

TERMS OF REFERENCE

Individual Contractor

1. Assignment Information

Assignment Title:	International Expert for the Joint UNDP-ILO Research Project – Understanding better the paths to formalization in Cambodia: an integrated vision
Cluster/Project:	Policy and Innovation Unit
Post Level:	Senior Specialist
Contract Type:	Individual Contractor (IC)
Duty Station:	Home-based
Expected Place of Travel:	Phnom Penh (if possible)
Contract Duration:	40 working days, and from May 2021 to December 2021

2. Project Description

In recent years, Cambodia has made impressive gains in poverty reduction. According to official estimates, the poverty rate in 2014 was 13.5 per cent compared to 47.8 per cent in 2007. These gains in poverty reduction were achieved through a combination of economic development and better public service delivery for the poor. Nevertheless, Cambodia remains highly vulnerable to external and internal shocks due to structural weaknesses in Cambodia's economy. A narrow economic base, lack of capital controls, a dollarized economy coupled with high levels of informality along with limited social safety nets mean that the gains made in human development could quickly recede in times of crisis. World Bank estimates that around 4.5 million people remain near-poor and are vulnerable to falling back into poverty when exposed to economic and other external shocks.

In order to achieve the goal of reaching upper middle-income country status by 2030, Cambodia needs to sustain pro-poor growth and to protect the gains in human development by advancing social protection. This can be achieved by extending social protection coverage to unprotected segments of the population and by increasing the level of benefits afforded to those who are covered.

According to ILO preliminary estimates from the most recent Labour Force Survey (LFS), informal employment accounted for 88 per cent of total employment, corresponding to 7.0 million persons. UNDP (2020) found that while the income of informal workers has dropped significantly during the Covid-19 pandemic, only 6 per cent of them reported having an IDPoor card as of October 2020. Significant efforts need to be made to extend the coverage to this missing middle of informal sector workers. Since women form the majority in the informal workforce, a more gender sensitive design of such coverage will be needed, while bringing up women workers' needs and voices.

While the recent Royal Government's Covid-19 Economic Recovery Plan highlighted formalization as a strategy in the post-Covid-19 recovery landscape, there seems to be a lack of consensus as regards the meaning, scope and dimension across the government line ministries. There are blurred perceptions about the extent to which the term formalization denotes business registration, tax contribution, social protection and/or skill development, amongst other dimensions. Thus, a common country strategy and consensus are equally essential to realistically and effectively narrow the gap of the "missing middle".

The diversity of the informal economy must be recognized, and tailored approaches will need to be adopted to ensure effective coverage for all workers. The size of the informal economy also requires

the adoption of a gradual expansion strategy based on a concrete action plan. In this respect, ILO is working on an overall approach towards formalization and this assignment will be a critical input towards the strategy.

One particular group of workers that are found in informal employment and therefore not covered by the National Social Security Fund are workers in Micro and Small Enterprises. While the social security system was initially mandatory for enterprises with 8 or more workers, this limitation was dropped in 2017. One of the conditions for an enterprise to register and enroll their workers in NSSF is to present a business license, which means that a significant part of workers cannot effectively enroll due to the status of their enterprise. This demonstrates the importance of an integrated approach to business and employment formalization.

The objective of this assignment is to contribute to the overall formalization of the informal economy by conducting research and produce a report aiming at:

- Getting a deeper understanding of the socio-economic context in Cambodia, in particular the labour market and enterprise landscape, and respective drivers of (in)formalization, particularly for micro and small enterprises, including incentives and costs for formalization from the enterprise perspective;
- Assess the legal and policy landscape in Cambodia and its impact on formalization;
- Develop the business case for an integrated approach to formalization, both from a business formalization as well as of job formalization (with particular focus on social security participation), with concrete measures targeted at micro and small enterprises from the perspective of the Royal Government of Cambodia;
- Provide inputs to the overall strategies/policy paths towards a more integrated approach to formalization with roles and responsibilities outlined for each stakeholder and with time scheduling of activities.

