Workshop on Informal Economy for EECCA and SEE countries

Online on 22, 24 and 26 March 2021

Annotated Agenda

1.   The online Workshop on Informal economy is jointly organized by United Nations Economic Commission for Europe (UNECE), European Free Trade Association (EFTA), Eurostat, International Monetary Fund (IMF) and United Nations Statistics Division (UNSD) and will review issues pertinent to the countries of Eastern Europe, Caucasus and Central Asia (EECCA) and South East Europe (SEE The workshop will inform on recent progress in relation of measuring the informal sector in the context of the Update of the 2008 SNA and the BPM6 and will allow countries to provide feedback on the programme of work and guidance notes developed by the joint Task Team on Informal Economy (IETT) It will pay particular attention to country efforts to ensure exhaustive coverage of national accounts and balance of payments (BOP) and issues related to measuring the non-observed economy and the informal sector. Finally, the methods applied and challenges in measurement of owner-occupied housing will also be reviewed. The workshop will seek the exchange of experience between countries on the measurement of these issues and present lessons learned and possible directions of future work.

Session 1: Update of international standards in respect to informal economy

Contributions by: IMF; USD; Eurostat and International Labour Organization (ILO)

2.   The presentation of IMF and UNSD on *measuring informal economy and related guidance notes* provides an overview of the planned work of the joint IETT, including an overarching framework of the informal economy, guidance notes on measuring informal cross-border transactions, digitalization and the informal economy, and the presentation in the SNA and BPM. IETT was established in the context of updating the 2008 SNA and the BPM6 to prepare guidance for a coherent set of statistical recommendations which will define and operationalize the different concepts necessary to measure productive activity, including cross-border transactions, in the informal economy. The guidance will take account of country practices and contribute to increased coverage and harmonization of statistics on the informal economy across economies. It is expected that such guidance would contribute not only to the work related to the updates of 2008 SNA and BPM6, but also the ILO's revision of the standards for statistics on informality.

3.   The Eurostat presentation discusses the *experience with the informal economy, or exhaustiveness of the national accounts, in the EU* with three main building blocks: (1) Approach to the verification of exhaustiveness (gross national income (GNI) inventories, process tables, tabular approach on exhaustiveness and Eurostat guidance on exhaustiveness); (2) Cross-country comparison on exhaustiveness (as part of the 2016-2019 GNI verification cycle); and (3) GNI Expert Group sub-group on exhaustiveness (work planned for the coming years, aiming at enhanced guidance on particular issues).

4.   The ILO presentation focuses on the work towards the *revision of the current statistical standards defining the informal sector and informal employment*. Based on a strong mandate from 20th International Conference of Labour Statistician (ICLS), held in Geneva in October 2018, ILO has initialized a revision and established a working group to support the work. Developing a new framework based on current definitions and country practices, aligned to the most recent statistical standards and 2008 SNA, has progressed. The working group will continue until the 21st ICLS in 2023 where the new proposal will be presented and discussed.

Session 2: Country experiences with measuring informal economy

Contributions by: National Statistical Committee of Belarus and Statistical Committee of Armenia

5.   The presentation of National Statistical Committee of Belarus provides an overview of the current practice of *assessment and accounting of informal economy in the system of national accounts* and in the indicators of sector statistics of the Republic of Belarus. It gives the main directions of work for further improvement of the formation of macroeconomic indicators, taking into account the obtained estimates of economic activities not accounted by direct statistical methods.

6.   The presentation of the Statistical Committee of Armenia on the *implementation of 2008 SNA and measuring of non-observed economy in Armenia* gives an overview about the transition from SNA 1993 to 2008 SNA in national

accounts of Armenia and the impact of major changes on the value and volume of gross domestic product (GDP). It also provides information on experiences in measuring the non-observed economy and of challenges in compiling of some GDP components.

Session 3: Specific aspects of informal/non-observed economy

Contributions by: United Nations Conference on Trade and Development (UNCTAD); National Bank of Ukraine; Central Bank of Armenia and National Bank of Moldova

7. The presentation by UNCTAD will share newly agreed definitions, recent methodological progress and plans to support national statistical authorities in the measurement of illicit financial flows in the future. The 2030 Agenda identifies *illicit financial flows as a threat to countries' ability to achieve the sustainable development goals* (SDGs). UNCTAD and the United Nations Office for Drugs and Crime (UNODC), as custodians of SDG indicator 16.4.1 (total value of inward and outward illicit financial flows), established a Statistical Task Force to develop definitions and methodologies to measure the indicator. As illicit flows are intended to be hidden, measuring them is extremely difficult. Nor has there ever been an attempt to bundle the different types of illicit financial flows together: from illegal markets; theft-type activities and terrorism financing; corruption; and illicit tax and commercial practices. These flows have the potential to distort key economic statistics, and lack of reliable information on illicit financial flows is hampering policy action.

