

# **Evaluative Review of the Development Account Project: Interregional Cooperation on the Measurement of Informal Sector and Informal Employment**

## **Final Report**

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## Table of Contents

<b>ACRONYMS</b> .....	<b>3</b>
<b>MANAGEMENT RESPONSE</b> .....	<b>4</b>
<b>EXECUTIVE SUMMARY</b> .....	<b>8</b>
<b>1. INTRODUCTION</b> .....	<b>10</b>
1.1 The Project under Evaluation .....	10
1.2 Purpose, objectives and outputs of the evaluation.....	10
1.3 Scope of the evaluation .....	11
<b>2. METHODOLOGY OF THE EVALUATION</b> .....	<b>13</b>
2.1 Description of methodology .....	13
2.2 Limitations of the methodology and problems encountered .....	13
<b>3. FINDINGS</b> .....	<b>15</b>
3.1 On the Project Objectives.....	15
3.2 On the Project Strategy .....	16
3.2.1 <i>Inter-regional Cooperation and Role of Regional Commissions</i> .....	16
3.2.2 <i>Project Steering Committee</i> .....	17
3.2.3 <i>Strategic Partnerships</i> .....	18
3.2.4 <i>Mix of activities</i> .....	19
3.3 On the Project Management and Implementation .....	19
3.3.1 <i>Interregional Level</i> .....	19
3.3.1.1 ESCAP as Lead Agency.....	19
3.3.1.2 Technical Development .....	20
3.3.1.3 Knowledge Management.....	20
3.3.2 <i>Regional Level</i> .....	22
3.3.2.1 Role of Regional Commissions.....	22
3.3.2.2 Management of Expert Missions and Capacity Building.....	23
3.3.3 <i>National Implementation</i> .....	24
3.3.3.1 Cost of Project Implementation .....	24
3.3.3.2 Survey Planning and Implementation.....	24
3.3.3.3 Data Processing, Tabulations and Reports .....	25
3.4 On the Technical Aspects of the Project “1-2” Survey Methodology .....	25
3.4.1 <i>The HUEM as Statistical Unit for Data Collection</i> .....	25
3.4.2 <i>Survey Instruments: Phase 1 and Phase 2 Questionnaires</i> .....	26
3.4.2.1 Phase 1 Questionnaire.....	26
3.4.2.2 Phase 2 Questionnaire.....	26
3.4.3 <i>Requirements of National Accounts</i> .....	29
3.4.4 <i>Cost-effectiveness of ISIE “1-2” Survey Methodology</i> .....	31
3.4.5 <i>Sustainability of the Project’s “1-2” Survey Methodology</i> .....	32
Technical Appendix A. On the ISIE “1-2” Survey.....	34
Technical Appendix B. Concepts and Definitions in Phase 2 Questionnaire.....	39
<b>4. MAIN CONCLUSIONS AND LESSONS LEARNED</b> .....	<b>41</b>
4.1 Main conclusions.....	41
4.2 Lessons learned .....	42
<b>5. RECOMMENDATIONS</b> .....	<b>43</b>
<b>ANNEXES</b> .....	<b>45</b>
Annex I. Management Response .....	45
Annex II. Terms of Reference.....	53
Annex III. List of Documents Reviewed.....	63
Annex IV. List of Persons Consulted by the Evaluator .....	65
Annex V. Summary of Discussions with the Five Project Countries.....	66
Annex VI. List of Advisory Missions by implementing Regional Commissions.....	71
Annex VII. Country Participants in ESCAP Training Workshops in Bangkok.....	74

## **ACRONYMS**

CISSTAT	Interstate Statistical Committee of the Commonwealth of Independent States
DIAL-IRD	Développement Institutions et Analyses de Long terme
ECLAC	Economic Commission for Latin America and the Caribbean
ESCAP	Economic and Social Commission for Asia and the Pacific
ESCWA	Economic and Social Commission for Western Asia
HUE	Household unincorporated enterprise
HUEM	Household unincorporated enterprise with at least some market sales
IADB	Inter-American Development Bank
IARIW	International Association for Research in Income and Wealth
IHUEM	Informal household unincorporated enterprise with at least some market sales
ILO	International Labour Office
IMF	International Monetary Fund
LFS	Labour Force Survey
MOU	Memorandum of understanding
OECD	Organisation for Economic Cooperation and Development
RC	Regional Commissions
SNA	System of National Accounts
UNICEF	United Nations International Children's Emergency Fund
UNSD	United Nations Statistics Division

## **MANAGEMENT RESPONSE**

### **Overall Management Response to the Evaluation**

ESCAP’s Statistics Division (SD) agrees with the main conclusions and recommendations of the evaluative review. SD would, in particular, like to highlight the conclusions that the interregional project has: (a) established that regional processes, results and experiences are important in influencing and shaping further developments and improvements in measuring the informal sector and informal employment; (b) demonstrated that the “1-2” survey methodology has some distinct advantages over alternative methods, and that it works well in very different country situations across different regions; (c) contributed to global work on the subject by clarifying the definition of household unincorporated enterprises with at least some market production (HUEMs) and operationalising HUEMs as a starting point for data collection on informal sector enterprises; (d) heightened awareness of the importance of measuring informal activities and informal employment through its advocacy activities and through the technical resources and materials generated by the project.

Most of the recommendations in the evaluative review report are being addressed or will be acted upon through the ECA-led new project (2010-12).

### **Management Response to Recommendations**

<b>RECOMMENDATIONS</b>	<b>MANAGEMENT RESPONSE</b>
<p>1. The knowledge base generated in connection with this project can be used to draft a Handbook giving practical guidelines for “1-2” surveys. It would cover sample design, questionnaires, pilot-testing, data editing, imputations for non-response and partial response, outline of final reports including standard tables, and examples of policy-relevant analysis.</p>	<p>The project initially planned to prepare a handbook of good practices on the methodology and its implementation. However, it was decided by the Steering Committee that this would not be necessary in view of the on-going work of the Delhi Group and ILO in drafting a Manual on Surveys of Informal Employment and Informal Sector (expected to be published by end of 2010 by ILO).</p> <p>ESCAP has contributed to Chapter 6: “Mixed Surveys using the Modular Approach” of the Delhi Group’s Manual with a description of the “1-2” Survey methodology as well as country-specific implementation strategies for project partner countries.</p> <p>The project has produced resources in the form of technical papers and recommended tabulation plans covering issues highlighted in these recommendations. Country reports produced by all project countries serve as resources on implementation strategies and experience at the national level.</p>

RECOMMENDATIONS	MANAGEMENT RESPONSE
	<p>The ECA-led new project (2010-12) is planning to produce a collection of good practices as well as to conduct more policy relevant analysis as part of Expected Accomplishments 2 and 3.</p>
<p>2. The phase 2 questionnaires should be simplified along the lines suggested above. A revised draft should be circulated to the five countries as they all have ideas on how it could be improved and it will also need to be reviewed by the DIAL consultants and staff of the Regional Commissions. Once a revised version of the Phase 2 questionnaire has been agreed, a set of automated editing procedures and imputation rules could be developed for use in future surveys.</p>	<p>Agreed. ESCAP will review the lessons learned with regard to the Phase 2 questionnaire and will recommend changes for simplification.</p>
<p>3. The four countries that have not yet published their survey reports should be given firm deadlines. It is likely that some of them still need help in finalizing the Phase 2 tabulations and reconciling these data with their existing national accounts estimates. Although the project has formally finished it would be short-sighted if the Regional Commissions were not able to provide some continuing help here.</p>	<p>All five project countries submitted their country reports in the first quarter of 2010. Project countries worked in close consultation with their respective regional commissions to draft and finalize their reports. ESCAP project countries were informed that they could avail of the statistical advisory services offered by ESCAP if technical assistance was required.</p> <p>Generating national accounts estimates with respect to the informal sector was a challenge for some countries, in particular for Sri Lanka, due to lack of internal capacity in national accounts in general. The new project will provide opportunity to work closely with Sri Lanka on this.</p> <p>The Regional Adviser on Statistics at ESCAP will be available to provide additional technical assistance to countries.</p>
<p>4. The ISIE website is a valuable asset. It would be good to move as many documents as possible from the members-only to the public page. Given the sheer volume of documentation it would also be helpful to identify a smaller number of key documents that describe the survey methodology.</p>	<p>Agreed. The ISIE website was restructured and the content was reorganized to make it more user friendly and easy to navigate. Resources generated through the project as well as additional reference materials are now available for public access.</p> <p>The website will be updated further on a continuous basis, as and when additional information/materials are available, and/or when the new project (2010-12) begins.</p>
<p>5. For the future, the coverage of the survey should be expanded to include all HUEMs including those that keep a full set of accounts and which, therefore, are treated as</p>	<p>With other criteria met, if the enterprise has a complete set of accounts it is not a HUEM, but a quasi-corporate enterprise. The possibility of expanding Phase 2 of the survey to quasi- corporate</p>

RECOMMENDATIONS	MANAGEMENT RESPONSE
quasi-corporate according to the SNA.	enterprises, for the purpose of national accounts exhaustiveness, was one of the recommendations that came through the experience of the project in implementing the current Phase 2 questionnaire. This recommendation will be considered in future implementation of Phase 2.
<p>6. The reporting of costs by the countries was not standardized so that it was difficult to calculate useful statistics such as the costs per completed interview. UNICEF has developed the reporting framework shown in Table 7 for countries carrying out Multiple Indicator Cluster Surveys with UNICEF funding. The columns list the individual actions required to carry out a survey and the rows give the types of expenditures<sup>1</sup>. Something of this kind could serve as a model for reporting costs of UN funded surveys more generally.</p>	<p>Agreed. It will be useful to have a standard way for countries to report costs so as to enable the generation of useful statistics on survey costs. This could be taken into consideration by individual project managers at the ESCAP Statistics Division.</p>
<p>7. ESCAP and the Regional Commissions should work to ensure the sustainability of the project by the following actions:</p> <p>a) Advocate informal sector measurement using “1-2” surveys at meetings of their Statistical Committees, at conferences discussing regional statistical programmes, and at the UN Statistical Commission;</p>	<p>The work on informal sector measurement has received support from the ESCAP Commission during its 66th session in May 2010, and will be brought to the attention of the ESCAP Committee on Statistics at its second session in December 2010.</p> <p>Advocacy for the methodology is currently ongoing. The second session of the Statistical Commission for Africa (StatCom-Africa II) reaffirmed the importance of ECA collaborating with other United Nations Regional Commissions on the measurement of the informal economy and requested the implementation of another interregional project on the subject.</p> <p>In light of this, ECA submitted a proposal to the 7<sup>th</sup> tranche of the Development Account with the work of the ESCAP-led project (2006-09) as a basis for advocacy. US\$ 800,000 has been approved for all regional commissions to take forward this work through a new project (2010-12) focusing on improving the availability of timely analyses on the</p>

<sup>1</sup> For details see Chapter 12 of the UN handbook “Household Sample Surveys in Developing and Transition Countries” at <http://unstats.un.org/unsd/hhsurveys/>

RECOMMENDATIONS	MANAGEMENT RESPONSE
<p>b) Look for seed-money to launch “1-2” surveys from development banks including the World Bank and regional banks in Africa, West Asia, Asia and the Pacific, Latin America and the Caribbean;</p> <p>c) Ensure that ESCAP and other regional commissions have at least one person able to advise countries on practical aspects of “1-2” surveys and maintain ties with WIEGO and DIAL-IRD who can also provide expert advice as required;</p> <p>d) Maintain the ISIE website as a source of up-to-date information on the “1-2” survey methodology and results of these surveys when they become available from the project countries.</p>	<p>informal economy and its contribution to employment and GDP for the promotion of evidence-based policy formulation at the national level.</p> <p>ESCAP has been allocated US\$170,000 and will work with two of its project partner countries again to build on existing capacity, results, lessons learned, to make best use of existing data sets, and to further enhance capacity of these countries, particularly with respect to estimating the contribution of the informal sector to GDP.</p> <p>Agreed. Follow-up action on this for ESCAP would depend on feedback received from the Committee on Statistics during its second session in December 2010.</p> <p>ESCAP has maintained the same team to work on this subject area, and the Regional Adviser on Statistics, who was also part of the project formulation and implementation, is available to provide technical assistance to countries. It is likely that for the two other regional commissions, the same focal points are available and will be involved in the new project (2010-12). Ties with WIEGO and DIAL-IRD will be maintained, and ADB is continuing to collaborate with ESCAP by sharing the results of the similar project that they have been implementing in three other Asian countries.</p> <p>As mentioned earlier, the website has recently been updated with project resources and will be continuously updated when additional resources are available.</p>

## **EXECUTIVE SUMMARY**

The United Nations Development Account project entitled “Interregional Cooperation on the Measurement of Informal Sector and Informal Employment” (ISIE) ran from September 2006 to December 2009. It was an inter-regional project involving countries from the ESCAP, ESCWA and ECLAC regions. This report considers the relevance, effectiveness and sustainability of the ISIE project.

### **Relevance**

Measuring informal economic activities is seen as relevant by international development agencies, NGOs and national governments. They have identified the informal sector as a major source of employment and as the means by which large numbers of people in the developing world find food and shelter for themselves and their families. The informal sector also offers the chance of a cash income for women who do not have the educational qualifications or job-skills required to work in the formal sector. Knowing more about the informal sector is clearly relevant to poverty alleviation, improving women’s economic status, and to economic development more generally.

From this perspective, the project objectives were highly relevant in light of the work that has already been done or is being carried out in this area at the international level. An important contribution of this project has been to develop an operational definition of informal enterprises and design questionnaires and practical survey procedures to measure informal employment and value added.

### **Effectiveness**

The ISIE helped five countries – Mongolia, Palestine, Philippines, Saint Lucia, and Sri Lanka - to carry out “1-2 surveys” to measure informal employment and value added by informal enterprises. The ISIE project has confirmed that “1-2” surveys are a cost-effective way of identifying informal enterprises and measuring their contribution to employment, household incomes and value added. The Project has also demonstrated that the “1-2” survey methodology works well in countries that differ in size, levels of economic development, and industrial structure.

The ISIE was executed as an inter-regional project by ESCAP, ECLAC and ESCWA. The interregional cooperation resulted in savings in costs by organizing common training workshops for all three regions at ESCAP and also ensured consistency in training as the same experts imparted training for all regions.

Overall management of the Project was provided by a Steering Committee (SC) which included five United Nations Regional Commissions, the Asian Development Bank, the International Labour Organisation, the Delhi Group on Informal Sector Statistics and a non-government organisation under the chairmanship of the United Nations Statistics Division. The SC efficiently linked global and regional work on informal sector and informal employment measurement issues. It provided important technical input as well as administrative support and can serve as a model for future inter-regional projects in the field of statistics.

ESCAP was responsible for day to day management of the project. In their discussions with me, the project countries and the other Regional Commissions were unanimous in their appreciation of ESCAP's leadership role. ESCAP provided professional and administrative leadership of a high standard and I conclude that this complex project has been efficiently managed by ESCAP's Statistics Division.

Problems were encountered in Phase 2 of the survey which collects national accounts and related information from informal enterprises. The questionnaires used by the countries, which were mainly based on the generic or model questionnaire developed for use in the survey, were too ambitious and included questions that were difficult to answer and not strictly relevant to the main objective. Editing the data, imputing missing values, and reconciling the results with existing national accounts estimates have proved more difficult than foreseen. As a result, final reports on four of the five surveys have missed the target date of end-December 2009 and are now expected at the end of March 2010.

Despite this problem, this evaluation concludes that the "1-2" surveys lead to substantial improvement in the reliability of the national accounts — more specifically in the estimates of value added of informal sector enterprises and in estimates of total GDP. Better estimates of GDP can be expected to help governments make better policy decisions, but the "1-2" surveys do not just provide more reliable information on GDP levels. The related information collected in the surveys about linkages between formal and informal sectors, problems facing informal operators, employment conditions, etc provide the basic information for designing effective policies for regulating, assisting and developing the informal sector.

The total budget for this project was USD 800 000. This was used to partially fund the survey costs in the five countries, to organize workshops, and to provide in-country advice through expert visits. The workshops were well prepared, well-attended and found useful by participants, and the visits by consultants and staff members were highly rated by the project countries. My conclusion is that the budget of USD 800 000 has been efficiently managed.

### **Sustainability**

All five countries informed me that they will continue to carry out Phase 1 surveys by adding questions to their existing labour force surveys to measure informal employment and the number of informal enterprises. None of the five presently have firm plans to carry out further Phase 2 surveys to measure value added by informal enterprises but all would like to do so every three or four years if funds are available.

As a result of the ISIE project two countries in the Caribbean area and two countries of the ESCWA region are seriously considering carrying out "1-2" surveys. Three additional Asian countries are already carrying out "1-2" surveys with assistance from ADB.