3. Scope of Work

The **International Expert** with support from local expert is responsible for the following outputs:

1. Develop the research protocol, including interview questions, confidentiality form, and other required elements to facilitate the process of implementing the research in an effective, culturally appropriate, gender-sensitive, and ethical manner;
2. Conduct an in-depth desk review of relevant literature on the situation of labour market and business landscape, particularly for micro and small enterprises, in Cambodia;
3. Gather and analyse statistical data on the status and evolution of the formal and informal economies and labour markets in Cambodia, mostly from ILO and UNDP sources, producing a robust statistical analysis of the topic;
4. Conduct interviews with ILO and UNDP officials (DWT technical specialists and CO officers);
5. Conduct interviews with relevant stakeholders and government counterparts in Cambodia, particularly those with in-depth insight over successful implementation of integrated approaches on formalization. At least, one interview per relevant government ministries. Detailed data collection strategy should be included in the inception report;
6. Analyse qualitative and quantitative data, and organizing findings on the situation and trajectory of formalization in Cambodia, in alignment with ILO's Recommendation 204 Concerning Transition from Informal to Formal Employment;
7. Detail cases of success and identified good practices on developing, implementing, and managing integrated approaches and initiatives, including from other countries;

8. Produce a report on the findings of the research from the perspective of small medium enterprises, including an executive summary and possible strategies towards formalization that will be agreeable to such enterprises. (max. 80 pages);
9. Engage in high-level policy dialogue with key government stakeholders to generate consensus for a common country strategy on an integrated approach towards formalization;
10. Support the preparation and participate in the launch of the report and the presentation of its findings in a virtual event.

4. Expected Outputs and Deliverables

Deliverables/Outputs	Estimated Duration to Complete	Target Due Dates	Review and Approvals Required
Deliverable 1: Inception report An inception report of maximum 20 pages in English that includes possible modifications to the methodology suggested in the ToRs	5 days	Jun 2021	UNDP Country Economist
Deliverable 2: A Draft Research Report of maximum 80 pages including an Executive Summary of 5 pages	20 days	October 2021	
Deliverable 3: Final version of the Research Report	10 days	November 2021	
Deliverable 4: Workshop presentations during the different phases of the process, including a high-level policy dialogue.	5 days	December 2021	
Total # of Days:	40 working days		

5. Institutional Arrangement

The International Expert will be supported by National Expert to perform the assignment. Their roles are hereunder:

The **International Expert** is responsible for the following outputs:

- Coordinate the work of the team and ensure the communication with the UNDP and ILO
- Conduct literature review and develop a detailed methodology for the study
- Design the questionnaires and other instruments to facilitate data collection needed for the research
- Conduct and/or supervise the national consultant with the interviews and the collection of the data, feedbacks and recommendations needed for the review
- Develop an inception report and produce the final consolidated report

The **National Expert** will be responsible for the following:

- Provide a national context and lens in the development of the deliverables and outputs
- Assist in the translation of the documents from Khmer to English (where applicable)
- Support in the interviews and the collection of the data, feedbacks and recommendations needed for the study
- Provide quality control of the translation of final research report from English to Khmer to be done by a contracted translation firm.

The consultant will work under direct supervision of the UNDP Country Economist but overseen by the Assistant Resident Representative for the Policy and Innovation Hub (PIH), and guided and approved by ILO and UNDP technical specialists. This is a collaborative project between UNDP and ILO, so it is important for the consultant to present in such a way to various stakeholders.

6. Duration of the Work

This research project shall be commenced in Jun 2021 and completed by the end of December 2021.

7. Duty Station

The duty stations for this assignment are home country and Phnom Penh, given COVID-19 travel restrictions, virtual delivery would be the norm, however. In the event that travel is required (Max. 5days), daily subsistence allowance (DSA), travel, and other related costs of mission will be covered by the project following UNDP scale rate but will be discussed and agreed prior to traveling.

The reimbursement of the associated costs will be made through an F-10 reimbursement form.