8. The presentation of National Bank of Ukraine tells about the *assessment of round-tripping operations in foreign direct investment (FDI) flows*. Round-tripping operations significantly distort the statistics of the indicator itself and may lead to incorrect analytical conclusions regarding the productivity measures despite the large flows of investment capital. The Ukrainian Case presents the analysis conducted by the National Bank of Ukraine and specific features of FDI flows at different time intervals.

9. The presentation of Central Bank of Armenia provides the description of *methods used to calculate different indicators relating to Non-observed (shadow) economy*. In this regard, the remittances as the most important component, will be presented. The presentation also covers areas that are still challenging and should be explored further to be included in international accounts. These items include e-commerce, shadow financial transactions etc.

10. The presentations on experience of the National Bank of Moldova on *estimating the foreign exchange informally brought to the Republic of Moldova, and its distribution by BOP items*. In this respect Moldova has participated in the questioner launched by IMF's Task Force on Informal Economy (TFIE) aimed to work on developing an appropriate strategy for addressing existing gaps in the coverage of informal, underground, and illegal activities aimed at promoting more comprehensive coverage of transactions and positions in the external sector statistics (ESS).Moldova contributed with two country reports on remittances and currency and deposits of other sectors estimations.

Session 4: Technical assistance to the countries in the region

Contributions by: IMF, EFTA, UNECE, UNSD, tbc

11. The IMF will inform about the *new regional capacity development center (RCDC) in Almaty*, Kazakhstan in 2021. The new center, providing technical assistance on national accounts and prices, may start remote operations as early as February 2021 covering Armenia, Azerbaijan, Georgia, Kazakhstan, Mongolia, Turkmenistan, Kyrgyz Republic, Tajikistan, and Uzbekistan.

12. This session will also provide information on the activities of other international organizations and discuss technical assistance activities in the region, particularly in respect to the SNA and BPM Update.

Session 5: Measuring owner occupied housing

Contributions by: Institute of Statistics (INSTAT) of Albania; Statistics Canada, National Statistics Office of Georgia; Federal State Statistic Service of the Russian Federation (Rosstat) and IMF

13. *Imputed rental of owner-occupied dwellings – Introduction and measurement challenges* by IMF will introduce the SNA recommendations for measuring owner-occupied dwellings and some specific issues encountered by the countries in the EECCA and SEE region. The standard procedure recommended in the SNA for OOD is to assume that the rents that would be paid are the same as the rents actually paid for similar dwellings. But this cannot be applied in many countries due to very small number of actually rented dwellings. A large number of owner-occupied dwellings and limited source data create challenges to national accounts compilers. The presentation describes these challenges and various methods of dealing with them based on the recent example of Uzbekistan.

14. Calculation of the elements of non-observed economy is obligatory in the European Union and is especially important for countries like Albania, where the hidden economy contributes a significant share to GDP. Many improvements were introduced in the Albanian national accounts in recent years, new estimation methods and data sources were developed in order to comply with the European statistical requirements. The strategy for improving the coverage of non-observed economy in Albania has followed the recommendations of the Eurostat Tabular and the OECD Handbook. *Treatment of owner-occupied housing in national accounts* will describe the adjustments made by INSTAT for each exhaustiveness type N1 to N7, focusing on the treatment of owner-occupied housing in national accounts. INSTAT followed the standard procedure recommended in the SNA for estimating services of owner-occupied dwellings (OOD). The presentation will conclude with describing the recommendations for future works and the importance of continuing the improvements of the methodology for measuring non-observed economy in line with ESA 2010.

15. Output of OOD is included within the production boundary according to the System of National Accounts. Different methods may be selected for measuring OOD services depending on the level of development of the housing market. *Calculation of Owner-Occupied Dwelling Services in Georgia* presents estimation of OOD services based on a user cost method. This method replaced the previously used self-assessment method in 2019, during the general revision of the national accounts time series of Georgia related to implementation of 2008 SNA.

16. *Accounting of cost of owner-occupied housing services in the Russian SNA* by Rosstat will provide brief background about the change in the methodology for measuring owner-occupied housing after the implementation of the 2008 SNA. The presentation will discuss the existing approaches for measuring owner-occupied housing services and the rationale for choosing user cost approach, the methods for revaluation in constant prices and the structure of data sources. The results of the assessment, their impact on macroeconomic indicators such as GDP on the supply and demand side, household's disposable income and final consumption will also be presented. It will wrap up with challenges and prospect for further development.

17. Canada has long used the equivalent method for the estimation of owner-occupied housing. However, in recent years, there has been improvements to the data inputs and a methodological update to yield an estimation that is more robust. *Improvements of the measure of owner-occupied housing services* by Statistics Canada will focus on the methodology, calculation of data sources and important adjustments to account for components such as self-employment use of house and peer-to-peer rental accommodation.