### **Overall assessment**

My overall assessment is that the ISIE Project was well managed, relevant and effective and is likely to prove sustainable.

My report ends with seven recommendations for action by the Project participants. These relate to technical improvements to the survey methodology and actions to encourage more countries to undertake "1-2" surveys of the informal sector and informal employment.

## **1. INTRODUCTION**

### **1.1 The Project under Evaluation**

The United Nations Development Account project (Project 0607A) entitled “Interregional Cooperation on the Measurement of Informal Sector and Informal Employment” (henceforth, “the ISIE”) ran from September 2006 to December 2009. It was an inter-regional project executed by the Statistics Division of ESCAP, co-implemented with ESCWA and ECLAC, in cooperation with ECA, ILO, UNSD, and WIEGO and in partnership with national statistical offices of five member states: Mongolia, Philippines, and Sri Lanka (ESCAP), Palestine (ESCWA) and Saint Lucia (ECLAC).

The overall objective, as stated in the Project Document (see Annex 2), was to improve data on informal sector and on informal employment for the promotion of evidence-based social policies at the national and interregional levels, with the following expected results:

- Raised awareness among national statistical offices and other relevant government agencies in participating countries of the importance of collecting and disseminating data on the informal sector and informal employment, and of compiling exhaustive estimates of GDP and
- Improved technical capacity of national statistical systems in participating countries to collect, compile, analyse and disseminate data on informal sector and informal employment, in line with internationally agreed methodological standards.

In designing the project activities, the ISIE adopted an integrated approach with five distinct components: advocacy, statistical capacity building, data collection, data analysis and dissemination, and knowledge management.

The specific activities implemented eventually focused on enhancing awareness and capacity of the national statistical offices of the five member states to carry out “1-2” surveys of employment and economic activities of the informal sector. The aim was to establish the “1-2” survey, as adapted by the Project, as a cost-effective and sustainable method of investigating informal employment and measuring informal sector value added and to encourage national statistical systems in all regions to make wider use of this survey methodology.

### **1.2 Purpose, objectives and outputs of the evaluation**

Annex 2 contains the terms of reference (TOR) for this review. The TOR summarizes the purpose of the review as being:

“to review, document and assess the programmatic, and strategic processes of the project in order to identify lessons learned and best practices, and to formulate recommendations which will inform future interventions by ESCAP and the national partners, in this area of work.

The specific objectives of the evaluation are:

- (i) To assess the relevance, effectiveness, and sustainability of the project results and the strategy used in implementation and
- (ii) To formulate concrete recommendations to inform future work in this area.”

The main output of the evaluation exercise is this evaluative review report on the project objectives and strategy, project management and technical component of the ISIE -- the design and implementation of national “1-2” surveys for collecting and analysing data on the informal sector and informal employment. The report includes a set of action-oriented recommendations for the regional commissions, cooperating institutions and national project partners.

### **1.3 Scope of the evaluation**

The evaluation covers the project duration from 2006 – 2009 and considers the following:

- Extent to which the project objectives were met and the relevance and effectiveness of the overall project strategy
- Relevance and effectiveness of project management at the inter-regional, regional and national levels
- Relevance and effectiveness of the technical component of the project including assessment of: the choice of survey methodology (ISIE “1-2” survey) and its development and adaptation; testing of ISIE “1-2” surveys through implementation in Mongolia, Palestine, Philippines, Saint Lucia, and Sri Lanka; and long-term prospects or sustainability of the ISIE survey methodology.

Specifically, the evaluation seeks answers to the following questions, as specified in the terms of reference:

#### Relevance

- i. To what extent was the project, its objectives and the methodology relevant at the international level in light of the work that has already been done or is being carried out in this thematic area? How relevant and timely was the project to project countries in the context of building tools for improving official statistics at the national level, and also in assisting countries narrow down their choices with respect to the diversity of survey tools that have been used to measure the informal sector?

#### Effectiveness

- ii. To what extent have the expected objectives of the project been achieved towards contributing to the compilation of a specific informal sector data collection option that is tested, cost efficient and sustainable?
- iii. To what extent is there a potential to increase the availability of timely and comparable data on the informal sector and on informal employment not only in

- project countries but also at the regional and global levels, and to link such data collection and derivation of relevant estimates to policy priorities in project countries?
- iv. How effective was the project strategy of combining interregional cooperation, strategic partnerships and consultation with a steering committee to implement a range of activities targeting advocacy, technical capacity building, data collection, data analysis and dissemination, and knowledge management? Were the strategy adopted and the activities consistent with the project objectives?
  - v. Did the project strategy, process and activities adequately and effectively address existing country and regional variations such as the level of statistical capacity in the selected countries, the on-going statistical work programme of these countries, their policy priorities, and variations in terminology, criteria and definitions? How successful was the project in cutting across such variations to give shape to a methodology that can be globally beneficial?
  - vi. Was the combination of training organized, advisory services provided, and technical papers written as part of this project, beneficial in enhancing the capacity of National Statistical Offices (NSOs) in implementing such surveys, handling data collection, analysis and contributing towards the development of international standards and recommendations in this area of work?

#### Sustainability

- vii. Is the proposed data collection methodology sustainable at the national level? What are the limitations or barriers that may prevent sustainability? What are the possible ways in which member states can be assisted by ESCAP and other Regional Commissions to overcome these barriers?
- viii. Is there adequate support from project and non-project countries, partners, and other stakeholders to take forward the project outcomes?

## **2. METHODOLOGY OF THE EVALUATION**

### **2.1 Description of methodology**

I was appointed as evaluator in time to attend the Regional Workshop on the Measurement of Informal Sector and Informal Employment 30 November to 2 December 2009 and the Workshop on Interregional Cooperation in the Measurement of Informal Sector and Informal Employment on 3 and 4 December 2009. Both meetings were held at ESCAP headquarters in Bangkok. During these five days, I interviewed statisticians of the five ISIE national partners working on the “1-2” surveys, statisticians working on “1-2” surveys in other countries in the ESCAP region<sup>2</sup> as well as staff and consultants working at the five UN Regional Commissions. A list of persons interviewed in connection with this evaluation is contained in Annex IV.

For my interviews with staff from the five ISIE project partners I had prepared a list of discussion points which was sent to them before the meeting. We met during and after the meetings and our discussions lasted between 45 – 60 minutes. I had follow-up discussions with several of them to clarify outstanding points both face to face and by email. The list of questions and answers from the respondents is in Annex V.

The project has generated a large database of technical guidelines and other project documents that are maintained on the ISIE project web site maintained by ESCAP. The “members-only” section contains workshop presentations and reports on advisory missions to the five countries. This was very useful in making this evaluation.

In short, this evaluation is based on the following:

- (1) Discussions with statisticians from the five participating national partners based on an interview protocol (Annex V);
- (2) Discussions with the staff responsible for ISIE in the three regional commissions;
- (3) Information gathered from attendance in the Regional and Interregional Workshops in November-December 2009 as mentioned above; and
- (4) The very substantial documentation both on the ISIE Web-site and those made available to me by ESCAP.

### **2.2 Limitations of the methodology and problems encountered**

The main limitation is that at the time of writing only Mongolia has provided a national project report on the survey. Only partially completed reports from other national partners were available at the time of writing of this report-- mainly consisting of descriptions of the survey methods and the tables based on the Phase 1 survey dealing with informal employment. The end of December 2009 was the official deadline for completing national

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<sup>2</sup> The General Statistics Office of Vietnam carried out a “1-2” survey covering the cities of Hanoi and Ho Chi Minh during the period covered by the project in collaboration with DIAL-IRD. The Asian Development Bank (ADB) is working with Armenia, Bangladesh and Indonesia to help them carry out “1-2” surveys following the same methodology as the ISIE survey.

final reports but these are expected to be available only by the first quarter of 2010. These delays are due to unforeseen difficulties in processing and verifying the Phase 2 survey data.

It would also have been useful to visit some of the participating countries to find out what use is being made of the data but only Mongolia has so far released full survey results. I nevertheless feel that I had access to enough information to make a fair evaluation of the various stages of the project up to, but not including, the release of all final national reports.

### **3. FINDINGS**

This section presents the main findings and conclusions on the relevance, effectiveness and sustainability pertinent to the following key aspects: the project objectives; project strategy; project management and implementation; and the core technical component of the project-the “1-2” survey.

#### **3.1 On the Project Objectives**

At the international level, there is widespread interest in measuring informal employment and the contribution of the informal sector to the GDP. For example:

- In 1997 the United Nations Statistical Commission set up the “Delhi Group on Informal Sector Statistics” whose purpose was to “exchange experience in the measurement of the informal sector, document the data-collection practices, including definitions and survey methodologies followed by member countries, and recommend measures for improving the quality and comparability of informal sector statistics.” The Delhi Group has been one of the most active of the United Nations “City Groups” with annual meetings since 1997.
- The International Labour Office has been studying the informal sector as a source of employment for several years and in 2003 the 17<sup>th</sup> International Conferences of Labour Statisticians brought together earlier resolutions into its “Guidelines concerning a statistical definition of informal employment”.
- In 2002, the OECD, IMF, ILO and the Interstate Statistical Committee of the Commonwealth of Independent States published “Measuring the Non-Observed Economy: A Handbook”. Chapter 10 deals with “Informal Sector Production”.
- The 2008 System of National Accounts (SNA) has a Chapter 25 “Informal aspects of the economy”. It starts by noting that: “No economy is completely regulated and captured perfectly by statistical enquiries. Steps have to be taken, therefore, to attempt to cover unregulated activity and survey imperfections as special exercises.”
- In 2009 the International Association for Income and Wealth (IARIW) held a Special Conference on Measuring the Informal Economy in Developing Countries. (Kathmandu, Nepal, 23-26 September 2009) See <http://www.iariw.org/c2009.php>

From this perspective, *the project objectives were highly relevant in light of the work that has already been done or is being carried out in this thematic area at the international level. An important contribution of this project has been to develop an operational definition of informal HUEMS and design questionnaires and practical survey procedures to measure informal employment and value added.*

Better estimates of GDP can be expected to help governments make better policy decisions, but the “1-2”surveys do not just provide more reliable information on GDP levels. The related information collected in the surveys about linkages between formal and informal sectors, problems facing informal operators, employment conditions, etc provide the basic information for designing effective policies for assisting and developing the informal sector.

From the summary of discussions with the workshop participants from the five project partners (See Annex V) we note the following:

- Labour ministries in Mongolia, Philippines and Sri Lanka have requested their statistical offices to provide information on informal employment. In some cases ministries are trying to expand the coverage of national insurance schemes for informal employees. In Palestine, private research institutes have asked the statistical office for data on the informal sector.
- All five member states have programmes to enhance the performance of small and medium enterprises (SMEs). Information collected in Phase 2 of the survey is directly relevant to analysis of small enterprises. In Saint Lucia, the Ministry of Labour shelved its own plans to survey small enterprises and will use the ISIE “1-2” survey data instead.
- All five member states have programmes to alleviate poverty which are usually linked to the Millennium Development Goal of poverty reduction. Here again the “1-2” surveys collect information which is potentially useful in designing policies for poverty alleviation.

*Thus, the project was relevant and timely to national partners. The interest in the informal sector at the international level was matched by interest in the five member states that took part in the ISIE Project. More specifically, compilers and users of statistics of the five national project partners expected to make use of the new information on the informal sector and on informal employment.*

## **3.2 On the Project Strategy**

### ***3.2.1 Inter-regional Cooperation and Role of Regional Commissions***

Three UN Regional Commissions (RCs) where informal activities are widespread implemented the ISIE Project. All three commissions have staff with practical experience of social and economic aspects of the informal sector so it makes good sense to involve these three Secretariats. In addition, the two RCs who were not co-implementers (ECE and ECA) were members of the Steering Committee.

Language barriers may limit the scope for interregional projects of this kind. In this case, statisticians from the five national partners were all able to communicate effectively in English as their common language.

The wide-ranging representation in the composition of the Steering Committee facilitated and reinforced interregional cooperation. As explained below the SC brought together most of the expertise available at the international level in measuring informal activities. (More discussion below on the SC.)

Given the nature of this study and the project objectives, the project had to develop and/or improve measurement tools in line with the ongoing global efforts. However, through interregional cooperation, it is the opinion of the evaluator based on the assessment of specific regional and country project activities that these measurement tools were adequately and effectively adapted to existing country and regional variations. Participants of the interregional workshop of December 2009 share this opinion.

Specifically, these hold for variations in the level of statistical capacity in the selected national partners, the on-going statistical work programme of their national statistical offices and their policy priorities in labour market development. Further, participants of the Inter-regional Workshop held in December 2009 agreed that cross-fertilization of ideas among regions brought about understanding of regional commonalities and differences in applying the ISIE “1-2” survey methodology. With the ultimate aim to promote world-wide use of the “1-2” survey method for measuring the informal economy, these multi-country, multi-regional experiences are a positive outcome of carrying out the Project on an interregional basis.

Further, participants to the workshop also mentioned that the interregional cooperation resulted in not only in savings in costs by organizing common training workshops for all three regions at ESCAP but also consistency in training as the same experts imparted training for all regions.

Thus, the project has established that ***regional processes, results and experiences are important*** in influencing and shaping further developments and improvements in measuring the informal sector and informal employment.

### ***3.2.2 Project Steering Committee***

The Steering Committee (SC) included representatives of all five UN Regional Commissions, the UN Statistics Division, the International Labour Organisation (ILO), the Delhi Group on Informal Sector Statistics, Asian Development Bank (ADB), Women in Informal Employment: Globalising and Organising (WIEGO) and the Développement Institutions et Analyses de Long terme (DIAL-IRD). The main tasks of the SC were to provide advice on project administration and management and on technical issues and to oversee project implementation. A senior statistician of the United Nations Statistics Division (UNSD) chaired the SC. ESCAP Statistics Division performed the secretariat function for the SC.

To minimize costs, meetings were either by teleconference or held in conjunction with other events which SC members were attending, particularly the annual sessions of the UN Statistical Commission. Seven meetings were held in the course of the project lifetime.

Table 1 lists the actions taken by the SC as summarized from the “to do” lists reported in the minutes of these meetings. This summary shows that the SC acted on project administration issues, such as budgeting and timetables, as well as a comprehensive range of issues covering technical aspects of the ISIE project.

Thus, the SC effectively and efficiently delivered on its terms of reference, particularly in its role of linking global and regional work on informal sector and informal employment measurement issues. It provided important technical input as well as administrative support and can serve as a model for future inter-regional projects in the field of statistics.

**Table 1. Issues and related actions taken by the Steering Committee in seven meetings over the course of the ISIE project**

<b>Type of action</b>	<b>Number of actions</b>	<b>Percent</b>
Measurement tools – different kinds of informal sector surveys	8	20.0
Project management: budget, inter-agency coordination, time frame	7	17.5
Definitions: informal sector and informal employment	5	12.5
Website: content	4	10.0
Training workshops and identifying possible consultants	4	10.0
Using IS data for national accounts	3	7.5
Tables and analysis	3	7.5
Advocacy material and advocacy workshops	2	5.0
Sampling	2	5.0
Content of country reports	2	5.0
<b>Total</b>	<b>40</b>	<b>100.0</b>

### ***3.2.3 Strategic Partnerships***

The membership of the SC is the result of a conscious effort by project implementers at building strategic partnerships. The SC brought together most of the international expertise available on the measurement and analysis of informal activities and employment and their use for policy purposes.

In appreciating the relevance and effectiveness of strategic partnerships for the Project, this report notes that the original membership of the SC did not include ADB and DIAL-IRD but both institutions were brought in because of their interest in linking up with ongoing work on informal sector and informal employment measurement. At the time the ISIE started, DIAL-IRD had already begun collaborating with the General Statistics Office of Vietnam on a project involving data collection on the informal sector through a “1-2” survey. Mid-way through the ISIE project lifetime, ADB started developing a regional technical assistance project also on informal sector and informal employment measurement and after discussions with ESCAP project experts, adopted the “1-2” survey methodology. ADB is currently assisting Armenia, Bangladesh and Indonesia to help them carry out “1-2” surveys.

Parties agreed that this collaboration was effective and mutually beneficial, even beyond the project lifetime. For one, a wider pool of experts became available to the national statistical offices in the three projects through workshops, expert missions and in the writing and review of technical guidelines, especially on survey methods on informal sector data collection and processing and sampling and estimation. In addition, the collaboration resulted in an expanded number of “1-2” surveys (nine in all) and so will provide a larger knowledge-base for assessing, analyzing and further developing the survey methodology as well as a larger database for estimating employment and GDP and analysing characteristics of the informal sector.

