I. OVERALL INSTITUTIONAL FRAMEWORK

1. In Russia, responsibilities for the compilation of international accounts are shared by the Central Bank of the Russian Federation (Bank of Russia) and the Federal State Statistics Service (Rosstat). The Bank of Russia is responsible for the compilation of the balance of payments. Rosstat is in charge of the development of the system of national accounts, including the accounts of the rest of the world.

1 This paper has been prepared at the invitation of the secretariat.

3. In accordance with these laws and regulations, the Bank of Russia is empowered to determine the methodology for development of statistical and analytical indicators and the procedure for their dissemination. The methodology used in Russia conforms to international standards formulated in the IMF documents.

4. The activities of Rosstat are also defined by the system of legislative and regulatory acts. These acts are covered by the new Federal Law "On the official statistical and accounting system of state statistics in the Russian Federation" (Law on Statistics), adopted in 2007.

5. To build a system of national accounts, Rosstat uses the SNA-93 methodology, consistently expanding its implementation.

6. As the responsible body for the balance of payments aggregates, the Central Bank of Russian Federation produces information on credit institutions’ foreign transactions, on transactions between residents and non-residents for the work done, on delivery of services and results of intellectual activity, on flows of goods and payments, on foreign currency transactions and on credit agreements between residents and non-residents.

7. The relations between the Bank of Russia and Rosstat are determined by the "Agreement on Information Exchange between the Federal State Statistics Service and the Central Bank of the Russian Federation" signed in 2006. The document defines the list of information items to be exchanged in order to establish systems of indicators, responsible staff and terms and formats for data provision by the two institutions.

8. Rosstat compiles and provides data to the Bank of Russia for producing some balance of payments indicators.

9. Particularly for the current account, Rosstat collects data on selected indicators on trade in goods and services. Rosstat is responsible for organizing the statistical survey on export and import of goods that do not cross the customs border of the Russian Federation (foreign trade in fish and seafood caught and sold in neutral waters, fuel and goods purchased by Russian vessels in foreign ports). Rosstat also compiles data on foreign trade with the Republic of Belarus, with which Russia does not have a customs border. Rosstat also collects and provides data on trade in services to the Bank of Russia. These data are used by the Bank of Russia for the formation of the balance of payments.

10. To develop the capital account, Rosstat collects and provides data on foreign investments of non-financial corporations to the Bank of Russia.

11. To develop estimates for the current and capital transfers, the Bank of Russia takes into account certain indicators developed by Rosstat, including those reflecting the migration flows.
12. Rosstat uses the Bank of Russia data on balance of payments, exchange rate, etc. for the compilation of the rest of the world accounts.

13. The balance of payments data converted into rubles are used to build all the rest of the world accounts: account of goods and services, generation of income account, primary income account, secondary income account and capital account.

14. In the process of harmonization of data on domestic sectors’ economic transactions with the rest of the world derived from the balance of payments and other sources (financial performance, statistical surveys, profit and loss accounts of the Bank of Russia and credit organizations), there is often a need to adjust data in order to achieve a certain balance (e.g. income from property transfers, insurance and other transfers). In these cases, Rosstat prefers balance of payments data as more reliable. This is the result of the Bank of Russia’s efforts to improve the balance of payments in order to achieve greater compliance with international standards in this area (coverage, classification, accrual method of accounting) and consequently better meet the needs of the system of national accounts.

15. In addition to the regular information exchange, Rosstat and the Bank of Russia work jointly on improving the methodology and quality of indicators used for balance of payments and national accounts.

16. Foreign trade customs statistics collected by the Federal Customs Service (FCS of Russia) is of key importance for the compilation of data on foreign transactions. The basis of this work is data collection and processing of cargo customs declarations filled by participants of foreign economic activity.

17. The formation of the whole system of indicators of foreign trade in accordance with the requirements of the balance of payments methodology is based on the integration efforts of the Bank of Russia, Rosstat and FCS of Russia.

II. MAIN DIRECTIONS OF JOINT WORK

A. Improving foreign trade statistics using mirror statistics

18. Comparative analysis of customs statistics on Russian foreign trade and relevant data of partner countries is one of the important ways of improving foreign trade statistics.

19. Rosstat, FCS of Russia and the Bank of Russia jointly held a number of meetings on comparative analysis and identification of the causes of discrepancies in data on reciprocal trade between Russia and EU member states. During 1998-2004, there was a set of data comparisons and consultations with experts from Belgium, Finland, France, Germany, Italy and Switzerland. Similar work was carried out jointly with Bulgaria, Canada, Czech Republic, Germany, Poland and Sweden.