Selected individual contract(s) who is expected to travel to the Country Office (CO) to undertake the assignment in the country (Cambodia) is required to undertake the BSAFE training. <https://training.dss.un.org/course/category/6> prior to travelling.

8. Minimum Qualifications of the Individual Contractor

The international expert on formalization shall meet the following qualifications:

Education:	Advanced university degree in Public Policy, Social Sciences, Economics, Political Science, Business Management or related disciplines to the formalization of the informal economy.
Experience:	<ul style="list-style-type: none"> • At least 7 years of experience in strategy, policy making and technical knowledge in formalization and social protection with significant experience in low-income countries with huge informal economies • Proven experience in conducting research and technical consultancy on formalization of informal economy from the perspective of small medium enterprises. • Experience of similar assignments in similar international development contexts and extensive work assignments in Cambodia with UN and/or other international organizations
Competencies:	<ul style="list-style-type: none"> • Advanced economic formalization and social protection knowledge and skillsets • Capacity to engage with senior decision/ policy makers, and to synthesize and present complex arguments in easily understood terms. • Ability to work collaboratively with team members by sharing information openly and displaying cultural awareness and sensitivity. • Superior written/ oral communication skills, with the ability to convey complex development concepts and recommendations.

	<ul style="list-style-type: none"> Positive and results-oriented attitude, able to meet targets/deadline.
Languages:	Fluency in written and spoken English

9. Criteria for Evaluation of Level of Technical Compliance of Individual Contractor

International Expert:

Technical Evaluation Criteria	Obtainable Score
Advanced university degree in Public Policy, Social Sciences, Economics, Political Science, Business Management or related disciplines to the formalization of the informal economy.	20
At least 7 years in conducting research and technical consultancy on formalization of informal economy from the perspective of small medium enterprises	20
Experience of similar assignments in similar international development contexts and extensive work assignments in Cambodia with UN and/or other international organizations	20
Experience in engaging with senior decision/ policymakers, and ability to synthesize and present complex arguments in easily understood terms.	20
Superior written communication skills, with the ability to convey complex development concepts and recommendations (assessed by a sample of work provided)	20
Total Obtainable Score:	100

10. Payment Milestones

The consultant will be paid on a lump sum basis as per the following milestones:

Deliverables	Target Due date	Payment percentage
Deliverable 1: Inception report	June 2021	20%
Deliverable 2: Draft report	October 2021	30%
Deliverable 3: Final report	December 2021	30%
Deliverable 4: Workshop presentation	December 2021	20%
Total		100%

Annexes

Project Document

I. Informal Employment in Asia-Pacific

In Asia-Pacific, 68.2 per cent of the employed population (or 1.3 billion people) make their living in the informal economy. Data show that, on the average, the share of informal employment is 71.4 per cent in developing and emerging Asian countries and 21.7 per cent in developed Asian countries. Informal enterprises, usually unregistered economic units employing fewer than ten workers, account for 80 percent of enterprises in the world (ILO, 2020). In South Asia, self-employed and MSMEs account for more than 80 per cent of employment (Kok, J. D., & Berrios, M., 2019). However, 50 per cent of paid employees are also informal in Asia-Pacific. A trend towards “informalisation” of employment in the formal sector is noted over the past years, which intensified during the Covid-19 pandemic, even in developed economies.

The prospects of the region’s current and future labour force remain a concern, given the prevalence of informality among the young population. Multiple causes are behind the stubborn levels of informality. As illustrated above, one of the key factors related to the informal economy is the pattern of growth of a country. Where economic growth is lagging or where growth had not created jobs and transformed labour abundant sectors, there is a persistently higher share of informal employment. Formalization requires the expansion of opportunities in the formal sector and prevention of fall-outs from the formal economy.

