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## Economic Commission for Europe

### Conference of European Statisticians

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Item 4 (a) of the provisional agenda

#### Coordination of international statistical work

**in the United Nations Economic Commission for Europe region:****Outcomes of the recent in-depth reviews carried out****by the Bureau of the Conference of European Statisticians**

### **In-depth review of measuring the non-observed/informal economy**

#### **Addendum**

### **Outcome of the electronic consultation on the in-depth review of measuring the non-observed/informal economy**

#### **Prepared by the Secretariat**

#### *Summary*

This document presents the outcome of the in-depth review of measuring the non-observed/informal economy that the Bureau of the Conference of European Statisticians (CES) carried out in October 2021 and summarizes the results of the electronic consultation on the review with CES member countries conducted in April-May 2022.

The in-depth review paper (ECE/CES/2022/10) was prepared by a group of experts led by Mexico and presents the issues, challenges, conclusions and recommendations identified in the area of measuring the non-observed/informal economy.

The Conference will be invited to endorse the outcome and conclusions of the in-depth review of measuring the non-observed/informal economy (ECE/CES/2022/10/Add.1) under item 4a.



## I. Introduction

1. Each year, the Bureau of the Conference of European Statisticians (CES) reviews selected statistical areas in depth. The purpose of the reviews is to improve coordination of statistical activities in the region of the United Nations Economic Commission for Europe (UNECE), identify gaps or duplication of work, and address emerging issues. These reviews focus on strategic issues and highlight concerns of statistical offices of both a conceptual and coordinating nature.
2. The Bureau carried out an in-depth review of measuring non-observed/informal economy in October 2021 based on a paper produced by Mexico, International Monetary Fund (IMF) and UNECE (provided as document ECE/CES/2022/10).
3. The UNECE Secretariat conducted an electronic consultation in April–May 2022 to inform all CES members about the in-depth review of measuring the non-observed/informal economy and provide an opportunity to comment on its outcomes.
4. The following 15 countries and organizations provided updated feedback on the paper ECE/CES/2022/10: Austria, Belarus, Canada, Costa Rica, Germany, Hungary, Italy, Kyrgyzstan, Lithuania, Mexico, Netherlands, Poland, United Kingdom, Ukraine, and the International Labour Organisation (ILO).

## II. Outcome of the Conference of European Statisticians Bureau discussion in October 2021

5. The Bureau carried out an in-depth review of measuring the non-observed/informal economy at its October 2021 meeting.
6. The Bureau agreed with the outcomes and recommendations proposed in the paper by Mexico et al. and asked for the paper to be widely shared.
7. The Bureau stressed the importance of integrating the measurement of informal economy in the updates of the macroeconomic frameworks: System of National Accounts (SNA) and Balance of Payments Manual (BPM). Informality affects a large number of countries, and the policy implications are huge.
8. At the same time, once the framework is adopted, it is also important to plan the further work on testing and providing compilation guidance. The Bureau requested the UNECE Steering Group on National Accounts to consider the best way to collect, analyse and share the experiences of UNECE member countries and identify good practices and develop practical guidance on how to apply the framework for measuring informal economy.
9. The Bureau also noted the distinction between the concepts of non-observed and informal economy taking into account the different analytical and policy purposes. Clear terminology and consistent user-producer communication is a way forward to avoid misunderstanding and misuse of these related and sometimes overlapping concepts.

## III. General comments received in the electronic consultation

10. All responding countries welcomed the in-depth review paper and expressed appreciation for the clear overview of international activities and the issues around measuring informal and non-observed economy.
11. There is large support for the revision of the international statistical standards with respect of informality and specifically of ILO work on definition and delineations of informal economy (**Italy, Mexico, Netherlands and United Kingdom**) and the developing of a common statistical framework for measuring the informal economy in the upcoming updates of the System of National Accounts (SNA 2008) and Balance of Payments Manual (BMP 6) (**Austria, Belarus, Germany, Hungary, Italy, Mexico, United Kingdom, and Ukraine**). The efforts to coordinate the work of ILO Working Group and the SNA Update and to align the concepts to the extent possible were particularly appreciated.

12. Some countries provided more concrete comments on the draft statistical framework for measuring informal economy in the SNA and BPM (**Italy, Mexico, and United Kingdom**). They expressed support for including household own-use production of goods and services and agricultural activities in the informal sector, and for the treatment of dependent contractors and illegal activities as presented in the paper. At the same time, countries mentioned concerns about the practical difficulties and availability of data sources.

13. The development of informal economy estimates that are comparable across countries and across time will be a challenging and lengthy process, requiring significant resources. Most often the countries mentioned the following two conditions for a successful outcome: establishing of clear terminology and developing of practical guidance. The distinction between non-observed and informal economy is very well described in the paper, the two serve different goals, and measurement priorities may differ between the countries. In this respect the precise terminology, clear-cut definitions and mapping to the concepts used in related frameworks for measuring non-observed economy or illicit financial flows is essential (**Germany, Mexico, Lithuania, Netherlands, United Kingdom, Ukraine, and ILO**). **Germany** and **Mexico** also highlighted the need of communication and user engagement, so that the results could be presented in a clear and meaningful way to policy makers.

14. **Austria, Belarus Hungary, Mexico, United Kingdom** and **Ukraine** stressed the importance of testing the framework in a wide range of countries and sharing the results and best practices to develop practical guidance for its implementation. The recommendations should keep a balance between ambition (e.g. in terms of detail) and the practical feasibility/availability of resources (**Netherlands, Hungary**), which vary among countries. UNECE Steering Group on National Accounts should play an important role in facilitating the implementation in the CES countries.

15. **Mexico, United Kingdom, Ukraine** and **ILO** provided editorial corrections and additional information. These will be taken into account in further work in this area.

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