### **3.2.4 Mix of activities**

In designing the project activities, the ISIE adopted an integrated approach with five distinct components: advocacy, statistical capacity building, data collection, data analysis and dissemination, and knowledge management. Details on the activities are described later in this report.

The mix of activities was well-balanced. Advocacy demonstrated to data collectors and users the potential benefits of better measures of the size and characteristics of the informal sector while the data analysis and dissemination activities generated the kind of information that can be used for supporting social and economic policies aimed at helping the poorest segment of society. The project countries acknowledged the beneficial impact of the project in building statistical capacity. The project website is a very good example of how knowledge can be managed to provide a teaching tool that is useful to countries at different levels of statistical expertise.

*Overall, the discussion shows that the project strategy effectively combined interregional cooperation, strategic partnerships and consultation with a steering committee to implement a range of activities namely advocacy, technical capacity building, data collection, data analysis and dissemination, and knowledge management that were consistent with the project objectives.*

## **3.3 On the Project Management and Implementation**

This section assesses the management and implementation strategies of the project-looking at it from the interregional, regional and national levels.

### **3.3.1 Interregional Level**

#### **3.3.1.1 ESCAP as Lead Agency**

ESCAP Statistics Division (SD) was the lead implementer of the Project, with the Steering Committee providing direction and project management guidance as discussed above. As such, SD was responsible for the overall management of the project activities. This entailed, among other things, coordinating with ESCWA and ECLAC on time-lines and budget allocations and disbursements; organising and serving as secretariat to the Steering Committee meetings; drafting guidelines for country and regional reports; maintaining the project website; and drafting the final project report.

As lead agency, ESCAP also spearheaded the drafting and finalization of technical documents for the “1-2” survey which resulted in three working papers: on the survey methodology, on the estimation of GDP contribution of informal sector enterprises and HUEMs, and on informal employment. As part of this leadership role ESCAP established linkages with the ADB and the IRD-DIAL projects.

*In their discussions with me, the project countries and the other Regional Commissions were unanimous in their appreciation of ESCAP’s leadership role. The Statistics Division of ESCAP experienced high staff turnover during the course of the Project. Despite this they continued to provide professional and administrative leadership of a high standard. It is clear to me that this complex project has been efficiently managed by ESCAP’s Statistics Division.*

**Special note is made here about the role of the UN Statistics Division (UNSD) in the management and implementation of the Project.** First, UNSD was requested by ESCAP as lead agency to chair the Steering Committee; UNSD's mandate -- advancement of the global statistical system including developing standards and norms for statistical activities and facilitating the coordination of international statistical activities--made it a logical and strategic choice for this responsibility. Consistent with this mandate, UNSD co-authored the working paper on the data collection strategy and provided other technical inputs especially on national accounts and integrated data collection on economic activities.

In discussions with the evaluation consultant, staff of some Regional Commissions expressed the opinion that because of its position in the global statistical system and the expertise of the staff especially in national accounts, the UNSD should have had greater involvement in the Project, including participation in the technical workshops organised by ESCAP. I mentioned this to a senior staff member of the UNSD. It was explained to me that shortage of funds and staff had prevented their participation in workshops but that UNSD is strongly committed to the Project and is promoting use of "1-2" surveys in its long-term planning for statistical development. He also said that it is UNSD policy to encourage the RCs to take more responsibility for developing technical standards and survey methodologies and that giving the leading role for this project to ESCAP was consistent with that policy.

#### *3.3.1.2 Technical Development*

The specific activities selected for the technical component of the project eventually focused on enhancing awareness and capacity of the national statistical offices of the five member states to carry out "1-2" surveys, as adapted and developed by the project (described in more detail in section 3.4).

Statistical capacity building activities to improve technical capacity of the national statistical offices (NSOs) to carry out the surveys and to compile exhaustive estimates of GDP included the preparation of technical papers and guidelines, provision of training and fielding of technical missions.

To improve national technical capacity in the analysis, use and dissemination of statistics on the informal sector and informal employment the project also developed guidelines for tabulation plans, a list of key indicators to be derived from the surveys, and for the preparation of country reports.

The combination of training, advisory services, and the technical papers written as part of this project, were effective in enhancing the capacity of National Statistical Offices (NSOs) in implementing "1-2" surveys, handling data collection, analysis, and preparation of country reports.

#### *3.3.1.3 Knowledge Management*

To promote knowledge sharing in building national technical capacity -- both within project countries and beyond - the project developed a website to deposit all relevant technical materials and project documents, allowing easy access by people in countries with average technological facilities. The website - <http://www.unescap.org/stat/isie> - consists of "public" and "members-only" pages. Table 2 summarizes their contents.

**Table 2. Contents of public and member-only pages of ESCAP project website**

Topic	Last update	Total articles	Articles written in 2006 or later
<b>Public page</b>			
Definitions	Aug 2007	5	1
Data collection instruments	Jan 2008	21	3
National accounts/GDP estimates	Aug 2007	11	6
Analysis	Sep 2007	21	9
Country documents	Dec 2007	20	9
Advocacy	Aug 2007	5	2
<b>Total</b>		<b>83</b>	<b>30</b>
<b>Members-only page</b>			
Steering committee documents	Nov 2009	11	11
Project documents	May 2008	23	23
Workshop materials	Jan 2010	91	91
Questionnaires	Apr 2009	22	19
<b>Total</b>		<b>147</b>	<b>144</b>

The public page contains a large number of relevant articles but most predate the project and **there have been no updates since the beginning of 2008**. It provides an historical background to attempts to measure and analyse the informal sector and informal employment but virtually all the information about the ongoing project is contained in the Members-only page. On this page “Project documents” and “Workshop materials” are particularly useful. “Project documents” contain mission reports and technical reports on the progress of the surveys in each of the five countries. **These recount problems encountered and solutions found. Under “Workshop materials”, the reports on the workshops are particularly informative.**

**Some of the material in the Members-only page could be made available on the public page without breaching confidentiality.** This includes, for example, the technical reports describing the survey procedures and data processing arrangements, the generic and country questionnaires, technical documents prepared for the workshops and workshop reports. **As it stands the public page gives users little idea of what the Project is about in concrete terms.**

There are more than 200 documents on the web-site and clearly a lot of effort has gone into assembling this knowledge base. **However, the 200 documents are of varying relevance to the project and it is difficult for the outsider to distinguish between essential and optional reading.** It would help users if ESCAP were to identify a set of about a dozen “Key Documents” – preferably on the public page – which would contain:

- Overview of the ISIE project. (E.g. “Unified Data Collection Strategy for Measuring the Informal Sector and Informal Employment”, Margarita F Guerrero, Bangkok 2007 and “The “1-2” Survey: A tool to implement the unified data collection strategy for informal sector and informal employment statistics,” Working Paper No. 1, Pietro Gennari, Margarita F Guerrero, et al. January 2009))
- The ILO definition of informal sector and employment (E.g. the relevant ICLS resolution(s))

- “1-2” surveys and the national accounts ( E.g. “Compilation of output and gross value added from the data collected for Household Unincorporated Enterprises with At Least Some Market Production (HUEMs), Vu Viet, August 2009, and “Estimating Informal Sector Value Added”, Annex 14, ISS, Philippines
- Data processing (E.g. “Imputation of business survey data”, Jan Smit, ESCAP, Statistics Division, 2009 and “Overview on data processing issues” Marco Principi, ESCAP, Statistics Division, 2009)
- Recommended tabulations and outline of the final reports (E.g. “Note on Country Reports”, ESCAP, Statistics Division 2009)
- Generic questionnaires for both phases

In addition to this project website, the knowledge management component of the project included plans to prepare a handbook of best practices on methodologies. However, the Steering Committee decided that this was no longer necessary in view of the soon-to-be completed Manual on Surveys of Informal Employment and Informal Sector being prepared by ILO, in collaboration with the Delhi Group. This Manual will include a description of the “1-2” survey method developed in the course of this Project as implemented by the five project partners.

While the ISIE website is managed by ESCAP it is an inter-regional site in that it contains documents relevant to the informal sector and employment from all regions. ESCAP’s management of this website is, therefore, consistent with the project objective of providing technical guidance on informal sector measurement and analysis that is relevant to all regions.

### ***3.3.2 Regional Level***

#### *3.3.2.1. Role of Regional Commissions*

Statistical staff of ESCAP, ESCWA and ECLAC assisted the participating national partners in their regions in survey planning, technical advice, and problem-solving. These were delivered through a combination of technical workshops and advisory missions by experts from the RCs and DIAL.

**The technical workshops organized by ESCAP for the five national project partners were a key element in the project.** They provided an opportunity for countries in the three regions to exchange information on problems and solutions in carrying out the surveys. Above all, they were the means by which common definitions, questionnaires, survey procedures, data processing methods and final reports were agreed. No single model was adopted by all countries but there is sufficient commonality between the five that the project can be said to have produced a standard set of measurement instruments which, with minor adaptations to suit national circumstances, have been shown to work well in countries as different as Sri Lanka and Mongolia or Philippines and Saint Lucia.

ECLAC and ESCWA also held regional workshops but these were advocacy meetings to persuade other countries in their regions to use the “1-2” Survey methodology. ESCAP’s workshops provided the technical input for the project. Annex VII shows country participation in these workshops. **The annex shows that national project partners managed to balance the need for continuity with the need to involve staff from all**

**relevant subject areas.** Five participants attended three or more of the workshops. Five labour statisticians participated, seven national accounts compilers, five sampling specialists and five from other subject areas. The level of participants was also appropriate – directors or senior specialists.

Only ESCAP had more than one national project partner, but the two other regions, ECLAC and ESCWA, took pains to keep other countries in their regions informed about the progress of the project and its intended benefits. As a result other countries in the ECLAC Caribbean and ESCWA regions are now considering launching “1-2” surveys.

### *3.3.2.2 Management of Expert Missions and Capacity Building*

All five national project partners have experience in carrying out household surveys. The national statistical offices all have regular household surveys of the labour force and have carried out household expenditure and income surveys. In addition they have all conducted enterprise/establishment surveys such as industrial censuses or surveys of manufacturing. However, there are some novel features to “1-2” surveys and so the Regional Commissions provided help and advice through visits by staff and consultants and by organizing technical workshops.

Annexes VI and VII give some details of the missions and workshops carried out in the course of the project implementation, respectively. There were 25 visits by consultants or staff of the Regional Commissions between 2007 and 2009; each national project partner was visited at least three times. Table 3 summarizes the topics discussed during these visits.

Topics addressed by the visiting experts included the operational framework for the surveys, sampling and questionnaire design, training of enumerators, drafting instruction manuals for field staff, data cleaning, analysis of results, and estimation of value-added of HUEMs. All participants interviewed as part of this evaluation found the workshops and country visits relevant and helpful. NSO staff gave high marks to staff of the regional commissions and consultants from DIAL for their help with both practical and theoretical aspects of carrying out statistical surveys. In addition, a review of their mission reports show that they are very informative-- they flag possible problems and indicate the further help required. Some examples are presented in Annex VI (Visits to Countries).

**Table 3. Topics addressed during 25 expert missions to the five countries: 2007-2009**

<b>Topics addressed during expert missions</b>	<b>Number of times</b>	<b>Percent</b>
Data entry and editing	12	20
Questionnaire design	7	12
Introduction to the project, MOU, etc	6	10
Tabulations	7	12
Final report – contents, time line	6	10
Sampling issues for both phases	5	8
Use of data for national accounts	5	8
Training and instruction manuals for enumerators	4	7
Imputations	4	7
Survey design and operational framework	3	5
<b>All topics</b>	<b>59</b>	<b>100</b>

### **3.3.3 National Implementation**

#### *3.3.3.1 Cost of Project Implementation*

The total budget for this project was US\$ 800 000 and of this 30% was used to (partially) fund the surveys. A further 30% went to workshops and the remaining 40% mainly for consultants and travel by staff members and other incidental costs.

*The largest part of the survey costs was funded by the Project in all countries except Philippines, but the countries were also required to make important contributions. (See Table 6) The workshops were well prepared, well-attended and found useful by participants, and the visits by consultants and staff members were highly rated by the project countries. My conclusion is that the budget of USD 800 000 has been efficiently managed.*

#### *3.3.3.2 Survey Planning and Implementation*

As mentioned above, statistical offices of national project partners have experience in the conduct of both household and enterprise sample surveys. However, the “1-2” survey was new for them and the project fielded expert missions and conducted a technical workshop to assist the NSOs in planning and implementing the surveys.

Pretesting is important when countries introduce a new survey, such as the “1-2” survey. The summary of discussions with countries (see Annex V) shows that all except Saint Lucia did at least some pretesting of questionnaires. For example, Philippines assigned 5 staff for a four-day pre-test of the Phase 2 questionnaire. Mongolia pre-tested the Phase 2 questionnaire for 9 kinds of activity – tailors, small shop-keepers, shoe-repairers, hair-dressers, taxi drivers, etc. Pre-tests were also done in two districts in Sri Lanka resulting in some changes to the questionnaire. Palestine carried out a full pilot survey, testing the questionnaires and data entry and editing procedures; this led to a revision of the Phase 2 questionnaire.

Saint Lucia was the only country that did not pre-test the questionnaire or the survey arrangements. They later identified this as a mistake. There turned out to be considerable

resistance by respondents to the Phase 2 questionnaire and the enumerators had not been sufficiently trained to deal with it. Several resigned and new interviewers had to be recruited and new training procedures introduced.

**In hindsight, it would have been good to have allocated funds for full pilot surveys.** These would have tested not just the questionnaires but the organization of the surveys up to data entry and editing. Only Palestine carried out a full pilot survey of this kind that, in their opinion, proved very useful in the design of the questionnaires and decisions related to field operations.

### *3.3.3.3 Data Processing, Tabulations and Reports*

All five countries developed appropriate plans covering the flow of data from the field to the final tabulations. Consistency and plausibility checks were made at several stages starting with the team supervisors and continuing through one or more intermediate stages before the survey data were entered into the data base. Imputations for missing values were made manually using logical and rule-based methods. Table 5 shows that among the areas where expert advice was provided through visits two aspects of data processing –“data entry and editing”, and “imputations” - were discussed with countries on 16 occasions. **Data processing was clearly an area where countries felt the need for outside help.** Saint Lucia and Mongolia relied heavily on consultants for editing the data and imputing missing data items.

**Cleaning and processing the Phase 2 survey data turned out to be onerous tasks.** The Phase 2 questionnaires were rather complex with many skips. These were sometimes missed or misinterpreted by enumerators necessitating additional editing work. I note in this context that automated imputation procedures are available in some standard software. These are based on “hot-decking” and econometric methods and could have been used for this project. ESCAP, ILO and WIEGO developed a tabulation plan for the survey to guide the NSOs in summarizing and presenting the results from the survey data. National project partners found these useful.

## **3.4 On the Technical Aspects of the Project “1-2” Survey Methodology**

The “1-2” survey methodology was adapted and further developed by the project in collaboration with DIAL-IRD and ADB. The technical details are described in Working Paper No. 1 and in the Technical Appendixes to this section. In the discussion below, the report highlights key findings and conclusions drawn from the technical component of the project. A large part of the assessment in this section is based on the expert opinion of the evaluator who has extensive experience—both conceptual and practical—in national accounting statistics and its requirements.

### **3.4.1 The HUEM as Statistical Unit for Data Collection**

A major contribution of the ISIE project is the operationalisation of the HUEM as the starting point for data collection on informal sector enterprises. In doing so, it also was able to establish that the “1-2” survey methodology could also be the basis for collecting information on the larger population of unincorporated household enterprises. The operationalisation also

provided indications on how work done in relation to production for own final use can be better measured.

Through the surveys implemented by national project partners, the strategy outlined in the strategy paper on data collection (Working Paper No. 1) was adapted and tested in various conditions. Results confirm the operational efficiency of the approach and the potential for further extension and application as described above.

### ***3.4.2 Survey Instruments: Phase 1 and Phase 2 Questionnaires***

ESCAP prepared “generic” or sample questionnaires for both phases of the “1-2” surveys. These sample questionnaires were adapted from questionnaires that have been used in other surveys such as in the Moldova LFS for informal employment questions and questionnaires from the “1-2”-3’ surveys implemented in African and Latin American countries.

National project partners customized these questionnaires to fit their specific contexts; most ended up with questionnaires that closely followed the generic models. These generic questionnaires were therefore a key input by ESCAP into the project and, with the national adaptations and testing of the questionnaires, can be considered as major contributions to the body of work on the “1-2” survey methodology.

#### ***3.4.2.1 Phase 1 Questionnaire***

The Phase 1 questionnaire was intended to be incorporated into each country’s LFS questionnaires. It had two purposes.

