



*Regional Course on Statistics on Informality: Informal
economy, work and employment*

**ESTIMATES OF GDP CONTRIBUTION
OF THE INFORMAL ECONOMY**

Current Practice in Mongolia

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- II. The framework and production boundary
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I. Background

IS estimation in Mongolia:

- Informal sector survey, 2000, /by Bill Bikales/, USAID;
- Labor force survey, 2002-2003, ADB;
- ISS on transportation and trade sector, 2004, NSO;
- Enterprises' Census, 2005, NSO;
- Survey on HUEMs, 2007-2008 , the UNESCAP.



I. Background

Complex survey and estimations for NOE, 2012

Methodologies applied:

- Handbook for Measurement of the Non observed Economy, 2002, CIS-STAT, ILO, IMF, UNSD, WB
- 2008 SNA
- Handbook for Non observed economy in National Accounts, 2008 (includes the UN and EU countries practices)



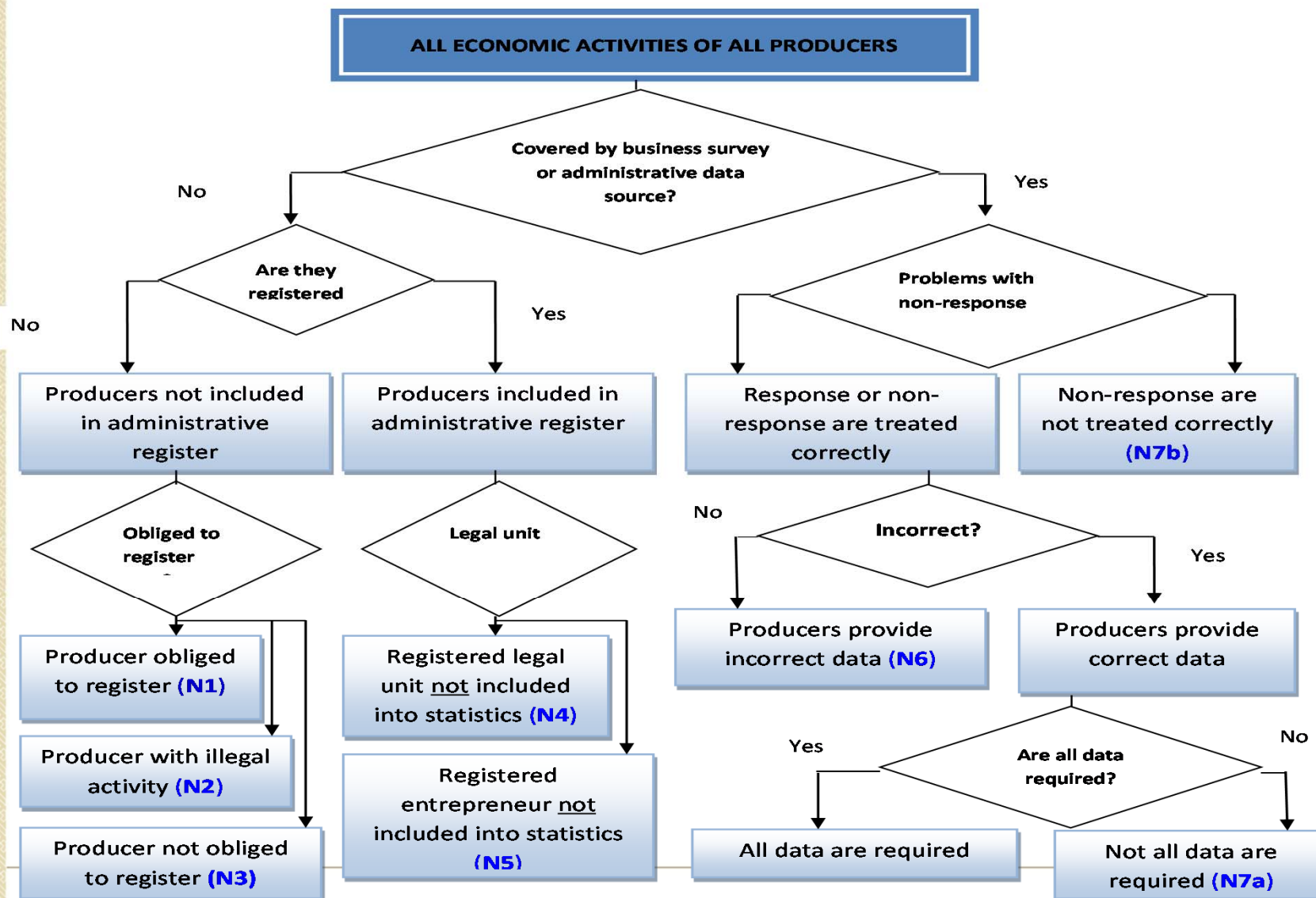
II. The framework and production boundary