20. Good cooperation was established with Eurostat. Guidelines for the comparative analysis of foreign trade statistics of Russia and EU were developed and used by partner countries, the questionnaire on methodology used for production of data was developed, and documents
containing the results of the consultative meetings were prepared. The results of this work helped to identify the main reasons for the difficulties in evaluation of the Russian trade turnover with EU countries.

21. The differences in EU and Russian methodology should be noted. Methodological principles used in Russia are based on UN methodology ("International merchandise trade statistics: concepts and definitions") and reflected in the Customs Code of the Russian Federation. Provisions designed for the EU countries are the basic methodological document on foreign trade statistics for those countries. In this regard, methodological differences result in data discrepancy. Among the most significant of them are:

   (a) The use of a "special" trading system in the EU (which includes a zone of free circulation of goods (e.g. goods for domestic use) and a "common" zone (all goods imported into the territory of the country and exported from the country)) - in Russia;

   (b) The use of the "country of contract" principle in Russian statistics while completing customs declarations when the destination country is unknown. This leads to inconsistencies in the data on Russian export and import partner country, especially for primary commodities;

   (c) Exports from EU countries also include goods from the third countries in free circulation with subsequent export of these goods in Russia. Some of these products are accounted for in EU as exports to Russia, while in Russian customs statistics, import of these goods is accounted for by the country of origin;

   (d) Specifics of clearance of goods moved inside the EU countries, and then exported to Russia or after being imported from Russia;

   (e) Differences in values caused by the use of various conditions of supply (FOB - for exports and CIF - for imports);

   (f) Incorrect definition of country of origin of goods imported to Russia. In total volume of Russian imports from EU countries, there is a growing proportion of goods with country of origin marked "EU", as permitted by EU rules;

   (g) A different approach to accounting of goods imported by individuals due to differences in domestic customs legislation.

22. There are also technical reasons and the deliberate distortion of data. Often differences in "mirror" data are caused by a time lag in the registration of exports and imports, restrictions on disclosure of information on some of the items, damage or loss of goods in transit, etc. Differences associated with the deliberate misrepresentation of data are the result of participants of foreign economic operations not paying customs charges. The latter reason, apparently, has a subjective character and is not a permanent factor of "mirror" discrepancies.

23. The joint work on revealing the causes of bilateral differences has resulted in a better understanding of the need for further harmonization of the methodology applied in countries. In
the long run this will contribute to the work carried out in the process of Russia joining the OECD data presentation standards ("Road Map").

B. Adjustments to customs statistics

24. The Federal Customs Service has a huge job to overcome the causes of distortions of the customs statistics source data, implementing a number of administrative and supervisory activities to improve the reliability of the declaration of goods. Continued work in this direction enhances the quality of the data. However, problems in this area remain, and customs data on foreign trade still need adjustments.

25. It should be noted that the adjustment (especially to import) was initiated by the Russian statistical service. Statisticians used national accounts compilation experience and proved that the evaluation of net exports only on the basis of customs data does not provide a macroeconomic balance of GDP. In this regard, the Bank of Russia developed and uses a special method to adjust foreign trade statistics for its use in balance of payments.

26. Taking into account the understatement of value of imported products by legal entities participating in foreign economic activity, as well as the lack of complete information on volumes of commodities imported for commercial purposes by individuals, there is a problem to evaluate unreported imports to the country in the reporting period. The Bank of Russia and Rosstat are taking action to improve estimates of unrecorded imports to solve this problem.

27. The volume of unrecorded imports is estimated on the basis of a model comparing the absolute size of domestic retail turnover and volumes of commodity resources on revenue accounted channels on the basis of relevant data of Rosstat and FCS of Russia. The difference not related to domestic production is considered as unrecorded imports of consumer goods sold by commercial enterprises and at the markets.

28. The coefficients for transition from retail prices to import prices (FOB) are calculated based on the price structure of final consumption of imported products from the "goods and services resources" table, and the dynamics of prices and tariffs in the reporting period, developed by Rosstat. These coefficients are used to transform the volume of unrecorded imported goods into indicators used in the balance of payments.

29. Along with consumer goods, intermediate and investment goods are also imported without record. The assessment of their value is based on detailed comparisons of data from main partner countries on shipments of goods to Russia and customs statistics from FCS of Russia.

30. In addition, the volume of unrecorded imports includes the cost of passenger cars imported by individuals and intended for sale.

31. The total cost of all cars imported by individuals is calculated by FCS of Russia. The Bank of Russia includes the cost of vehicles intended for personal use by the importers themselves in the "travel" item.
32. The cost of unrecorded exports of goods is estimated on the basis of data for the previous period, adjusted to changes in the real purchasing power of national currencies of CIS countries. The values of basic parameters are determined on the basis of partner countries’ data and indicators agreed with Rosstat. Additional surveys are conducted for some of the areas.