- To identify persons working in or operating IHUEMs and persons not working in IHUEMs but whose terms of employment are considered to be “informal”. (These are the two boxes in Diagram 2 above.)
- To identify the owners of HUEMs for the Phase 2 survey.

**The generic Phase 1 questionnaire was successful on both counts.** The project has demonstrated and proved that through a simple modification of the regular LFS questionnaire, as Mongolia, St. Lucia and Palestine did, data can be obtained to estimate informal employment, employment in the informal sector, and to construct a sample frame of HUEMs. Although, Sri Lanka and Philippines both used a separate questionnaire as an additional module to the regular LFS, both were convinced of the feasibility and practicability of integrating the questions in their regular questionnaires.

#### ***3.4.2.2 Phase 2 Questionnaire***

The Phase 2 questionnaire is considerably longer and more complex. It aims to do four things:

- Verify that the HUEMs identified from Phase 1 really are HUEMs and that they are still operating;
- Collect information that can be used to classify HUEMs as informal or formal;
- Collect information about the activities of HUEMs for use in the national accounts (value added and gross fixed capital formation);
- Collect other information that could be useful for government departments or NGOs in designing policies to regulate HUEMs or assist their development.

The generic questionnaire for Phase 2 has six recommended sections. These include the filter questions to verify that the HUEMs are still in operation, questions about the organization of the business which countries can use to classify HUEMs as they see fit into formal or informal, questions about employment and compensation, questions needed for the calculation of value added, and questions about capital formation and capital stocks. The generic questionnaire describes these as “minimum recommended data items”. In addition however, the generic questionnaire suggests a number of additional questions that could be useful for analysts and policy makers. Table 4 shows how far the customized questionnaires used by each of the five national project partners followed the generic model.

**Table 4. The generic Phase 2 questionnaire: How closely was it followed in the five surveys?**

Topic	Mongolia	Palestine	Philippines	Saint Lucia	Sri Lanka
<b>Compulsory sections</b>					
1. Filter questions					
2. Organization of business					
3. Employment and compensation					
4. Production and sales					
5. Raw materials and stocks					
6. Capital and fixed assets					
<b>Optional questions</b>					
Place of business and type of premises					
Business formation: Who started it and why?					
Non-registration : reasons for/advantages of					
Labour : problems, salaries, hiring strategy					
Sub-contracting					
Borrowing for business purposes					
Problems with state agencies, including payment of bribes					
Customers, suppliers and competitors: Who are they?					
Problems and prospects: What help is needed?					
Relations with banks					
Micro-finance					
Relations with other support structures					
<b>Questions not included in the generic questionnaire</b>					
Facilities in the premises: running water, telephone, electricity					
Waste disposal					
Educational level of the owner					
Owner's estimate of the value of the business					
<b>Total number of sections/questions</b>	<b>20</b>	<b>15</b>	<b>10</b>	<b>18</b>	<b>14</b>

■ Question was included in the customized questionnaire.

Saint Lucia decided that they did not need to ask the filter questions because the Phase 2 survey was conducted immediately after finishing the LFS interviews. All other “minimum recommended data items” were asked in all five surveys. In general they closely followed the generic format for these questions although they did not all follow the sequence or the exact wording proposed in the generic questionnaire. Palestine was an exception. The employment and compensation section in the Palestinian questionnaire is greatly simplified: it only distinguishes between paid and unpaid workers and omits most of the information included in the generic questionnaire about type of contract and methods of payment.

As regards the “optional” questions, Mongolia and Saint Lucia adopted most of the questions suggested in the generic questionnaire, while Philippines used the fewest number. All countries included the questions on bank borrowing, relations with banks and the reasons for non-registration. Only Mongolia and Saint Lucia asked the politically sensitive questions about relations with state agencies, including whether “gifts” were paid to obtain favoured treatment.

Some countries added questions not in the generic questionnaire. These included whether the business premises had running water, electricity and a fixed telephone, questions about waste disposal, about the educational level of the owner, and the owner’s estimate of the value of the business.

Identifying respondents, travelling to interview them and verifying that the right person has been located are expensive operations. To justify the cost, questionnaire designers usually try to extract the maximum amount of information from the interviewee, including information that “might be good to know” or “could be useful for analysts” even if such information is not central to the objectives of the survey. But maximizing the amount of information collected is costly in itself:

- The more questions asked the greater is the burden on respondents. This results in high non-response or careless response. (Say the first thing that comes to mind just to get the enumerator to go away.)
- “Good to know” questions require the same amount of data processing as more central questions.
- The reputation of the statistical office is damaged if it is perceived as routinely collecting information that is never used. People become less willing to cooperate with government surveys.

Here are some examples of “good to know” questions included in the generic Phase 2 questionnaire that could probably have been omitted:

- For “Type of premises” 15 different options are listed. Does it really matter whether a business is operated “in my home without special installation” as opposed to “in my home with special installation” or from a “permanent post on the road” as opposed to an “improvised post on the road”? How will this information be used?
- On “Who started this business?” four options are offered including “I started it with business partners” and “Business partners”. But does it really matter whether the respondent took the initiative to set up the business or her/his partners did? More important perhaps, why do we need to know “Who started the business” anyway?

- The generic questionnaire proposes 27 data items on each person working in the business in the previous month. Palestine reduced this to just nine – gender, five types of employee, number of hours worked and amount of wages.

The generic questionnaire also includes questions that are difficult – perhaps impossible - to answer. For example:

- Respondents are asked if they are selling to “big” or “small” private enterprises and if they sell to the “public sector”. These are vague concepts so the answers will be difficult to interpret.
- Under “Services offered” respondents are asked for the “unit price” but the units are not specified and for many services there are no agreed quantity units.
- Under “Capital and fixed assets” respondents are asked for the replacement value of land, dwellings and other assets. These are questions that could possibly be answered by experienced accountants or real estate agents but owners of HUEMs would find them very difficult.

Table 5 shows the “length” of questionnaires (refer to last row in Table 4), length of interviews and rates of non-response. Mongolia is an outlier: it had the longest questionnaire which took an hour to complete but the lowest rate of non-response. Sri Lanka also achieved a very low rate of non-response. For the other three countries it seems that keeping the questionnaire short may have helped to increase response rates. Saint Lucia had a long questionnaire and high non-response; Philippines had a shorter questionnaire and lower non-response.

**Table 5. Phase 2 Questionnaire: Size of questionnaire, length of interview and non-response rate**

<b>Country</b>	<b>Length of questionnaire (Number of sections/questions)</b>	<b>Length of interview (minutes)</b>	<b>Non-response rate</b>
Mongolia	20	60	Under 1%
Palestine	15	45 at the most	20%
Philippines	10	More than 60	9%
Saint Lucia	18	45	40%
Sri Lanka	14	45-60	2%

### **3.4.3 Requirements of National Accounts**

A main purpose of the Phase 2 survey is to provide information for the national accounts. The system of national accounts (SNA) is a comprehensive system of accounts describing virtually all economic activities that take place within a nation. Which part of this system is the information collected in Phase 2 supposed to be used for? The generic questionnaire prepared by the project was based on questionnaires that have been utilized in “1-2-3” surveys in Africa and Latin America. These questionnaires were designed to allow countries to estimate the variables in bold below (see Technical Appendix B1-B3 for explanations of the variables):

- **Gross value added (GVA)** of HUEMs according to ISIC broken down into compensation of employees and gross mixed income.
- **Gross fixed capital formation (GFCF)** by HUEMs broken down by both type of asset and by the ISIC activity of the owner of the asset.

If this is indeed the purpose, I believe that sections 3 through 6 of the generic questionnaire should be revised in a number of ways. These revisions eliminate many unnecessary and difficult questions and would result in a substantial reduction in the reporting burden. For example:

- Section 3, Employment and Compensation, could be drastically simplified along the lines suggested by Palestine. Two kinds of workers need to be identified – unpaid workers and paid workers. Unpaid workers have a share in the operating surplus but they do not receive a wage: they are owners/operators or unpaid family workers. Paid workers receive a wage in cash or in kind. Following the Palestine model, respondents would not be asked to estimate fictitious “wages” for unpaid workers. Nor would they be required to classify workers according to the type of contract or method of payment. None of that information is required for the national accounts: paid/unpaid is the only distinction required.
- Section 4, Production and Sale, asks countries to report both quantities and values of sales. An ESCAP consultant has correctly pointed out that the information on quantities is of no practical use for national accounts. All that is required is the value of sales.
- Section 4 also asks countries to report the seasonal pattern of sales. This is not necessary if the surveys are conducted each quarter or month of the year. Questions on the seasonal pattern of sales should be retained only by countries that carry out the survey only once or twice during the year.
- Section 5, Expenditures on Raw Materials and Stocks, asks for quantity information and these questions could be dropped. Only the value of purchases is required.
- Question 5.3, Other Business Expenses, includes “taxes” and “licenses, other fees” as two types of business expense. “Taxes” apparently refer to what the SNA calls “other taxes on production”. But these include vehicle licenses, property taxes and most kinds of fees paid to government and it is confusing to include what is essentially the same item twice. More important however, “other taxes on production” should not be treated as an expense item because GVA includes “other taxes on production”. These two lines should be deleted.
- In Section 6, Capital and Fixed Assets, there should be an additional entry “land improvement”. This is for expenditures such as drainage, fencing, terracing, etc. The existing item “land” will then refer only to purchases or sales of land.
- All that is required to estimate gross fixed capital formation (Section 6) is information on purchases and sales of capital assets. The ownership codes and the dates of the transactions are superfluous.

In addition to these changes, Sections 4 and 5 need to explain how sales and purchases are to be valued. According to the SNA, sales of goods and services should be valued at “basic prices” – i.e. excluding taxes on products such as sales taxes or value added taxes; purchases of goods for intermediate consumption are to be valued at “purchasers’ prices” – i.e.

including non-deductible value added taxes and other taxes on products. This is not made clear in the questionnaire and so could lead to over-estimation of GDP if sales are being reported at prices that include taxes on products. The position is further explained in Technical Appendix B4.

The aforementioned weaknesses notwithstanding, this evaluation finds that the “1-2” surveys lead to substantial improvement in the reliability of the national accounts— more specifically in the estimates of value added of informal sector enterprises and in estimates of total GDP. All five project partners presently make estimates of value added by unincorporated enterprises but these are based more on educated guesses than on empirical evidence.

### **3.4.4 Cost-effectiveness of ISIE “1-2” Survey Methodology**

Table 6 is a summary breakdown of the total costs of the “1-2” surveys for each of the five national partners, based on information they supplied to ESCAP, ESCWA and ECLAC. Reporting formats were different and this made it difficult to compare costs across surveys. The breakdown of costs in Table 6 is therefore approximate.

Data collection was the main cost in all countries, followed by training the enumerators. In three of them, the total costs were broadly comparable, ranging from \$34000 to \$41000, despite the fact that the number of HUEMs covered in Phase 2 varied widely. In Palestine, the estimated total cost was about \$110000 while in the Philippines estimated cost was about \$500000. Differences in total and per HUEM costs are to be expected as conditions vary across countries/states. The LFS samples used for Phase 1 had to be enlarged substantially in Saint Lucia and Palestine in order to identify enough HUEMs for Phase 2. In Philippines, the very large LFS sample was expected to yield a large number of HUEMs; thus, HUEMs were sampled for the Phase 2 survey. In both Saint Lucia and Mongolia, respondents to the phase 2 survey were paid incentives for taking part in the survey but no payments were made in the other countries.

Nevertheless, the variation between countries in per-HUEMs costs seems very large. At least part of the reason may be that countries have followed different conventions in allocating indirect costs, such as use of computers, staff-time, and vehicle costs between, for example, the ongoing LFS and the additional work for the “1-2” surveys.

**Table 6 Breakdown of total costs of “1-2” surveys in the five countries**

<b>Expenditure Item</b>	<b>Mongolia</b>	<b>Palestine</b>	<b>Philippines</b>	<b>Saint Lucia</b>	<b>Sri Lanka</b>
Preparation of questionnaires and instruction manuals (%)	6		1	3	4
Training field staff (%)	13		18	66	27
Data collection (%)	44		61		53
Data processing and editing (%)	22		21	14	4
Printing and supplies (%)	6			5	9
Other and unidentified costs (%)	8			11	3
<i>Total (%)</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>
<b>Total cost of survey in US\$</b>	<b>41 000</b>	<b>110 000</b>	<b>517 901</b>	<b>36 172</b>	<b>46 125</b>
Number of HUEMs surveyed	1556	1 290	2610	Not available	3543
Cost per HUEM in US\$	26.3	85.3	198	--	13
UN funds in US \$:	33 000	70 000	66 750	34 000	36 500
<b>As percent of total costs (%):</b>	<b>80</b>	<b>64</b>	<b>13</b>	<b>94</b>	<b>79</b>

In order to be able to do an analysis of cost-effectiveness, information about standard costs of comparable surveys conducted by the participating NSOs is needed but could not be obtained within the evaluation period. It would also have been useful if the Regional Commissions had given firmer guidelines to the countries for reporting costs and provided a standard framework for reporting them (such as one used by UNICEF that is described in Section 5 of this report).

In the absence of such information, and with Table 6 showing wide variation in unit costs, it is not possible to categorically conclude that the “1-2” survey is cheaper for all (e.g., \$83/HUEM for Palestine). But, if the unit costs for Sri Lanka (\$13) and Mongolia (\$26.3) are any indication—these do confirm to some extent that the “1-2” survey is cost-effective for measuring informal employment and value added of informal sector enterprises.

### ***3.4.5 Sustainability of the Project’s “1-2” Survey Methodology***

Sustainability has two aspects:

- (i) Is the proposed data collection methodology sustainable at the national level? What are the limitations or barriers in countries which may prevent sustainability? What are the possible ways in which member states can be assisted by ESCAP and other Regional Commissions to overcome these barriers?
- (ii) Is there adequate support from project and non-project countries, partners, and other stakeholders to take forward the project outcomes?

In my discussions with the statisticians from the five national project partners I understood that all five intend to carry out the Phase 1 surveys regularly, as part of their LFS. However, the five countries have not yet officially informed the RCs that they will do so.

As regards Phase 2, Annex V shows that Mongolia would like to carry out another Phase 2 survey in 2011, Philippines would also like to carry out a phase 2 survey every 4 or 5 years, and if the Phase 2 questionnaire can be substantially simplified Saint Lucia would like a Phase 2 survey every 2 or 3 years. However none of the five have budgetary provision for another phase 2, so there are no firm plans at present for further Phase 2 surveys in any of the five countries.

All three Regional Commissions have helped the five countries to hold advocacy meetings in their countries to win support for the “1-2” surveys from “stakeholders” - legislators, government officials, international donors, NGOs and private researchers. If the country reports on these surveys are seen as useful by stakeholders there is a good chance that funding for further phase 2 surveys will be provided either from within government or by outside donors.

As regards extending “1-2” surveys to other countries, the three Regional Commissions have organized advocacy and training workshops to encourage other member states in their regions to carry out “1-2” Surveys. In the Caribbean, there are six countries with ongoing LFS and of these Jamaica and Grenada are the most likely to try “1-2” surveys. Funding could be provided by the Inter-American Development Bank (IADB). ESCWA has identified Oman,

Jordan and Morocco<sup>3</sup> as potential candidates for “1-2” surveys. As mentioned above, in the ESCAP region “1-2” surveys are already under way in Armenia, Bangladesh, Indonesia and Vietnam in addition to the three that took part in this project.

The Project has therefore added, directly or indirectly, nine more to the number of countries with experience of “1-2” surveys. There appears to be a good chance that several other countries will soon carry out these surveys although availability of outside funding may be a deciding factor.

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<sup>3</sup> Morocco is an ECA country but ESCWA sometimes invites Arab countries outside the region to attend its workshops.

## **Technical Appendix A. On the ISIE “1-2” Survey**

The adaptation of the “1-2” survey methodology to make it a cost-effective means of providing data and generating statistics on informal sector enterprises and informal employment that is consistent with international standards and guidelines was a core component of the project methodology. The definitions, concepts, design and methodological considerations for the surveys that were developed by the Project and implemented by the project member states are explained in Working Paper #1- The “1-2” Survey: A tool to implement the unified data collection strategy for informal sector and informal employment statistics. In this technical appendix, the consultant further elaborates key elements on the methodology deemed important for understanding the points raised in the evaluation.