Where firms operate and where workers are hired, a formal status implies that they enjoy the protection of laws and institutions as economic units and as workers, respectively. This would involve visibility and legal recognition of economic units and workers, sufficient for them to claim rights and support as well as be obligated to comply. This implies a first step of being identified or registered in relevant forms. It also means that institutional mechanisms need to be adapted to the specificities of non-traditional types of employment, such as domestic workers, seasonal workers, mobile vendors and transport operators¹. The use of technologies for the transition to formality seems to be marked in the Asian case, particularly for the registration of businesses, enterprises or companies and for the registration, filing and payment of taxes.²

Several countries in the Asia-Pacific region are promoting initiatives to increase the levels of formalization in their economies. These efforts include policies to adapt social security models for some particular groups; efforts to increase compliance; initiatives to promote and facilitate business formalization, among others³. However, most of these initiatives have not been properly

¹ For example: Social security systems in the EU and Latin America allow contributions by employers of hourly, daily and seasonal workers. Welfare boards in India, funded through a levy on the industry, protects seasonal workers with no fixed employer. Employer funds set up in the EU and US gig companies aim to provide a range of benefits, including social security, guaranteed income, and health insurance.

² Bhattarai, Tejeshwi Nath. 2018. Emerging Trends in the Use of Technology as a Driver of the Transition to Formality: Experiences from Asia and the Pacific.

³ Implemented policies involved business entry reforms (Bangladesh, Indonesia, Sri Lanka and Viet Nam); simplified tax and contributions assessment and payment regimes (Pakistan and Viet Nam); access to public procurement (India); access to inclusive financial services (India); access to entrepreneurship training, skills development and tailored business development services (India); access to social security coverage (India and Thailand) and e-formality (Bangladesh, Indonesia, India, the Philippines and Sri Lanka).

coordinated and an integrated approach to the phenomenon is lacking. They are initiated and managed by different institutions, without utilizing their interconnections and administrative coordination. Instead, each institution tries to solve a specific problem on its own despite that they target the same groups, being these economic units or workers.

According to a recent joint UNDP and ILO report (2021), the lack of financial sustainability and a common, integrated country strategy are key barriers to effectively addressing the “missing middle” problem. There is a strong need for more innovative approaches that can be designed and scaled up to expand coverage. Also, formulation process of strategies to cover informal workers must include all stakeholders and communicate across sectors and line ministries (UNDP & ILO, 2021).

The complexity of the phenomenon also requires countries to change their mind-sets and develop a different type of approach. The report on transition from the informal to the formal economy presented at the 2014 ILO International Labour Conference highlighted that where integrated approaches have been adopted, the results for formalization have been more robust. The report mentions that integrated approaches should give attention to a series of aspects such as:

- Sustained economic growth with quality jobs;
- Improved legislation;
- Organization and representation; encouragement of equality and the fight against discrimination (women workers or migrant workers);
- Stronger institutions;
- Social dialogue promotion
- Support for corporate initiative;
- Development of professional skills, funding; extension of social protection; and
- Local economic development

The report also presents different strategies for formalization that can compose an integrated approach to tackle the issue, as shown in the figure below.

Decent Work Strategies for the Informal Economy



Source: ILO, 2014. Transitioning from the informal to the formal economy

II. Informal Employment in Cambodia

In recent years, Cambodia has made impressive gains in poverty reduction. According to official estimates, the poverty rate in 2014 was 13.5 per cent compared to 47.8 per cent in 2007. These gains in poverty reduction were achieved through a combination of economic development and better public service delivery for the poor. Nevertheless, Cambodia remains highly vulnerable to external and internal shocks due to structural weaknesses in Cambodia's economy. A narrow economic base, lack of capital controls, a dollarized economy coupled with high levels of informality along with limited social safety nets mean that the gains made in human development could quickly recede in times of crisis. World Bank estimates that around 4.5 million people remain near-poor and are vulnerable to falling back into poverty when exposed to economic and other external shocks.

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III. Research Objectives

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IV. Tasks

11. Develop the research protocol, including interview questions, confidentiality form, and other required elements to facilitate the process of implementing the research in an effective, culturally appropriate, gender-sensitive, and ethical manner;
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