33. In 2001, Rosstat, in cooperation with FCS of Russia and the Bank of Russia, conducted in 17 regions of Russia a pilot survey on import of goods by individuals to determine the volume of commodities moving across the state border by air transport. The results were used by the Bank of Russia to improve the ratios used to adjust the volume of unrecorded imports of goods.

34. In 2004-2005, Rosstat conducted jointly with the Bank of Russia in five regions of Russia a survey of 30 merchandise, food and mixed markets aimed at studying the structure of commercial procurement channels. This survey was needed because a large share of goods sold on the numerous markets of Russia is produced abroad and imported by small businesses or individuals. Deficiencies in the legal basis allowed residents to import a large number of undeclared goods.

35. As a result of the survey, information on retail trade on the market was obtained:

(a) The number of markets and trade places by Russian regions;
(b) The sales volume of imported goods at the markets by aggregated product categories;
(c) Types of markets;
(d) Procurement channels;
(e) Average trade margins on imported goods sold depending on their sources of income;
(f) The seasonal impact on the volume of purchased goods.

The information obtained made it possible to compare the consolidated results of the survey and estimates of the model used by the Bank of Russia and thereby to confirm the robustness of its assessment methodology and improve the reliability of the results.

C. Improving statistics in international trade in services

36. Among the important activities of Rosstat and the Bank of Russia is the production of statistical information on imports and exports of services.

37. The system of direct monitoring of exports and imports of services, based on the method of total enterprise survey does not allow the full assessment of the volume of provided and consumed international services due to some objective reasons. The main problems affecting the quality of statistical information were:
(a) Incomplete coverage of institutional units by statistical surveys (including branches and representative offices of foreign companies) providing and, especially, consuming services;

(b) Lack of information on provision of services by foreign transport companies;

(c) Lack of information on international activities of individual entrepreneurs.

38. In addition, it is more difficult to apply certain methodological recommendations on the balance of payments, while monitoring some of the services. For example, construction operations are accounted for in statistics by cost of construction and installation works without the cost of materials and equipment consumed. At the same time, in accordance with the methodology of balance of payments, imported goods used for construction sites should be included in the volume of construction services and purchased local goods and services should be recorded under "other business services" item. Customs statistics on goods imported for construction are included in the total volume of imports of goods without allocation into a separate category. This does not allow its regrouping in accordance with the requirements of the methodology for the balance of payments.

39. In order to improve the system of data collection on international services, Rosstat tried to conduct sample surveys on imports of services in 2004.

40. Particular attention was paid to transport services. Services of foreign companies on air transportation and construction were surveyed. The survey on air companies was aimed at obtaining objective data on the volume of Russian imports of services on passenger transport by air in 2003.

41. 67 foreign airline companies that have their offices in Moscow served as the general population for this survey. They represented 58 countries and had 115 offices that were selling air tickets in 2003 in Russia.

42. Rosstat expected to receive information from these airlines on volumes of ticket sales in 2003. The questionnaires were sent to airlines offices and short interviews with managers of the companies were conducted. Rosstat also surveyed main Russian airlines (agents) serving international flights, and analyzed data from the Internet sites of foreign airlines.

43. The results of the pilot survey were used by Rosstat and the Bank of Russia to improve the statistical tools, and to check the list of reporting organizations and expert estimates used by the Bank of Russia to produce indicators on imports of transportation services.

44. The aim of a pilot survey of imports of construction services was to obtain objective characteristics of the construction services rendered to Russian companies by non-residents in 2003.

45. The general population of the survey involved construction projects carried out by Russian customers/general contractors that subcontracted non-residents. A Russian company that may subcontract a non-resident contractor was taken as an observation unit.
46. The main statistical indicator of this survey was the volume of construction and installation work performed by a non-resident legal entity with a distribution of consumed raw materials and supplies imported and produced in Russia.

47. The total number of observation units amounted to 3500. The sample was divided into three groups that were surveyed using questionnaires.

48. For the group of real importers (44 units), a total survey was used.

49. The total survey was also used for the group of most likely importers (411 units) - customers (according to the rating peer reviews of "Expert RA", those organizations operating within the Law "On production sharing agreements", regional authorities and management, operating in investment-friendly regions).

50. The group of potential importers - general contractors (data from sub-register of the Federal State Statistics Service) – consisting of about 13 thousand units was used to design a sample (2980 respondents) by the subjects of the Russian Federation.

51. As a result of the survey and analysis of information from the statistical reports, new characteristics of the construction industry were identified concerning the consumption of services provided by non-resident construction companies. Changes in the current statistical tools were made, and the lists of construction projects for the regular statistical observation, as well as the volume of imports of construction services, were adjusted.