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### **A1. Overview of “1-2” Survey**

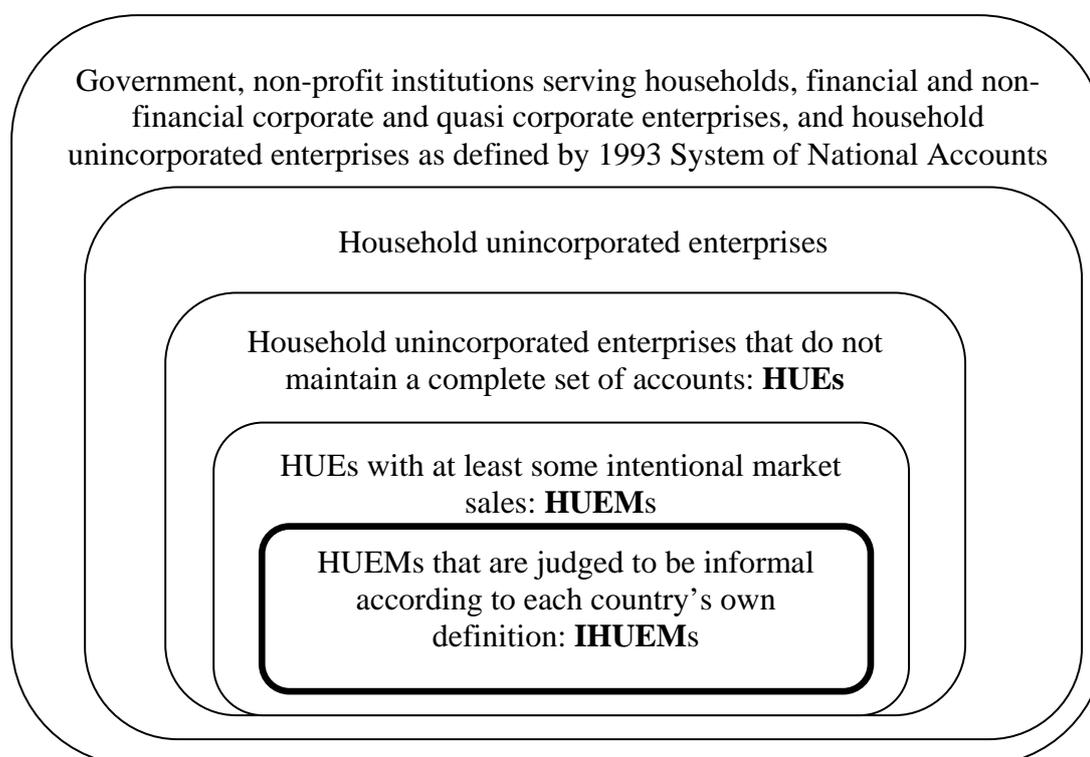
As the name implies there are two phases to this survey:

- Phase 1 measures the number and characteristics of persons working informally and identifies households that are operating an informal enterprise. This is a household survey and in all five countries it was carried out in conjunction with an ongoing Labour Force Survey (LFS).
- In Phase 2, a survey of persons that have been identified as operating an informal enterprise collects information on the economic activities of these enterprises that can be used to estimate their value added and other information for the national accounts. This second phase is also used to collect data relevant for policies to improve the performance of informal enterprises. Conceptually this is an enterprise survey although the interviews may often take place at the home of the enterprise operator.

### **A2. Concepts and Definitions**

“Informality” as understood for the ISIE is broadly consistent both with the definitions that have been developed by the International Conference of Labour Statisticians (ICLS) at its 15<sup>th</sup> and 17<sup>th</sup> meetings and with the 1993 and 2008 versions of the System of National Accounts (SNA). Two separate definitions are required – one for informal enterprises and one for informal employment. Diagrammatically they can be presented as shown below in Diagram 1.

**Diagram 1 Defining informal household unincorporated enterprises with at least some sales on the market**



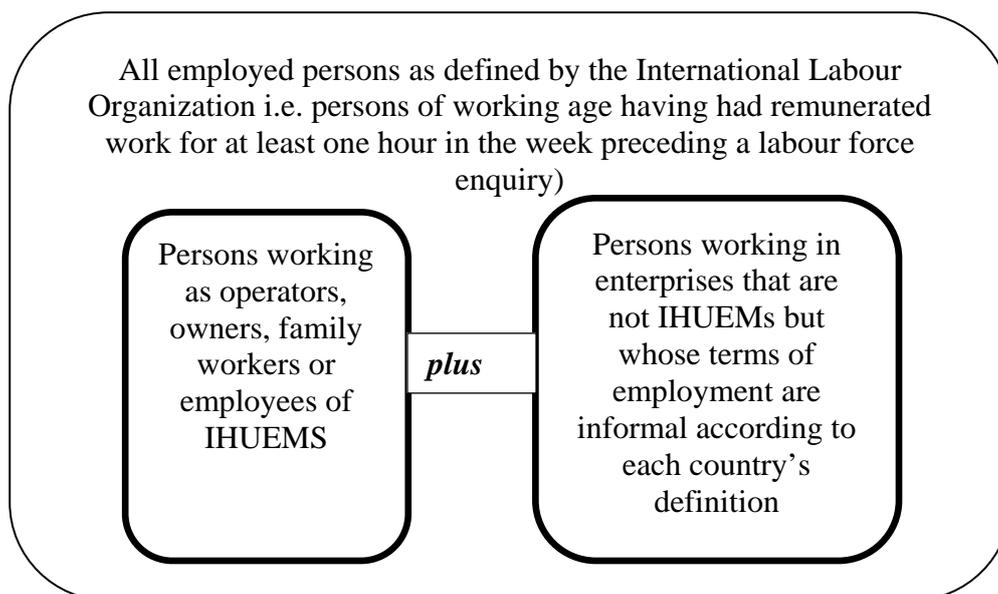
To understand Diagram 1:

- The 1993 SNA defines various kinds of producers and assigns them to “Institutional sectors”. Each of these sectors generates value added, with most of it coming from non-financial corporate enterprises and household unincorporated enterprises. This is the outer box in the diagram above.
- Household unincorporated enterprises are one of these institutional sectors and include all enterprises that do not have a “legal personality” separate from their owners. The owners’ have unlimited liability for debts incurred, or harm done, by the enterprise. These enterprises make up the first of the inner boxes.
- Very few of these enterprises keep a complete set of accounts showing a separation between the assets and liabilities of the enterprise as such and of the household that owns them. A few may do so however, and these are termed “quasi-corporations” and are supposed to be removed from the household unincorporated enterprise sector and included in the Corporate Enterprise Sector. The vast majority of household unincorporated enterprises – those that do not maintain a complete set of accounts-- are shown in the third box as HUEs.
- The fourth box includes only those HUEs that intend to sell some of their output to third parties. This excludes households that hire domestic servants since all the services they produce are consumed within the household. People who own their own homes are regarded in the SNA as owners of enterprises selling housing services to

themselves. These enterprises are also excluded because no third party is involved. Finally, people who grow food crops, keep livestock or produce other goods purely for their own consumption are also excluded. The remaining HUEs are termed HUEMs – Household Unincorporated Enterprises having the intention of selling at least some of their output on the Market. “Intent to sell” is an important criteria as it means, for example, that farmers who occasionally sell some of their output- perhaps to pay taxes or buy an article of clothing - but who do not do so on a regular basis, are not HUEMs.

- The innermost box contains the target group - Informal HUEMs or IHUEMs. Countries decide for themselves how to distinguish between formal and informal HUEMs. Suggested criteria include the number of employees and whether the HUEM is registered with one or more government agency. In practice other criteria may be used such as whether the enterprise pays income tax or insures its workers. Kind of activity may also be a criterion. For example, doctors, architects, lawyers, accountants, and real estate agents may be classified as formal HUEMS.
- Note that kind of activity is not a criterion in defining HUEMs and IHUEMs. In particular the definitions include agricultural enterprises as well as those producing manufactured goods and providing services. Agricultural HUEMs are often excluded from “1-2” surveys because the measurement of farm outputs requires special techniques such as crop-cutting. When countries have dedicated farm surveys in place, these provide better estimates of output than can be obtained through the questionnaires used for Phase 2. But this is done purely on practical grounds and not because they are excluded from the definition of HUEMs. Two of the five project partners did in fact cover agricultural enterprises in its “1-2” survey.

**Diagram 2. Defining Informal Unemployment**



To understand Diagram 2:

- The outer box consists of all gainfully employed persons. The ILO definition requires that to count as employed a person must have had at least one hour of remunerated work in the week preceding a household Labour Force Survey or similar enquiry. Within the universe of employed persons are two distinct groups that together make up “informal employment”.
- The first group, in the left-hand box, consists of all persons who work in informal household unincorporated enterprises with at least some market sales – IHUEMs. They include persons working for themselves without any employees, persons operating IHUEMs with employees, the employees themselves (including out-workers or home workers), and family members working in the enterprise who are not paid a salary but who share the income generated.
- The second group, in the right-hand box, consists of those who do not work in IHUEMs but whose terms of employment are considered to be informal. These employees may be working in any of the institutional sectors defined in the 1993 SNA. What counts as informal is again left to countries to decide. Criteria used include whether workers have a written contract, whether they have rights to paid holidays or sick leave, whether they are protected against unfair dismissal and whether they are registered with a national insurance or social security scheme.

### **A3. Alternative Options to “1-2” Surveys**

There are other ways to collect statistics on the informal sector.

- One is area sampling where the sample unit is an area within a town or a rural district. Every visible enterprise within the selected areas is then listed and a sample or census is taken of the enterprises that have been identified. One problem here is that itinerant

enterprises may be missed; another is the high cost discovering and listing the enterprises.

- Another method is the mixed household-enterprise survey. Additional questions are added to a household expenditure survey for use when the interviewer discovers that members of the household have an unincorporated business.
- Finally, if a population census identifies owners of unincorporated businesses, this may provide a sample frame for an enterprise survey as long as the survey is carried out soon after the census.

Well-established advantages of the “1-2” survey are:

Costs are reduced by using an existing survey (LFS) to identify HUEMs;

Provided the LFS survey frame is kept up to date, it will provide an up to date survey frame for the Phase 2 survey;

Linking the Phase 2 survey to an LFS provides comparable information on both informal employment and on the operation of informal enterprises;

Treating phases 1 and 2 as separate surveys means that enumerators can be given specialized training in dealing with the two questionnaires.

## **Technical Appendix B. Concepts and Definitions in Phase 2 Questionnaire**

### **B1. Gross value added (GVA)**

GVA is equal to gross output minus intermediate consumption. Gross output is sales plus increase in stocks of finished goods and work in progress. Intermediate consumption is purchases of good and services for intermediate consumption minus the increase in stocks of goods for intermediate consumption. However, it unrealistic to suppose that we can get information on changes in stocks from HUEMs. This means that we will have to calculate an approximate GVA by deducting purchases of goods and services for intermediate consumption from sales of goods and services, without correcting for stock changes.

### **B2. Compensation of employees and Gross mixed income**

Compensation of employees is the sum of wages and salaries including bonuses and other special payment, plus employers' contributions to social security schemes.

Gross mixed income is what is left after deducting compensation of employees from GVA. It is described as "mixed" because it includes both a return to capital and a return to the labour input of the owners.

### **B3. Gross fixed capital formation (GFCF)**

GFCF is calculated as purchases of capital assets minus sales of capital assets. Assets may be sold to another business for use in production or they may be sold for scrap.

### **B4. Taxes**

Taxes are "unrequited" payment to government. They are unrequited in the sense that the payers do not receive any identifiable good or service in return for their payment. If they do receive something in return – such as a passport or a birth certificate – it is not a tax. It is the purchase of a good or a service.

Taxes can be broadly divided into taxes on income and taxes on production. The Phase 2 questionnaire does not collect any information about taxes on income. They are not relevant to the calculation of value added and they can be ignored for our purposes.

Taxes on production are divided into "taxes on products" and "other taxes on production".

- Taxes on products are things like sales taxes, customs duties, value added taxes, etc. The amount of these taxes depends on the quantity of goods or services sold or purchased.
- Other taxes on production are things like property taxes, land taxes, vehicles licenses and other fees. They are not related to the volume of goods or services produced. They have to be paid by a producer even if there is no production.

In the SNA, sales or gross output should be valued at prices that include other taxes on production but that exclude taxes on products. These prices are called “basic prices”. Goods for intermediate consumption are valued at prices that include both taxes on products and other taxes on production. These prices are called “purchasers’ prices”. (They are the prices we pay when we go shopping.)

It may be thought that taxes are not relevant when we talk about the informal sector because “informal producers don’t pay taxes”. Many of them may avoid paying income taxes but most of them do pay taxes on production. Indeed, if countries have value added taxes they cannot avoid paying them. For example, shopkeepers buy goods from a wholesaler and pay a value added tax to the wholesaler. The shopkeepers then sell these goods and must charge value added taxes to their customers in order to recuperate the value added tax they paid when the shopkeepers bought the goods from the wholesaler. More generally, anyone operating a business where the goods or services bought for intermediate consumption include a value added tax will charge their customers a value added tax in turn. Moreover, they must keep records of the value added taxes they have paid and the value added taxes they have charged to their customers.

Value added taxes are a very common type of “tax on products” and are levied in all five countries except Saint Lucia, which will introduce them in 2010. (The three countries in the ADB project – Armenia, Bangladesh and Indonesia - also have value added taxes.) Owners of unincorporated enterprises can, therefore, be asked for the value of their sales excluding these value added taxes. They know that value and that is the value that is required for national accounts purposes.

## **4. MAIN CONCLUSIONS AND LESSONS LEARNED**

### **4.1 Main conclusions**

1. The project has established that **regional processes, results and experiences are important** in influencing and shaping further developments and improvements in measuring the informal sector and informal employment. This result is facilitated by a project strategy based on interregional collaboration and strategic partnerships among stakeholders and main actors working in this area.

2. The project has demonstrated that through a simple modification of the regular LFS, data can be obtained to estimate informal employment, employment in the informal sector. The project has shown that the Phase 1 questions attached to a household Labour Force Survey can be used to identify owners of HUEMs. This is not a new discovery as it has previously been shown to work in countries in Latin America and Africa but this project provides confirmation that it can be done in five (nine, including the DIAL-IRD and ADB project countries) very different member states from three different regions.

3. The “1-2” surveys have several advantages over alternative methods of measuring informal activities that were demonstrated in the project surveys:

- All methods require the creation of a survey frame of unincorporated household enterprises. The “1-2” survey method does this relatively cheaply by adding questions to an existing survey. The Phase 1 questionnaires were not found to be overly burdensome and only added 10-15 minutes to the regular LFS.
- Information from Phase 1 on the numbers of HUEMs and on informal employment can be used to update Phase 2 data on value added for the national accounts. None of the alternative methods provide an easy updating system of this kind.
- Linking employment and value added data from phases 1 and 2 enriches the data analysis. For example: How does labour productivity compare between the formal and informal sectors? Does labour productivity rise or fall with the size of enterprise?

4. A major contribution of the project is the operationalisation of the HUEM as the starting point for data collection on informal sector enterprises. In doing so, it also was able to establish that the “1-2” survey methodology could also be the basis for collecting information on the larger population of unincorporated household enterprises.

5. The project clarified the definition of HUEMs by insisting on the intent to sell as one of the criteria. Enterprises set up by households with the intention of earning a money income constitute an important group within all household unincorporated enterprises. As more becomes known about these enterprises, government policies can be designed to help them to improve their performance through tax and tariff measures, training programmes, and ensuring availability of credit.

6. The advocacy activities associated with this project have heightened awareness of the importance of measuring informal activities and informal employment. Countries planning to start measuring the informal sector can find the basic guidelines and survey instruments on

the ISIE website and they can get help from staff of ESCAP, ECLAC and ESCWA who now have practical experience in the conduct of “1-2” surveys.

7. The project has been well managed by ESCAP and the Steering Committee. The composition of the Steering Committee was an important advantage. It brought together most available expertise including that from groups outside the United Nations family – ADB, DIAL and WIEGO. Statistical staffs of ESCAP, ECLAC and ESCWA have the technical skills relevant to this project and the collaboration with DIAL and ADB has been valuable as their experts have considerable experience with “1-2” survey methods, sampling, data processing and estimation.

## **4.2 Lessons learned**

1. Funds should have been earmarked for a full pilot survey in each country for the Phase 2 survey. These would have been used to test the questionnaires, enumerator training and data entry and editing. Saint Lucia experienced particular difficulties because of limited pretesting, but other countries that did not carry out a full pilot survey are also now having difficulties with editing and verifying the national accounts data. This is leading to delays in releasing the final publications and if full pilot surveys had been carried out these data processing problems could have been resolved earlier.

2. The Phase 2 generic questionnaire is too ambitious. Data processing could have been greatly simplified by eliminating questions that were unlikely to be useful for analysts or policy-makers and by restricting the questions relating to value added and capital formation to the minimum need for the national accounts.