The NOE refers to all activities that may not be covered in NA.

| Classification of NOE | Framework |
|---|---|
| 1. Underground production | N6 - Producers deliberately misreporting |
| 2. Illegal production (drugs, prostitution etc) | N2 - Producers deliberately not registering – illegal |
| 3. Informal sector production | N1 - Producers deliberately not registering – underground |
| | N5 - Registered entrepreneurs not surveyed |
| 4. Household production for own final use | N3 - Producers not required to register |
| 5. Other missed productive activities | N4 - Legal persons not surveyed |
| | N7 - Other statistical deficiencies |



II. The framework and production boundary



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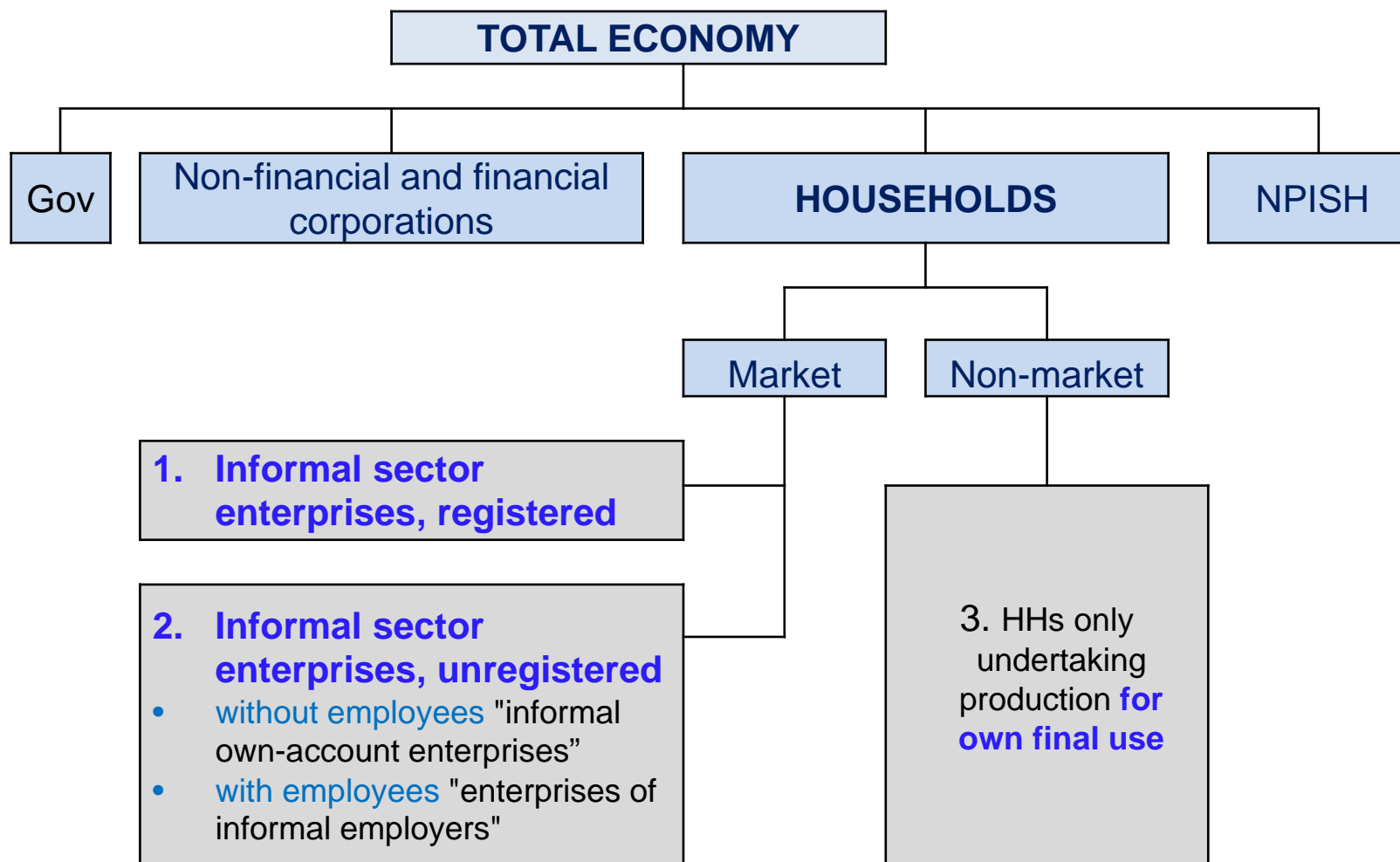
III. Survey and measurement

The NSO carried out the following activities in relation to the framework (N1-N7) of the NOE:

1. HUEMs (N1, N3, N5)
 - Survey of HUEM covering non-agricultural and non-mining sector
 - Survey on artisanal and small scale miners
2. Survey on Experts opinion of intentional distortion of business accounting (N6)-underground production
3. Estimation of illegal production (N2)
4. Enterprises' census, 2011 (N4)



3.1. HUEMs (N1, N3, N5)





3.1. HUEMs (N1, N3, N5)

A. Survey of HUEM (*non-agricultural and non-mining*)

Survey approach: “1-2“ method, recommended by
UNESCAP and DIAL

In phase 1: Informal employment defined through LFS.

