coverage, as well as of the limitations, of individual country's data published in the *Yearbook*. They are also designed to inform compilers of data sources and practices of their counterparts in other countries. The balance of payments and IIP data are presented in the *Yearbook* in accordance with the standard components of the fifth edition of the IMF's *Balance of Payments Manual (BPM5)*. The *BPM5*, which the IMF published in September 1993, introduced a number of methodological changes in the compilation of balance of payments data to better reflect developments that have occurred in world trade and finance.

The IMF staff's data conversion work has made possible the presentation in the *BPM5* format of both historical data from the IMF's database and more recent statistics reported by those member countries still compiling their data in the format of the fourth edition of the *Balance of Payments Manual (BPM4)*.

There are six annexes in the *Yearbook* presenting the standard components of balance of payments and IIP data, the accompanying data codes, and the conceptual framework of the balance of payments. The annexes also explain the coverage of major components of the balance of payments accounts, as set forth in the *BPM5*.

Statistics published in Parts 1 and 2 of the *Yearbook* are also available on CD-ROM. The monthly CD-ROM issued provides updates and revisions of Part 1 data as they become available. Inquiries about the *Yearbook* should be addressed to:

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