- The sections collecting data on employment, compensation, value added and capital formation should be revised to focus on the minimum requirements for national accounts purposes.
- The sections seeking additional information that could be useful for policy purposes should have been reviewed by stakeholders in the five countries. The stakeholders should have been required to explain how they planned to use this additional data and “good to know” questions for which no analytic use had been identified should have been eliminated.

3. As initially conceived, the Phase 2 survey was limited to HUEMs that do not have a complete set of accounts. According to the SNA, HUEMs that do have complete accounts are called “quasi-corporate” enterprises and are assigned to the corporate sector. In practice there are very few “quasi corporate” enterprises in most countries and many statistical offices do not bother trying to identify them. They assign all unincorporated enterprises to the household sector.

Both ESCAP consultants and staff members have noted (correctly in my view) that it would make sense to include all HUEMs in the Phase 2 survey. Questions about accounting records would be retained in the Phase 2 questionnaire because that is of interest in its own right, but they would not be used to eliminate HUEMs that have a full set of accounts from the rest of the Phase 2 survey.

## **5. RECOMMENDATIONS**

1. The knowledge base generated in connection with this project can be used to draft a Handbook giving practical guidelines for “1-2” surveys. It would cover sample design, questionnaires, pilot-testing, data editing, imputations for non-response and partial response, outline of final reports including standard tables, and examples of policy-relevant analysis.
2. The phase 2 questionnaires should be simplified along the lines suggested above. A revised draft should be circulated to the five countries as they all have ideas on how it could be improved and it will also need to be reviewed by the DIAL consultants and staff of the Regional Commissions. Once a revised version of the Phase 2 questionnaire has been agreed, a set of automated editing procedures and imputation rules could be developed for use in future surveys.
3. The four countries that have not yet published their survey reports should be given firm deadlines. It is likely that some of them still need help in finalizing the Phase 2 tabulations and reconciling these data with their existing national accounts estimates. Although the project has formally finished it would be short-sighted if the Regional Commissions were not able to provide some continuing help here.
4. The ISIE web-site is a valuable asset. It would be good to move as many documents as possible from the members-only to the public page. Given the sheer volume of documentation it would also be helpful to identify a smaller number of key documents that describe the survey methodology.
5. For the future, the coverage of the survey should be expanded to include all HUEMs including those that keep a full set of accounts and which, therefore, are treated as quasi-corporate according to the SNA.
6. The reporting of costs by the countries was not standardized so that it was difficult to calculate useful statistics such as the costs per completed interview. UNICEF has developed the reporting framework shown in Table 7 for countries carrying out Multiple Indicator Cluster Surveys with UNICEF funding. The columns list the individual actions required to carry out a survey and the rows give the types of expenditures<sup>4</sup>. Something of this kind could serve as a model for reporting costs of UN funded surveys more generally.

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<sup>4</sup> For details see Chapter 12 of the UN handbook “Household Sample Surveys in Developing and Transition Countries” at <http://unstats.un.org/unsd/hhsurveys/>

**Table 7. Budgeting framework for the UNICEF Multiple Indicator Cluster Surveys (MICS)**

	Total costs	Preparation and advocacy	Survey design and sample	Pilot survey	Training	Survey implementation	Data input	Data processing	Report writing	Dissemination
Personnel										
Per diem										
Transportation										
Consumables										
Equipment										
Other costs										
<b>TOTAL Costs</b>										

7. ESCAP and the Regional Commissions should work to ensure the sustainability of the project by the following actions:

- Advocate informal sector measurement using “1-2” surveys at meetings of their Statistical Committees, at conferences discussing regional statistical programmes, and at the UN Statistical Commission;
- Look for seed-money to launch “1-2” surveys from development banks including the World Bank and regional banks in Africa, West Asia, Asia and the Pacific, Latin America and the Caribbean;
- Ensure that ESCAP and other regional commissions have at least one person able to advise countries on practical aspects of “1-2” surveys and maintain ties with WIEGO and DIAL-IRD who can also provide expert advice as required;
- Maintain the ISIE website as a source of up-to-date information on the “1-2” survey methodology and results of these surveys when they become available from the project countries.

**ANNEXES**

**Annex I. Management Response**

Title of Evaluation	<b>Evaluative Review of the Development Account Project: Interregional Cooperation on the Measurement of Informal Sector and Informal Employment</b>	
	Signature	Date
<b>Ms. Haishan Fu, Director Statistics Division</b>		16-11-2010
<b>Mr. Richard B. Kalina, Director Programme Management Division</b>		22/11/2010
<b>General Remarks by Management</b>		
<p>ESCAP's Statistics Division (SD) agrees with the main conclusions and recommendations of the evaluative review. SD would, in particular, like to highlight the conclusions that the interregional project has: (a) established that regional processes, results and experiences are important in influencing and shaping further developments and improvements in measuring the informal sector and informal employment; (b) demonstrated that the "1-2" survey methodology has some distinct advantages over alternative methods, and that it works well in very different country situations across different regions; (c) contributed to global work on the subject by clarifying the definition of household unincorporated enterprises with at least some market production (HUEMs) and operationalising HUEMs as a starting point for data collection on informal sector enterprises; (d) heightened awareness of the importance of measuring informal activities and informal employment through its advocacy activities and through the technical resources and materials generated by the project.</p> <p>Most of the recommendations in the evaluative review report are being addressed or will be acted upon through the ECA-led new project (2010-12).</p>		

Report Recommendation	Management Response	Follow-up Action	By Whom	Expected Completion Date
<p>1. The knowledge base generated in connection with this project can be used to draft a Handbook giving practical guidelines for “1-2” surveys. It would cover sample design, questionnaires, pilot-testing, data editing, imputations for non-response and partial response, outline of final reports including standard tables, and examples of policy-relevant analysis.</p>	<p>The project initially planned to prepare a handbook of good practices on the methodology and its implementation. However, it was decided by the Steering Committee that this would not be necessary in view of the ongoing work of the Delhi Group and ILO in drafting a Manual on Surveys of Informal Employment and Informal Sector.</p> <p>ESCAP has contributed to Chapter 6: “Mixed Surveys using the Modular Approach” of the Delhi Group’s Manual on Surveys of Informal Employment and Informal Sector with a description of the “1-2” Survey methodology as well as country-specific implementation strategies for project partner countries.</p> <p>The project has produced resources in the form of technical papers and recommended tabulation plans covering issues highlighted in these recommendations. Country reports produced by all project countries serve as resources on</p>	<p>The ECA-led new project (2010-12) is planning to produce a collection of good practices as well as to conduct more policy relevant analysis as part of Expected Accomplishments 2 and 3.</p>	<p>ILO and Delhi Group are developing the Manual on Surveys of Informal Employment and Informal Sector.</p> <p>ECA will take the lead in consolidating good practices through the new project (2010-12). ESCAP and other regional commissions involved will contribute to this work.</p>	<p>The Manual on Surveys of Informal Employment and Informal Sector is expected to be published by end of 2010 by ILO.</p> <p>By 2012</p>

Report Recommendation	Management Response	Follow-up Action	By Whom	Expected Completion Date
	implementation strategies and experience at the national level.			
<p>2. The phase 2 questionnaires should be simplified along the lines suggested above. A revised draft should be circulated to the five countries as they all have ideas on how it could be improved and it will also need to be reviewed by the DIAL consultants and staff of the Regional Commissions. Once a revised version of the Phase 2 questionnaire has been agreed, a set of automated editing procedures and imputation rules could be developed for use in future surveys.</p>	Agreed.	<p>ESCAP will review the lessons learned with regard to the Phase 2 questionnaire and will recommend changes for simplification.</p>	ESCAP Statistics Division	During 2010-12
<p>3. The four countries that have not yet published their survey reports should be given firm deadlines. It is likely that some of them still need help in finalizing</p>	<p>All five project countries have submitted their country reports. Project countries worked in close consultation with their respective regional commissions to draft and finalize their reports. ESCAP</p>	<p>Generating national accounts estimates with respect to the informal sector was a challenge for some countries, in</p>	<p>ESCAP Statistics Division. Other regional commissions as relevant.</p>	<p>All five project countries submitted their country reports in the first quarter of 2010.</p>

Report Recommendation	Management Response	Follow-up Action	By Whom	Expected Completion Date
<p>the Phase 2 tabulations and reconciling these data with their existing national accounts estimates. Although the project has formally finished it would be short-sighted if the Regional Commissions were not able to provide some continuing help here.</p>	<p>project countries were informed that they could avail of the statistical advisory services offered by ESCAP if technical assistance was required.</p>	<p>particular for Sri Lanka, due to lack of internal capacity in national accounts in general. The new project (2010-12) will provide opportunity to work closely with Sri Lanka on this.</p> <p>The Regional Adviser on Statistics at ESCAP will be available to provide additional technical assistance to countries.</p>		<p>Direct technical assistance and advisory services to countries to be continued over 2010-12.</p>
<p>4. The ISIE website is a valuable asset. It would be good to move as many documents as possible from the members-only to the public page. Given the sheer volume of documentation it would also be helpful to identify a smaller number of key documents that describe the survey methodology.</p>	<p>Agreed. The ISIE website was restructured and the content was reorganized to make it more user friendly and easy to navigate. Resources generated through the project as well as additional reference materials are now available for public access.</p>	<p>The website will be updated further on a continuous basis, as and when additional materials are available and/or when the new project (2010-12) begins.</p>	<p>ESCAP Statistics Division</p>	<p>Restructuring and updating of the website was completed in the first quarter of 2010.</p> <p>Website to be further updated as and when more information/materials are available.</p>

Report Recommendation	Management Response	Follow-up Action	By Whom	Expected Completion Date
<p>5. For the future, the coverage of the survey should be expanded to include all HUEMs including those that keep a full set of accounts and which, therefore, are treated as quasi-corporate according to the SNA.</p>	<p>With other criteria met, if the enterprise has a complete set of accounts it is not a HUEM, but a quasi-corporate enterprise. The possibility of expanding Phase 2 of the survey to quasi-corporate enterprises, for the purpose of national accounts exhaustiveness, was one of the recommendations that came through the experience of the project in implementing the current Phase 2 questionnaire.</p>	<p>This recommendation will be considered in future implementation of Phase 2.</p>	<p>ESCAP Statistics Division and project partner countries.</p>	<p>Depends on future national plans for implementation of Phase 2 of the survey.</p>
<p>6. The reporting of costs by the countries was not standardized so that it was difficult to calculate useful statistics such as the costs per completed interview. UNICEF has developed the reporting framework shown in Table 7 for countries carrying out Multiple Indicator Cluster Surveys with UNICEF funding. The columns list the individual actions required to carry out a</p>	<p>Agreed. It will be useful to have a standard way for countries to report costs so as to enable the generation of useful statistics on survey costs.</p>	<p>This could be taken into consideration by individual project managers at the ESCAP Statistics Division.</p>	<p>ESCAP Statistics Division</p>	<p>N/A</p>

Report Recommendation	Management Response	Follow-up Action	By Whom	Expected Completion Date
<p>survey and the rows give the types of expenditures<sup>1</sup>. Something of this kind could serve as a model for reporting costs of UN funded surveys more generally.</p>				
<p>7. ESCAP and the Regional Commissions should work to ensure the sustainability of the project by the following actions:</p> <p>a) Advocate informal sector measurement using “1-2” surveys at meetings of their Statistical Committees, at conferences discussing regional statistical programmes, and at the UN Statistical Commission;</p>	<p>The work on informal sector measurement has received support from the ESCAP Commission during its 66<sup>th</sup> session in May 2010.</p> <p>Advocacy for the methodology is currently on-going. The second session of the Statistical Commission for Africa (StatCom-Africa II) reaffirmed the importance of ECA collaborating</p>	<p>To be brought to the attention of the ESCAP Committee on Statistics at its second session in December 2010.</p>	<p>ESCAP Statistics Division</p>	<p>December 2010</p>

<sup>1</sup> For details see Chapter 12 of the UN handbook “Household Sample Surveys in Developing and Transition Countries” at <http://unstats.un.org/unsd/hhsurveys/>

Report Recommendation	Management Response	Follow-up Action	By Whom	Expected Completion Date
	<p>with other United Nations Regional Commissions on the measurement of the informal economy and requested the implementation of another interregional project on the subject.</p> <p>In light of this, ECA submitted a proposal to the 7<sup>th</sup> tranche of the Development Account with the work of the ESCAP-led project (2006-09) as a basis for advocacy. US\$ 800,000 has been approved from the UN Development Account for all regional commissions to take forward this work through a new project (2010-12) focusing on improving the availability of timely analyses on the informal economy and its contribution to employment and GDP for the promotion of evidence-based policy formulation at the national level. ESCAP has been allocated US\$170,000 under the new project.</p>	<p>ESCAP to work with two of its project partner countries through the new project to build on existing capacity, results, lessons learned, to make best use of existing data sets, and to further enhance capacity of these countries, particularly with respect to estimating the contribution of the informal sector to GDP.</p>	<p>ESCAP Statistics Division</p>	<p>During 2010-12</p>
<p>b) Look for seed-money to launch “1-2” surveys from development banks including the World Bank and regional banks</p>	<p>Agreed.</p>	<p>Follow-up action on this for ESCAP would depend on feedback received from the Committee</p>	<p>ESCAP Statistics Division</p>	<p>N/A</p>

Report Recommendation	Management Response	Follow-up Action	By Whom	Expected Completion Date
<p>in Africa, West Asia, Asia and the Pacific, Latin America and the Caribbean;</p>		<p>on Statistics during its second session in December 2010.</p>		
<p>c) Ensure that ESCAP and other regional commissions have at least one person able to advise countries on practical aspects of “1-2” surveys and maintain ties with WIEGO and DIAL-IRD who can also provide expert advice as required;</p>	<p>ESCAP has maintained the same team to work on this subject area. It is likely that for the two other regional commissions the same focal points are available and will be involved in the new project (2010-12). Ties with WIEGO and DIAL-IRD will be maintained, and ADB is continuing to collaborate with ESCAP by sharing the results of the similar project that they have been implementing in three other Asian countries.</p>	<p>The ESCAP Regional Adviser on Statistics, who was also part of the project formulation and implementation, is available to provide technical assistance to countries.</p>	<p>ESCAP Statistics Division</p>	<p>N/A</p>
<p>d) Maintain the ISIE website as a source of up-to-date information on the “1-2” survey methodology and results of these surveys when they become available from the project countries.</p>	<p>Agreed. As mentioned, the website has been recently updated with the project resources.</p>	<p>The website will be continuously updated when additional resources are available.</p>	<p>ESCAP Statistics Division</p>	<p>Continuous</p>

## **Annex II. Terms of Reference**

Terms of Reference for the Evaluative Review of  
Development Account Project  
“Interregional Cooperation on the Measurement of  
Informal Sector and Informal Employment”

Prepared by:  
ESCAP Statistics Division  
October, 2009

## CONTENTS

1. INTRODUCTION .....	55
1.1 Background of the Evaluation .....	55
1.2 Purpose, Objectives and Deliverables.....	55
1.3 Scope.....	56
2. METHODOLOGY .....	57
2.1 Methodology .....	57
2.2 Limitations .....	58
3. TIME REQUIREMENTS AND TIMELINES .....	58
3.1 Time Requirements .....	58
3.2 Timelines.....	59
ANNEXES.....	59
Annex I. Contents of the Evaluation Report.....	59
Annex II. Quality criteria used to review Evaluation Reports.....	61

## 1. INTRODUCTION

### 1.1 Background of the Evaluation

This is the terms of reference for the evaluation of the Development Account project “Interregional Cooperation on the Measurement of Informal Sector and Informal Employment”, to be conducted between November 2009 – February 2010.

This Development Account project, the implementation of which is led by ESCAP and implemented together with the Economic and Social Commission for Western Asia (ESCWA) and the Economic Commission for Latin America and the Caribbean (ECLAC), aims to improve the availability of sound and internationally comparable informal sector and informal employment data, and to strengthen analysis for evidence-based socio-economic policies at the national & international levels.

The Project is piloting the “1-2” Survey methodology as a tool to measure employment in the informal sector, informal employment, and the contribution of the informal sector to GDP. The Labour Force Survey (LFS) is utilized in the first phase to collect information to enable estimation of employment in the informal sector and informal employment. Additional data collected through the LFS serve the purpose of constructing the sample frame for the second phase, which is an enterprise survey for household unincorporated enterprises with at least some market production (HUEMs) as the statistical unit. In the second phase, information is collected about production activities of HUEMs in order to calculate their value-added to GDP, and, that of informal sector enterprises which are subsets of HUEMS. The main component of the project was the piloting of the “1-2” Survey methodology in five countries, Mongolia, Palestine, Philippines, Sri Lanka and Saint Lucia, all of which have regular LFS programmes, and the generation of the employment and GDP estimates.