Questions for identifying HUEM:

1. Worked hours in the last 7 days
2. Regular work
3. Employment status
4. Economic activity
5. Type of enterprises
6. Private sector of employment
7. Activity of enterprise
8. Sell or barter its goods, services



3.1. HUEMs (N1, N3, N5)

In phase 2: Informal sector enterprise data is collected by independent module of the questionnaire.

Main indicators:

- Organization and status of the business
- Employment
- Production and sales
- Business expenditure
- Information of transportation and owner occupied dwellings

We estimated the number of employment, turnover and VA



3.1. HUEMs (N1, N3, N5)

B. Survey on artisanal and small-scale miners

| Total miners- 13375 | <i>Number of miner</i> | <i>Total production</i> | <i>Percentage share to total VA of miners</i> |
|--------------------------------|----------------------------|-----------------------------|---|
| Gold | • 6772 miners, | 354.6 kg gold, | 73.3% |
| Coal | • 1368 miners, | 142.0 thous.t coal, | 14.1% |
| Fluorspar | • 1010 miners, | 38.5 thous.t fluorspar, | 6.3% |
| Other | • 539 miners, | 1.3 thous.t other, | 6.3% |



3.2. Underground production (N6)

The underground production shows:

- The goods and services that produced legally but misreported in official statistics;
- Avoid the income tax, value added tax and other taxes;

Data sources:

- The amount of tax that levied on partly paid income of the entities
- The number of inspected entities
- The number of registered establishments that carried out their activities in reference period.



3.3. Illegal production (N2)

The illegal production is divided into the following 2 categories by the type of activity. In which:

1. Production, transportation, sale, storage and transfer of goods and services which are out of law;
2. Illegal activities and activities with no permissions.

*The **drug trade** and **prostitutions** which are dominated in the illegal activities were included in current estimations.*



3.3. Illegal production (N2)

Data source:

1. Administrative data (Police organization, Customs office and Health organizations)
 - The share of the drug users to the total population
 - The number of patients
 - The number of crimes
 - The size of seizure drug
 - The market price of drugs /the neighboring countries' price information/

2. “Survey on sex workers and sexually exploited children-2010”, MNSO
 - The number of total prostitutes and the number of prostitutes who served foreigners
 - The monthly average income



IV. Results of NOE, 2010

- By 2010, 1332.1 billion tug /982.4 million US\$/ was estimated under NOE.
- Results of the NOE were integrated into NA.
- In GDP by the production approach:
 - Result was distributed to the related sectors
- In GDP by the expenditure approach:
 - Integrated into HH expenditure of final consumption
 - Part of HHs own final use was integrated as FCF (construction)



IV. Results of NOE, 2010

MLN.TUG

| Industries | NOE | GDP | Total economy (NOE+ GDP) | Share of NOE to total economy |
|--|--------------------|--------------------|-----------------------------|--|
| Total | 1 332 093.1 | 8 414 504.5 | 9 746 597.6 | 13.7 |
| Agriculture | 8 060.2 | 1 203 348.0 | 1 211 408.2 | 0.7 |
| Mining and quarrying | 305 661.8 | 1 981 970.1 | 2 287 631.9 | 13.4 |
| Manufacturing | 84 089.5 | 708 931.6 | 793 021.1 | 10.6 |
| Electricity, gas, steam and air conditioning supply | 1 454.2 | 174 302.8 | 175 757.0 | 0.8 |
| Water supply; sewerage, waste management and remediation activities | 2 230.2 | 33 051.7 | 35 281.9 | 6.3 |
| Construction | 82 511.7 | 147 178.0 | 229 689.7 | 35.9 |
| Wholesale and retail trade; repair of motor vehicles and motorcycles | 528 875.9 | 1 310 622.1 | 1 839 498.0 | 28.8 |
| Transportation and storage | 186 841.2 | 659 297.7 | 846 138.9 | 22.1 |
| Accommodation and food service activities | 28 266.1 | 54 553.4 | 82 819.5 | 34.1 |
| Other services | 104 102.3 | 2 141 249.1 | 2 245 351.4 | 4.6 |



VI. Future activities

- The NUEMs will be conducted every 5 years;
- The VA of informal sector of the intermediate years can be calculated based on the **previous surveys' results** and **number of units identified by LFS**;
- Illegal production and underground production will be estimated every year.



МОНГОЛЫН
СТАТИСТИК
ТӨВӨН

Thank you

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