52. Political and economic changes that took place in Russia in the last 15 years contributed to the development of international tourism, a sector which currently accounts for about 30% of total imports of services and 10% of services exports. The data on the volume of exports and imports of tourism services, calculated by the Bank of Russia, are presented in the current account of balance of payments under "travel" item. At present, the Bank of Russia estimates the cost of international tourism services using data on number of tourists, information from a joint database of travel agencies on cost of travel packages for inbound and outbound tourism, average expenditure limits for business trips set by the Ministry of Finance of Russia, annual surveys on tourism organizations in the regions, media and data from partner countries.

53. The initial components for the calculation of this indicator are:

   (a) The number of foreign citizens who entered the Russian Federation and Russian citizens who left Russia;

   (b) The volume of services consumed in places of temporary stay.

Data of the Federal Migration Service of Russia on non-residents entering the country and residents traveling abroad with the aim of temporary employment are additionally used for the calculation.

54. In order to obtain information on the number of tourists visiting the country and traveling abroad, Rosstat interacts with Border Service and FCS of Russia on the basis of a decree jointly
published in 1997 "On the order of record-keeping and publication of background information
on the number of people, vehicles and goods crossing the state border of the Russian
Federation".

55. The collection and compilation of statistical information on departure of Russian citizens
and the entry of foreign citizens is carried out the by Border Service on the basis of a quarterly
questionnaire "Information on the number of foreign citizens visiting Russia and Russian citizens
going abroad", approved by the Rosstat decree. The data on arrivals of foreign citizens in Russia
and of Russian citizens abroad is compiled with a breakdown by countries and includes such
items as means of transportation and travel purposes, a list of which, together with the
classification of travel purposes, is agreed with the Bank of Russia and meets the

56. The lack of direct information on the cost of services consumed by tourists in the places of
temporary residence resulted in the need for specialized surveys in this area.

57. In 2002 in the framework of the TACIS project, Rosstat conducted jointly with the Bank of
Russia a survey aimed at determining the structure of foreign tourist flows to Russia and the
volume and structure of foreign tourists’ travel costs. The survey was carried out in the form of
an interview.

58. Two thousand foreign tourists from different countries were interviewed during the survey.
Questions included such indicators as:

(a) The purpose of the visit, place and period of stay;

(b) The type of transport used;

(c) The price of the trip, paid in advance and on the territory of Russia;

(d) Tourism infrastructure and a number of other indicators.

As a result of the survey, information on average tourist expenditures and the average length of
stay in the country were received. The estimates that the Bank of Russia uses for the calculation
of tourism services were adjusted. According to the results of the survey, information was
presented by breakdown by countries that was later used to analyze and forecast the structure of
the development of tourism.

D. Foreign investments statistics

59. Rosstat pays considerable attention to the compilation of foreign investments statistics.
Methodological principles of statistical surveys on foreign investments were developed in close
cooperation by two agencies - Rosstat and the Bank of Russia.

60. Rosstat conducts quarterly surveys on foreign investments in Russia and Russian
investments abroad in the non-financial sector of the economy. The Central Bank monitors the
movement of foreign capital in the banking and other sectors.
61. The following statistical information is collected through the survey on foreign investments: accumulation (stocks) of investments, income (flows), redemption (retirement), revaluation and other changes in assets and liabilities on foreign investments, as well as investment income.

62. Thus, the statistical information collected by Rosstat, in fact, is a statistical report on the level of financial assets and liabilities of the Russian economy in relation to the rest of the world. The statistical survey is conducted in accordance with the Federal Law "On Foreign Investment" and the IMF Balance of Payments Manual (5th edition, 1993).

63. Rosstat developed a database on enterprises operating with foreign capital. This helped to increase the analytical value of available information resources.

64. Currently Rosstat is studying the problem of organizing the statistical observation of financial links of organizations receiving direct investment from abroad. This will allow the assessment of the actual impact of foreign capital on the Russian economy and will provide regularly the necessary information about the effectiveness of the movement of foreign capital inside the country.

III. PROSPECTS

65. The existing institutional cooperation of major agencies (Bank of Russia, Rosstat and FCS of Russia) involved in the production of Russian international accounts is quite effective.

66. The system is based on legislative and regulatory acts of the Russian Federation. They are complemented by the formal agreements of two types:

(a) Agreement between agencies on information exchange;

(b) Special joint activities aimed at solving emerging challenges.

67. Experience of interagency cooperation can be considered as positive and used as a basis for the future action plan.

68. Implementation of updated methodologies of the balance of payments and SNA-93 is an essential task for the Bank of Russia and Rosstat for the near future. This will help to improve and ensure international comparability of accounts, reflecting the interaction of Russia with the rest of the world.

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