The project outputs are detailed documentation of the implementation process, the results, and the advantages and caveats of the methodology. In this way, the project intends to contribute, at the global level, to the development of specific informal sector data collection options that have been tested, are cost-efficient and sustainable.

The implementation of the project is overseen and monitored by a Steering Committee, composed of key partner agencies.

More information on the project can be accessed at <http://www.unescap.org/stat/isie/>

### 1.2 Purpose, Objectives and Deliverables

The purpose of the evaluation is to review, document and assess the programmatic, and strategic processes of the project in order to identify lessons learned and best practices, and to formulate recommendations which will inform future interventions by ESCAP and the project partners, in this area of work.

The specific objectives of the evaluation are:

- i. To assess the relevance, effectiveness, and sustainability of the project results and the strategy used in implementation
- ii. To formulate concrete recommendations to inform future work in this area

The evaluation will be undertaken by an external consultant. The Evaluation Team at the Statistics Division of ESCAP will be responsible for contracting the evaluator and managing the evaluation, with support from the Programme Management Division of ESCAP. A Reference Group consisting of the Evaluation Team from the Statistics Division, and selected staff members from the Programme Management Division will be established to provide technical advice and to build internal ownership.

The evaluator is expected to (i) provide inputs to finalize the evaluation framework and plan and (ii) to produce an evaluation report including a set of action-oriented recommendations for ESCAP and the project partners. The tentative outline for the report is attached in Annex 1.

The draft evaluation report, including findings and recommendations, will be shared with the Reference Group prior to finalization. The final report, which will include a management response from the project Steering Committee, will be made available in accordance with ESCAP's evaluation dissemination policy.

### 1.3 Scope

The evaluation will cover the project duration from 2006-2009, and will address the following questions in the context of the five project countries, Mongolia, Palestine, Philippines, Saint Lucia and Sri Lanka, in which the "1-2" Survey was piloted.

The following main indicative evaluation criteria and evaluation questions will be addressed:

#### ***Relevance***

- To what extent was the project, its objectives and the methodology relevant at the international level in light of the work that has already been done or is being carried out in this thematic area? Did the project offer a cutting edge in this field of work?
- How relevant and timely was the project to project countries in the context of building tools for improving official statistics at the national level, and also in assisting countries narrow down their choices with respect to the diversity of survey tools that have been used?

#### ***Effectiveness***

- To what extent have the expected objectives of the project been achieved towards contributing to the compilation of a specific informal sector data collection option that is tested, cost efficient and sustainable?
- To what extent is there a potential to increase the availability of timely and comparable data on the informal sector and on informal employment not only in project countries, but also at the regional and global levels, and to link such data collection and derivation of relevant estimates to policy priorities in project countries?

- How effective was the project strategy of combining interregional cooperation, strategic partnerships and consultation with a steering committee to implement a range of activities targeting advocacy, technical capacity building, data collection, data analysis and dissemination, and knowledge management? Were the strategy adopted and the activities consistent with the project objectives?
- Did the project strategy, process and activities adequately and effectively address existing country and regional variations such as the level of statistical capacity in the selected countries, the on-going statistical work programme of these countries, their policy priorities, and also variations in terminology, criteria and definitions? How successful was the project in cutting across such variations to give shape to a methodology which can be globally beneficial?
- Were the combination of trainings organized, advisory services provided, and technical papers, written as part of this project, beneficial in enhancing the capacity of National Statistical Offices (NSOs) in implementing such surveys, handling data collection, analysis and contributing towards the development of international standards and recommendations in this area of work?

### ***Sustainability***

- Is the proposed data collection methodology sustainable at the national level? What are the limitations or barriers in countries which may prevent sustainability? What are the possible ways in which member states can be assisted by ESCAP and other Regional Commissions to overcome these barriers?
- Is there adequate support from project and non-project countries, partners, and other stakeholders to take forward the project outcomes?

## **2. METHODOLOGY**

### **2.1 Methodology**

The evaluation will follow the ESCAP evaluation norms and standards set out in ESCAP's M&E System, accessible through <http://www.unescap.org/pmd/m-e-escap.asp>. The evaluation will cover the following:

- (i) A desk review of documents including project documents, technical papers, progress reports, workshop reports and evaluation, questionnaires, country reports, project report, etc.
- (ii) Mission to ESCAP, and design and organization of a session/s on evaluation of this project during the "Workshop on Interregional Cooperation on the Measurement of Informal Sector and Informal Employment" for project countries and partners to be conducted in Bangkok from 3-4 December 2009
- (iii) Face-to-face interviews with NSO focal points, partners and other stakeholders during the "Regional Workshop on the Measurement of Informal Sector and Informal Employment", 30 November – 2 December 2009, and during the "Workshop on

Interregional Cooperation on the Measurement of Informal Sector and Informal Employment”, 3-4 December 2009 in Bangkok

- (iv) Phone interviews with selected Heads of NSOs, other focal points from NSOs, with ESCWA, ECLAC, and other project partners and stakeholders
- (v) Travel to some project countries, if the budget permits

## 2.2 Limitations

The limitations of the evaluations include:

- Ideally the evaluator should travel to at least some of the project countries. But since the budget may not permit this, face-to-face interaction with NSO focal points, project partners and other stakeholders may only be possible during the Regional and Interregional Workshops mentioned above, during the week of 30 November – 4 December 2009, in Bangkok. Other NSO members, partners and stakeholders may have to be reached by phone only.
- The limited travel budget may provide for the evaluator to travel to ESCAP only once which will be at the time of the Regional/Interregional Workshops in November-December 2009, in which case no in-person feedback on the final evaluation might be granted by the evaluator.

## 3. TIME REQUIREMENTS AND TIMELINES

### 3.1 Time Requirements

<b>EVALUATION ELEMENT</b>	<b>TENTATIVE TIMING</b>
Desk study of background documents, preparation for the Regional/Interregional Workshop	5 days
Participate in the Regional/Interregional Workshops in Bangkok; design and conduct evaluation session; design interview protocols and conduct interviews with the project countries, partners and other stakeholders	5 days
Other phone interviews; follow up calls to relevant stakeholders	3 days
Drafting of report	7 days
Finalization of report and presentation to ESCAP	5 days
<b>TOTAL</b>	<b>25 days</b>

### 3.2 Timelines

TASK	RESPONSIBILITY	WHEN (insert date)
Desk study of background documents; preparation for Regional/Interregional Workshops	Evaluator	November 2009
Refine evaluation framework, plan and methodology	Evaluator/ESCAP Evaluation Team/Reference Group	Prior to conducting the evaluation
Mission to ESCAP: participation in Regional/Interregional Workshops in Bangkok; organize and facilitate the evaluation session at the Interregional Workshop; conduct of interviews (face-to-face/phone)/focus groups	Evaluator	November/December 2009
Conduct the evaluation	Evaluator	December 2009/January 2010
Submit draft evaluation report to ESCAP	Evaluator	January 2010
Provide comments on draft evaluation report to evaluator	ESCAP Evaluation Team/Reference Group	January 2010
Submit final evaluation report to ESCAP	Evaluator	February 2010
Formulate management response for inclusion as an annex in the final evaluation report	ESCAP Management, Steering Committee coordinated by ESCAP Evaluation Team/Reference Group	
Dissemination of the findings	ESCAP Management/ ESCAP Evaluation Team/Reference Group	Within one month after the management response is signed off

## ANNEXES

### Annex I. Contents of the Evaluation Report

The suggested content is as follows:

CONTENT	PAGES (estimate)	COMMENTS
Title page	1	Title, date of publication Names of the evaluator Name of ESCAP or division that commissioned the evaluation, web page address where report can be found electronically
Acknowledgments	1	Information provided by the ESCAP Evaluation Team
Table of contents	1-2	List of chapters, sections and annexes

CONTENT	PAGES (estimate)	COMMENTS
List of acronyms	1-2	In alphabetical order; these are written out in full the first time they are used in the report
Executive summary	1-2	Background of the evaluation Purpose, objectives, outputs Scope Methodology Main conclusions Recommendations Other comments
1. Introduction	1-3	<ul style="list-style-type: none"> <li>• 1.1 Background of the evaluation and the topic being evaluated</li> <li>• 1.2 Purpose, objectives and outputs</li> <li>• 1.3 Scope (including evaluation questions)</li> </ul>
2. Methodology	1-4	<ul style="list-style-type: none"> <li>• 2.1 Description of methodology: activities, timeframe, changes compared to TOR, and reasons for selecting sample reports, countries, sites, case studies, and interviewees as a representation of the topic being evaluated</li> <li>• 2.2 Limitations: limitations of the methodology and scope and problems encountered</li> </ul>
3. Findings	Varying length	<ul style="list-style-type: none"> <li>• 3.1 General: supporting information for the performance assessment and assessment of strategy</li> <li>• 3.2 Performance assessment: assessment against relevant evaluation criteria (relevance, effectiveness and sustainability)</li> <li>• 3.3 Other assessment: assessment against relevant additional criteria (gender, rights-based approach, ESCAP priority countries etc.)</li> </ul>
4. Lessons learned and conclusions	1-5	<ul style="list-style-type: none"> <li>• Lessons learned</li> <li>• Main conclusions, both positive and negative, of the evaluation that follow logically from the findings</li> <li>• Ratings table with ratings for standard evaluation and additional criteria and a brief justification (optional)</li> </ul>
5. Recommendations	1-5	<ul style="list-style-type: none"> <li>• Recommendations based on the conclusions, which can be addressed to ESCAP management and staff, project partners, donors and other relevant stakeholders</li> </ul>
Annexes		I. Management response (to be completed by the project Steering Committee) II. Terms of reference for the evaluation III. List of documents reviewed IV. List of interviewees Other annexes as required (e.g. schedule of work undertaken by the Evaluator, reports of meetings, interview summaries, questionnaires etc.)

## Annex II. Quality criteria used to review Evaluation Reports

The draft and final draft evaluation reports will be assessed against the quality criteria listed below.

	Quality Check	Description
	The report meets the scope, purpose and objectives of the evaluation as stated in the TOR	<ul style="list-style-type: none"> <li>• The report is tailored to the information needs of ESCAP and/or other entities that commissioned the evaluation</li> <li>• The report does not deviate from the scope outlined in the TOR</li> <li>• The report can be used by ESCAP for the intended purpose as stated in the TOR</li> <li>• The objectives, as outlined in the TOR have been met, including: the assessment against relevant performance criteria (relevance, effectiveness, sustainability, etc.) is complete, i.e. evaluation questions under each criterion have been answered</li> </ul>
	The report is structured logically	<ul style="list-style-type: none"> <li>• The report follows the suggested table of contents outlined in the TOR and includes the relevant annexes</li> </ul>
	The evaluation methodology and its application are explained transparently and clearly	<ul style="list-style-type: none"> <li>• The evaluation methodology is clearly explained and has been applied throughout the evaluation process</li> <li>• Amendments to the methodology compared to what was proposed in the TOR have been clearly explained.</li> <li>• The limitations of the evaluation methodology, including problems encountered during the conduct of the evaluation, and their implications for the validity of the findings and conclusions have been clearly explained</li> </ul>
	The findings and conclusions are credible	<ul style="list-style-type: none"> <li>• Relevant qualitative and/or quantitative sources of information have been considered</li> <li>• Analysis is done rigorously: triangulation is employed (cross-checking of findings against other relevant sources); cause-and-effect relationships are explained</li> <li>• Findings are adequately substantiated, balanced and reliable</li> <li>• The relative contributions of stakeholders to the results are explained</li> <li>• Limitations are explained</li> <li>• The conclusions derived from the findings are clear</li> </ul>
	The recommendations are useful	<ul style="list-style-type: none"> <li>• The recommendations are clear and follow logically from the conclusions</li> <li>• The recommendations are impartial</li> <li>• Recommendations are realistic, concrete and actionable within a reasonable timeframe</li> <li>• Recommendations for ESCAP should be clearly within the mandate of ESCAP</li> </ul>
	The report is well written	<ul style="list-style-type: none"> <li>• The executive summary is brief but highlights the key findings, conclusions and recommendations</li> <li>• The report is written in good English and is easy to read</li> <li>• The report uses consistent grammar and spelling (in</li> </ul>

	Quality Check	Description
		accordance with UN rules) <ul style="list-style-type: none"><li>• Main messages are clearly distinguished from the text</li><li>• The subject of evaluation (programme, project, other) is clearly described including its logic model or results chain</li><li>• The stakeholders of the programme or project are clearly identified</li></ul>

END OF TERMS OF REFERENCE

### **Annex III. List of Documents Reviewed**

(Main documents reviewed in addition to reports on workshops and missions and workshop presentations)

The “1-2” Survey Methodology: A Data Collection Strategy for Informal Sector and Informal Employment, Sharita Serrao. Paper presented at the “IARIW Special Conference on Measuring the Informal Economy in Developing Countries”, Kathmandu, Nepal, September 23-26 2009.

Chapter 25. Informal Aspects of the Economy. SNA 2008. Draft International Recommendations for Industrial Statistics. United Nations New York 2008

On Defining and Measuring the Informal Sector, Andrew Henley, G. Reza Arabsheibani, Francisco G. Carneiro. World Bank Policy Research Working Paper 3866, March 2006

Concepts et indicateurs du marché du travail et du secteur informel, Série Méthodes n° 2 Décembre 1999, AFRISTAT,

Resolution concerning statistics of employment in the informal sector, adopted by the Fifteenth International Conference of Labour Statisticians (January 1993), The Fifteenth International Conference of Labour Statisticians,

Guidelines concerning a statistical definition of informal employment The Seventeenth International Conference of Labour Statisticians (ICLS),

Defining and measuring informal employment, Ralf Hussmanns, Bureau of Statistics, International Labour Office, CH-1211 Geneva 22

Sampling Design and Weighting in the “1-2” Survey. Presentation by Dalisay S. Maligalig (ADB), December 2009

Compilation of output and gross value added from the data collected for Household Unincorporated Enterprises with At Least Some Market Production (HUEMs). A report for ECLAC, ESCAP and ESCWA, Vu Quang Viet, 25/1/2009

Development Account: 5th Tranche, Project 0607A Interregional Cooperation on the Measurement of Informal Sector and Informal Employment. PROJECT DOCUMENT. Statistics Division, United Nations Economic and Social Commission for Asia and the Pacific, August 2006.

Generic Questionnaire for Phase 1 of “1-2” Survey”

Generic Questionnaire for Survey on Household Unincorporated Enterprises and the Informal Sector

Unified Data Collection Strategy for Measuring the Informal Sector and Informal Employment, Margarita F Guerrero, Bangkok 2007

The “1-2” Survey: A tool to implement the unified data collection strategy for informal sector and informal employment statistics, Working Paper No. 1, Pietro Gennari, Margarita F Guerrero, et al. January 2009

Estimating Informal Sector Value Added, Annex 14, ISS, Philippines

Imputation of business survey data, Jan Smit, ESCAP, Statistics Division, 2009

Overview on data processing issues, Marco Principi, ESCAP, Statistics Division, 2009

## **Annex IV: List of Persons Consulted by the Evaluator**

Mr Giovanni Savio Chief, Economic Statistics Section, Statistics Division, ESCWA,

Mr Gerard Osbert Senior Regional Advisor, ECA

Mr Sylvan Roberts Coordinator Statistics and Social Development Unit, ECLAC,

Ms Margarita Guerrero Senior Statistician, Statistics Division, ESCAP

Mr Jan Smit Regional Adviser on Statistics, Statistics Division, ESCAP

Ms Sharita Serrao Associate Statistician, Statistics Division, ESCAP

Mr François Roubaud, Senior Researcher, DIAL

Mr Nittala Subrahmanya Sastry, Independent Consultant, WIEGO

Ms Suha Kana'an, Director, Palestinian Central Bureau of Statistics

Mr Ayman Qanir, Director, Palestinian Central Bureau of Statistics

Mr Nayef Abed, Director, Palestinian Central Bureau of Statistics

Ms Badamtsetseg Batjargal, Director, National Statistical Office of Mongolia

Ms Ankhzaya Byamba, Officer, National Statistical Office of Mongolia

Ms Oyunbileg Naimaldai, Officer, Ministry of Social Welfare and Labour, Ulaanbaatar

Mr Edwin St Catherine, Director of Statistics, St. Lucia Government Statistics Department

Mr Joseph Grantley Charlemagne, Assistant Director, St. Lucia Statistics Department

Ms Galgamage Geethanjali Gunasekera, Statistician, Dept of Census and Statistics, Sri Lanka

Ms Weerakoon Arachchilage Chandani Wijebandara, Statistician, Dept of Census & Statistics, Sri Lanka

Mr Hettige Don Nimal Padmasiri, Statistician, Department of Labour, Sri Lanka

Ms Sotera de Guzman, Statistician, National Statistics Office, Philippines

Ms Rosario Fajardo, OIC-Chief Labor and Employment Officer, Bureau of Labor and Employment Statistics, Philippines

Mr Buyung Airlangga, Division Chief, BPS-Statistics Indonesia

Mr Md Hasan Sarwar, Ministry of Planning, Bangladesh

## **Annex V: Summary of Discussions with the Five Project Countries**

### **A. Demand for information on the informal sector**

*1. Have any ministries or research institutes in your country asked you to provide statistics on informal sector output and employment?*

- Mongolia: Yes. Ministries of labour and finance;
- Palestine: Yes, research institutes, (MASS, Birzeit, ...) . international organizations: ILO and IMF
- Philippines: Research institutes and Department of Interior and Local Government and Bureau of Rural Workers want the number of informal sector workers. Also demand for information on SMEs but not on informal sector as such.
- Saint Lucia: Last household/enterprise survey was ten years ago. Initially no pressure from within government but when the Ministry of trade and commerce learned about the “1-2” survey they dropped their own plans for a survey of small enterprises.
- Sri Lanka: Yes. From Ministry of labour

*2. Did your country have its own national definition of the informal sector before you took part in the “1-2” survey? Will you change it as a result of this project?*

- Mongolia: We had a definition of SME’s. We got clarification on definition of informal as regards registration.
- Palestine: Yes, we have own national definition.
- Philippines: National definition of small enterprises based on book-keeping and employment size.
- Saint Lucia: Definition of SMEs but not informal sector.
- Sri Lanka: National definition based on lack of formal accounts, registration for tax, social security and employer trust fund

*3. Does your government have a policy to develop SMEs? If YES which ministry is responsible?*

- Mongolia: Yes. Ministries of agriculture and light industries
- Palestine: The government has formed a committee to propose a draft law which will help to develop SMEs. Also the related NGO’s support the SMEs financially and logistically (technical training, marketing and providing with management skills)
- Philippines: Yes. Department of Trade and Industry, SME Council (DTI)
- Saint Lucia: Yes. Ministry of trade
- Sri Lanka: Yes. Policies for the unorganized sector. Focus on new technologies.

