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# THE NON-OBSERVED ECONOMY (NOE) IN MONGOLIA:



[www.nso.mn](http://www.nso.mn)



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## I. Background

### Methodologies:

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



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## II. The Framework and Production Boundary

The N1-N7 framework of the Non-observed economy

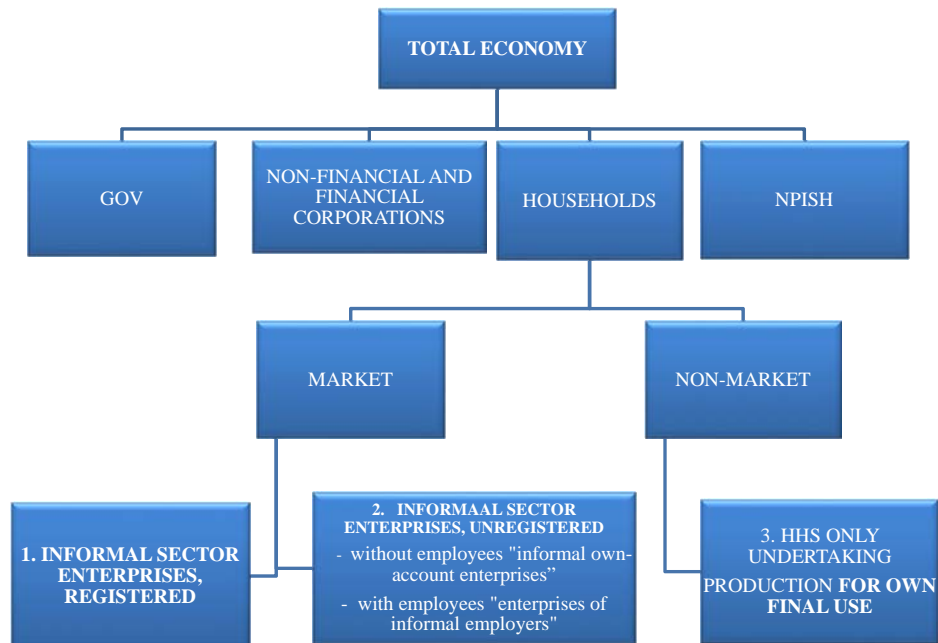
CLASSIFICATION OF NOE	FRAMEWORK
1. Underground production	N6 - Producers deliberately misreporting
2. Illegal production (drugs, prostitution etc)	N2 - Producers deliberately not registering – illegal
3. Informal sector production	N1 - Producers deliberately not registering – underground
	N5 - Registered 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

### III. Survey and measurement

The NSO conducted the following surveys in accordance with the framework (N1-N7) of the NOE.

1. HUEMs (N1, N3, N5)
  - Survey of HUEM cover non-agricultural and non-mining
  - Survey of artisanal mining
2. Survey on Experts opinion of intentional distortion of business accounting (N6)
3. Estimation of illegal production (N2)
4. Establishment 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:** The survey was conducted through “1-2-“method which was recommended by UNESCAP and DIAL

**In phase 1:** Informal employment data is collected, using Labor Force Survey.

Questions for identified 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 module of the questionnaire.

**Main indicators:**

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

*We estimated the number of employment, turnover and VA*



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### 3.1. HUEMs (N1, N3, N5)

#### B. ARTISANAL AND SMALL-SCALE MINERS' SURVEY

NSO conducted a survey on artisanal and small scale miners in mining sector.

**Totally 13.4 thousand citizens were involved.**



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### 3.2. Illegal Production (N2)

The illegal production shows the N2 framework of the non observed economy and it is divided into the following 2 categories by the type of activity. In which:

1. To produce, transport, sell, store and transfer the goods and services which are out of law
2. To run the activities illegally or without permissions even though the activities are legally accepted

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

## 3.2. Illegal Production (N2)

### **Data source:**

1. Administrative data and surveys (*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 was used for this calculation/
2. "Survey on sex workers and sexually exploited children-2010", MNSO
  - The number of total prostitutes of which the number of prostitutes who serves to the foreigners
  - The monthly average income

## 3.3. Underground Production (N6)

### **The underground production:**

The underground production shows the N6 framework of the non observed economy.

- The goods and services that produced legally but not misreported in official statistics;
- Avoid the income tax, value added tax and other taxes;

### **Data source:**

- 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.

## IV. Result of NOE, 2010

In the calculation of GDP by the production method, adjustments are made for related sectors  
THE SHARE OF NON-OBSERVED ECONOMY TO TOTAL ECONOMY (mln.tug), 2010

Industries	NOE	GDP	Total economy (NOE+ GDP)	Share of NOE to total economy
<b>Total</b>	<b>1 332 093.1</b>	<b>8 414 504.5</b>	<b>9 746 597.6</b>	<b>13.7</b>
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

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## V. Future Activities

- The NUEMs would be conducted in every 5 years;
- The VA of informal sector of the intermediate years could be calculated based on the **previous survey's results** and **number of units which was identified by the LFS**;
- **Illegal production and underground production** would be estimated in every year.



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# THANK YOU FOR YOUR ATTENTION



The Government Building III  
Baga Toiruu-44  
Ulaanbaatar-20a, Mongolia  
Tel: (976)-11-329125  
Fax: (976)-11-324518  
E-mail: [nso@magicnet.mn](mailto:nso@magicnet.mn)  
[www.nso.mn](http://www.nso.mn)  
[www.1212.mn](http://www.1212.mn)