



**CAPACITY DEVELOPMENT OF THE  
MINISTRY OF ECONOMIC DEVELOPMENT – DEPARTMENT OF STATISTICS FOR THE  
ACCURATE ESTIMATION OF THE INFORMAL ECONOMY**

**Budget: 122,500 USD**

**Duration: November 2006 – June 2007**

**Background:** Estimating the size of the informal economy is important for policy-makers for a number of reasons. First, the informal sector does not pay taxes, thereby undermining public revenue. Second, official statistics becomes less reliable the larger the informal economy and among others economic growth figures become overestimated. Third, developments in the informal economy are informative about society's perception of the tax and administrative burdens, as well as of the quality of governance.

The size of the informal economy in Georgia has been measured by different institutions. However, actual size of the informal economy obtained from these sources is significantly different. In order to verify the accuracy of the estimates the Department of Statistics should be able to calculate the informal economy by at least two different methodologies and compare them.

**Objective:** The project aims to support creation of an enabling environment for reducing the size of the informal economy in Georgia. The project will assist in obtaining comprehensive picture of the Georgian economy and its characteristics with regards to informal and formal activities. It is expected that this will improve the information base for policy makers and particularly for strategic actions to decrease the shadow economy in Georgia.

**Outputs:** The project will:

- Produce accurate estimation of the size of the informal economy using at least two different methodologies.
- Enhance capacity of the Department of Statistics in measuring the informal economy.
- Provide policy recommendations for integration of informal sector in the formal economy.

**Implementation:** The project will be implemented in cooperation with the Department of Statistics – Ministry of Economic Development.

Assistance will be sought from the international expert in order to advice on the need for improvement of the existing informal economy measurement methodology and recommend alternative methodologies, most suitable for Georgian reality.

Along with the international expert, the local expertise will be involved in analyzing the nature of the informal economy, identifying its causes and providing recommendations to the policy makers on addressing the problem of the informal economy.

The project envisages providing of financial/technical support for conducting of specific enterprise/household survey, to be conducted by the Department of Statistics through its country-wide network of interviewer/supervisors.