*4. Does your government have policies to alleviate poverty – e.g. to achieve the Millennium Development goal to eliminate extreme poverty? If YES which ministries are involved?*

- Mongolia: Ministry of Finance has a team to follow MDGs.
- Palestine: Yes, the Emergency Labour Project by the ministry of labour, also the ministry of social affairs produces support for the poor households.
- Philippines: National Anti-Poverty Commission (NAPC) and all agencies of the government
- Saint Lucia: Government has policies for poverty alleviation.
- Sri Lanka: Yes. Government has policies for poverty alleviation.

5. *Did you have a national steering group to oversee this survey in your country?*

- Mongolia: No.
- Palestine: No, just we have a steering group inside PCBS
- Philippines: No
- Saint Lucia: No, but we had an advocacy group for the “1-2” survey.
- Sri Lanka: No.

**B. Questionnaires for the “1-2” Survey**

1. *Did you involve other government ministries in designing the questionnaires?*

- Mongolia: Three stage process: Draft developed in NSO. Then Methodology Committee including some outsiders. Then approved by the Chairman’s Board.
- Palestine: No
- Philippines: Yes. Bureau of Labor and Employment Statistics (BLES), Bureau of Rural Workers (BRW), National Statistical Coordination Board (NSCB).
- Saint Lucia: Ministry of labour.
- Sri Lanka: No outside advice sought. Developed within Department of Census and Statistics.

2. *Did you mainly follow the generic questionnaire*

- Mongolia: Yes. Also looked at other countries’ questionnaires.
- Palestine: Yes
- Philippines: Yes. Generic was the starting point;
- Saint Lucia: Yes, mainly generic questionnaire but also with advice from ECLAC regional office.
- Sri Lanka: Yes. Mainly generic.

3. *Did you pilot test the questionnaire?*

- Mongolia: Yes. Separately in urban and rural areas.
- Palestine: Yes
- Philippines: No only a pretest.
- Saint Lucia: No pilot test but we copied questions from other Caribbean countries’ questionnaires.
- Sri Lanka: Yes. Questionnaire for Phase 2 revised as a result. Questions on turnover moved to the end of the survey because found to be sensitive.

4. *How long did interviews last?*

- Mongolia: About one hour for phase 2.
- Palestine: 10 minutes phase 1 , 45 minutes max phase 2
- Philippines: More than one hour for phase 2.
- Saint Lucia: Phase 1 about 30 minutes and 45 minutes for phase 2.
- Sri Lanka: For “Phase 2, between 45 – 60 minutes.

5. *Which questions were most difficult for respondents to answer?*

- Mongolia: Questions about registration and keeping accounts.
- Palestine: Economic questions such as: the inputs and outputs phase 2. Phase 1 book keeping, tax registration.
- Philippines: Questions on capital formation (Section E)
- Saint Lucia: Questions on capital investment.

- Sri Lanka: Questions on monthly sales by retailers. GFCF also difficult. They could usually give numbers of assets but not values.

*6. What was the non-response rate for Phase 2?*

- Mongolia: Very low for Phase 2. Less than 1%.
- Palestine: 20% in Phase 2.
- Philippines: About 9 percent non response for Phase 2.
- Saint Lucia: 40% for Phase 2 (And about 10% for Phase 1)
- Sri Lanka: For Phase 2 response rate was 87%

*7. Were the answers to all questions published in the final report?*

- Mongolia: Almost all questions published.
- Palestine: No, But we will prepare the raw data to be used by the users.
- Philippines: All data items are in the data file.
- Saint Lucia: Depends on advice from DIAL consultant and ECLAC.
- Sri Lanka:

**C. Has the project been useful for your statistical office?**

*1. Will the results be used to improve the national accounts? Or improve other statistics such as industrial production index? Employment statistics?*

- Mongolia: Yes. For national accounts
- Palestine: It is very useful for the National Accounts, and improve our employment it helps for classification of employment ( formal and informal) and classified sectors ( formal, informal), for industrial production index we implement monthly survey.
- Philippines: Yes, for the employment statistics. No for the industrial production index
- Saint Lucia: Yes. National accounts will probably be revised upwards.
- Sri Lanka: Data should be useful for national accounts, but has not yet been used because editing problems still to be solved.

*2. Has participation in this project helped to build statistical capacity? Are staff better trained?*

- Mongolia: Seven staff in IT, National accounts and Surveys were involved. Good learning experience.
- Palestine: Yes, the cumulative experience of the staff enables in management the project and solve the
- Philippines: Yes
- Saint Lucia: Only eight professional staff. Two of them worked on the survey and learned a lot.
- Sri Lanka: Improved knowledge regarding survey methods and data requirements for national accounts. Enumerators also better trained.

**D. Dissemination**

*1. When will you publish the report?*

- Mongolia: Published in August.
- Palestine: End March 2010
- Philippines: After evaluation of the results.
- Saint Lucia: First quarter 2010.

- Sri Lanka: Probably first quarter 2010. Delays because Phase 2 was a new type of survey for Sri Lanka. Some problems with data editing.

2. *How will you decide on table layout and analysis?*

- Mongolia: In NSO and advice from ESCAP.
- Palestine: According to data and PCBS standards with agree from ESCWA
- Philippines: ESCAP Guidelines used for table selection.
- Saint Lucia: Advice from DIAL consultant and ECLAC.
- Sri Lanka: ESCAP advice and ideas within DCS.

3. *Will it be freely available on internet?*

- Mongolia: Yes
- Palestine: Yes
- Philippines: Yes, the statistical tables.
- Saint Lucia: Yes
- Sri Lanka: Yes

4. *Will you allow access to detailed results?*

- Mongolia: Don't know.
- Palestine: Yes
- Philippines: Not yet.
- Saint Lucia:
- Sri Lanka: Micro data sent to ESCAP.

5. *Will you issue a Press Release?*

- Mongolia: We held a Press Conference
- Palestine: No
- Philippines: Yes. Very active media relations department in NSO.
- Saint Lucia: Don't know.
- Sri Lanka: Yes.

6. *Any other plans to publicize the survey?*

- Mongolia: Chairman organized a 4 hour workshop for 70 participants.
- Palestine: Raw data for public use.
- Philippines: Yes, Microdata (IHSN) Phase 1.
- Saint Lucia: Conference for Chamber of Commerce, National Insurance, Ministry of Trade and SME specialists, other government ministries.
- Sri Lanka: Don't know.

## **E. Future plans for informal sector**

1. *Will you continue this survey in future? Each year? Less frequently? No plans?*

- Mongolia: P1 continues. Next P 2 probably in 2011. Some clarifications and revisions to questionnaire.
- Palestine: P 1 continues. Till now no plan to continue phase2
- Philippines: For the Phase I – Additional questions on the regular LFS survey. For the Phase II – Less frequent (every five years) depend on the demand of data users.
- Saint Lucia: Phase 1 will continue quarterly with LFS but with fewer questions on informal employment. Cannot continue Phase 2 in present form. Will need some

simplification and shortening of the questionnaires. Questions on registration will be reduced. Would like to repeat Phase 2 every 3 years.

- Sri Lanka: Yes for Phase 1 and by 2011 the P 1 questions will be merged in with LFS questionnaire.

*2. Any regular budgetary provision for informal sector surveys?*

- Mongolia: For Phase 1 yes. Probably also for Phase 2 in 2011.
- Palestine: For phase 1 yes, but for phase 2 no
- Philippines: Not yet.
- Saint Lucia: Only for Phase 1 (after reduction in number of additional questions)
- Sri Lanka: Continuation of Phase 2 depends on usefulness of results. Continued ESCAP finance will be essential.

## **F. Input from ESCAP, ECLAC, ESCWA**

*1. Were the workshops helpful? To clarify concepts and definitions? For questionnaire and survey materials? To solve problems of data collection, editing and processing? Software for data processing?*

- Mongolia: Data processing: training in SPSS. Attended all workshops.
- Palestine: Mainly ESCWA
- Philippines: Yes. ESCAP workshops very helpful.
- Saint Lucia: Yes for definitions, national accounts issues, tabulations and software. IHSN for meta-data and SBSS.
- Sri Lanka: Yes. ESCAP workshops very useful.

*2. Were country visits helpful? To clarify concepts and definitions? For questionnaire and survey materials? To solve problems of data collection, editing and processing? Software for data processing?*

- Mongolia: Very good assistance from missions for training and data processing.
- Palestine:
- Philippines: Yes. Very helpful. Also appreciated advice on Phase 2 sampling from the ADB consultant.
- Saint Lucia: Yes. Very helpful.
- Sri Lanka: Advice received was good. Staff working on LFS particularly appreciated information about data requirements national account

*3. What documentation did they supply that you found useful? What more would you have liked?*

- Mongolia:
- Palestine:
- Philippines: Readings for the informal sector
- Saint Lucia: We have problems for blowing up results to national level for GDP estimates.
- Sri Lanka: We still have problems in using the data for the national accounts.

## **Annex VI: List of Advisory Missions by implementing Regional Commissions**

### Personnel

PG	Pietro GENNARI, ESCAP staff-member
MG	Margarita GUERRERO, ESCAP staff member
ZO	Zeynep ORHUN, ESCAP staff-member
SS	Sharita SERRAO, ESCAP staff-member
JS	Jan SMIT, ESCAP staff member
CS	Christian STOFF, ESCAP staff-member
Sin	Sinovia MOONIE, ECLAC staff member
SR	Sylvan ROBERTS, ECLAC staff member
AK	Aloke KAR, ESCWA staff member
GS	Giovanni SAVIO, ESCWA staff member
SM	Sebastien MERCERON, DIAL consultant
FR	François ROUBAUD, DIAL consultant
VV	Viet Vu, ESCAP Consultant

Country	Date	Expert	Topics
Mongolia	June 2007	MG and FR	Review LFS sample selection Introduce generic questionnaires
	July 2007	MG and SM	Operational framework for “1-2” Surveys Adapting generic questionnaires Training enumerators
	February 2008	MG	Data processing flow Data entry and editing Plans for analysis and minimum set of tabulations
	September 2008	SM	Review data entry Review editing and checking
	April 2009	JS	Data processing Use of data for national accounts
	November 2009	JS and VV	Value added estimates from Phase 2 Informal sector definition
Palestine	April 2008	PG	To act as resource person in ESCWA advocacy workshop: explain project; training on operational aspects; adapting questionnaires
	September 2008	AK	Review of: questionnaires, enumerator instructions, sample design, imputation methods

	May 2009	AK	Definition of informal sector Review estimation procedures Review tabulation plans Advise on use of data for National Accounts
	July 2009	GS and AK	Review programme Estimation/imputation procedures Use of data for national accounts Timetable and content of final report
Philippines	March 2007	MG	Specifics of Philippines' participation in Project
	November 2007	MG	Sample design Survey design and data collection Questionnaires
	February 2008	MG	Drafted a detailed report on survey methodology Review editing and checking Preliminary tabulation plan Review project management and survey documentation
	May 2008	ZO	To act as resource person at ADB workshop on "1-2" Surveys
	March 2009	JS and ZO	Data editing Estimation for missing observations Tabulation plans Survey documentation
	November 2009	MG	Review survey estimates and the draft country report
	Saint Lucia	October 2007	Sin
November 2007		SM and SR	Questionnaires Sampling Prepare Advocacy workshop
Feb- March 2008		SM and Sin	Enumerator manual Enumerator training Tabulation plans Outline of final report
April 2008		SR	Supervision of field work and data editing
July 2008		SR	Training additional enumerators
February 2009		SR	Timetable for final report Outline of final report
April 2009		SM and SR	Cleaning and editing Hot-deck imputations
Sri Lanka	February 2007	MG	Explain Project
	January 2008	MG	Adapting the generic questionnaires Drafted technical report for inclusion in final report

	September 2009	JS, SS and CS	Merging P1 and P2 data sets Data editing Integrate P2 data into national accounts Discussion of plans to continue/sustainability
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<b>Annex VII: Country Participants in ESCAP Training Workshops in Bangkok</b>					
		Sep-07	May-08	May-09 (2 work-shops)	Nov/Dec 2009 (2 work-shops)
<b>MONGOLIA</b>					
Ms Bayarmaa Baatarsuren, Economist, Macro Economic and Statistics Department, NSO					
Ms Tegshjargal Tsagaan, Economist/Statistician, Economic Statistics Division, Statistical Planning and Policy Coordination Department, NSO					
Ms Batjargal Badamtsetseg, Director, Macro Economic and Statistics Department, NSO					
Ms Ankhzaya Byamba, Officer, Economic Statistics Division, Macro Economic and Statistics Department, NSO					
Ms Oyunbileg Naimaldai, Officer on Informal Employment, Strategic Planning Department, Ministry of Social Welfare and Labour					
<b>PHILIPPINES</b>					
Ms Vivian Ilarina, Chief, Expenditure Accounts Division, Economic Statistics Office, National Statistical Coordination Board					
Ms Sotera de Guzman, Statistician, Income & Employment Statistics, NSO					
Mr Raymundo Talento, Director, National Statistical Coordination Board					
Ms Emma Fabian, Chief, Income and Employment Statistics Division, NSO					
Ms Elsie Solidum, Chief, Statistical Sampling and Operations Division, NSO					
Ms Rosrio Fajardo, OIC-Chief Labour and Employment Officer, Labour Standards Statistics Division, Bureau of Labour and Employment Statistics					

<b>SRI LANKA</b>				
Ms Galgamage Geethanjali Gunasekera, Statistician, National Accounts Division, Department of Census and Statistics				
Ms Weerakoon Arachchilage Chandani Wijebandara, Statistician, Sample Surveys Division, Department of Census and Statistics				
Ms Egodawatte Arachchige Asoka Priyani Egodawatte, Sample Surveys, Department of Census and Statistics				
Mr Hettige Don Nimal Padmasiri, Statistician, Statistics Division, Department of Labour, Department of Census and Statistics				
<b>SAINT LUCIA</b>				
Ms Sherma Beroo-Joseph, National Accounts Statistician,				
Mr Grantley Charlemagne, Assistant Director of Statistics, Central Statistical Office				
Mr Edwin St Catherine, Director of Statistics, Central Statistical Office				
<b>PALESTINE</b>				
Ms Suha Kana'an, Director, Labour Statistics Department, Central Bureau of Statistics				
Mr Ayman Qanir, Director, Industrial and Construction Statistics Department, Central Bureau of Statistics				
Mr. Nayef Abed, Director, Sampling and Sampling Frames Department, Central Bureau of Statistics				
Ms. Amina Khasib, Director, National Accounts Department, Central Bureau of Statistics				