

TERMS OF REFERENCE

Project title	Mongolia Emergency Relief and Employment Support Project IDA credit-P174116
Location	Ulaanbaatar, Mongolia
Title of the assignment	Consulting services to develop policy strategies on the transition to formalization of informal economy in Mongolia
Post title	A national consulting firm to develop policy strategies, an action plan and a roadmap on the transition to formalization in Mongolia
Contract type	Consultancy services
Languages required:	English and Mongolian
Contract duration	Six (6) months

BACKGROUND

The Mongolia Emergency Relief and Employment Support Project (MERESP) is financed by the World Bank and implemented by the Ministry of Labor and Social Protection (MLSP). The project aims to provide job seekers and micro-entrepreneurs in Mongolia with improved access to labor market opportunities and temporary relief to eligible workers in response to the COVID-19 crisis.

The MERESP consists of four components to achieve this objective.

- 1) Component 1 supports a comprehensive realignment of the current PES to serve more employers and job seekers in a more client-driven approach and greater collaboration with private intermediation services.
- 2) Component 2 strengthens the design and demand orientation of select active labor market programs.
- 3) Component 3 improves the quality of and access to labor market information and analysis to help institutional and non-institutional clients make more informed decisions and supports project management, including strengthening M&E.
- 4) Component 4 provides temporary relief to the social insurance contributions of eligible workers and their employers.

In particular, under component 3, the MERESP has planned to develop policy strategies and an action plan for the transition to formalization in Mongolia. This action plan will contribute to realizing objectives 8.3 reflected in the Sustainable Development Goals and 3.1 and 3.3 in the long-term development policy of Mongolia - "Vision-2050" and facilitating the implementation of activities for transition to the formal economy by the MLSP.

According to World Bank estimates¹ based on a 2021 Labour Force survey, the share of informal employment in total employment was 21.4 percent in 2021. Informal employment is concentrated in trade (26 percent), construction (20 percent), and manufacturing and transportation industries (each around 15 percent). Including informality in agriculture activities, the economy-wide share of informal employment was 41.2 percent.

In addition, 87 percent of informal employment workers are in the informal sector compared to 13 percent in the formal sector. Thus, given the very high percentage of informal employment in Mongolia, MLSP needs to put more emphasis on this policy concern.

Against this background, the MLSP suggests developing policy strategies and an action plan for formalization through effective coordination across government bodies and other stakeholders. This

¹ Mongolia Jobs Diagnostic, WB, 2022, page 32

TOR provides the scope of work and deliverables for the consulting firm to develop policy strategies, an action plan and a roadmap to facilitate the transition to formalization.

DUTIES AND RESPONSIBILITIES

Scope of Work:

A consulting firm will conduct analyses of existing legal and policy frameworks, preparing policy strategies, a detailed action plan, and an implementation roadmap to facilitate the transition to formalization.

Tasks: In particular, a consulting firm will undertake the following tasks:

- 1) Review, analyze and assess the existing statistical data and the main results and findings of other surveys on informal employment in Mongolia; the statistical analysis report should include the following:
 - Statistical data on informal employment in Mongolia (indicators - % of informal to total employment, % of informal non-agricultural and agricultural, % of informality by gender, age, level of education, location, status (employees, employers, self-employed), economic sectors, occupations, working conditions (incomes of workers in informal employment, working hours, etc.);
 - Main drivers of informality, reasons, issues different groups face (by employment status, gender, age, location, etc.), their different needs;
 - Constraints to formalization of informal business activities and labor relations perceived by different groups of informality.
- 2) Review the policies including tax policy, business regulations, small and medium enterprises (SME) development policy, labor, employment and social protection policies, and other related policies that affect informality or the transition to formalization;
- 3) Review laws, regulations, administrative procedures, compliance and enforcement mechanisms and business regulations to promote or limit formalization; prepare calculations of costs associated with becoming and remaining formal, and identify needs for harmonization and improvement for a regulatory framework for formalization;
- 4) Study international innovative practices such as tax policy, business regulations, labor regulations, social insurance, and administrative procedures so on by addressing informality and promoting the transition to formalization;
- 5) Conduct interviews and focus group discussions and identify different needs of different groups of informal workers, self-employed groups (including but not be limited to young people, women, etc.), and informal economic units;
- 6) Design policy strategies in relevant policy areas. These could include but not be limited to policy changes or initiatives in the following areas:
 - Level of tax and social insurance contributions;
 - Procedures and payment systems for taxes and social insurance;
 - Formalization of employment relationships and informal economic units;
 - Improved access to support programs, services, skills training, microloans, public procurement;
 - Subsidies to economic units for hiring and formalizing informal workers;
 - Enforcement strategies;
 - Awareness raising campaigns etc.
- 7) Develop a detailed action plan and implementation roadmap to facilitate the transition to formalization that integrates national, regional, and sectoral policies;

- 8) Conduct consultations with policymakers and administrators on the policy strategies, an action plan, and a roadmap; define institutional arrangements on effective coordination and collaboration mechanisms;
- 9) Disseminate a final synthesis report to all relevant stakeholders.

The ILO's Recommendation No.204 for the transition to formality (2015) should be considered in designing a strategic plan to facilitate the transition to formalization.

The methodology will include i) desk review, including statistical analysis, ii) interviews with policymakers and administrators, and (iii) survey and/or focus group discussions with informal workers.

References and other relevant data sources documents:

- 1) Labor force survey, NSO
- 2) The state of informal employment in Mongolia, ILO, TARILSP, 2020
https://www.ilo.org/beijing/what-we-do/publications/WCMS_834558/lang--en/index.htm
- 3) Extending social security to workers in the informal economy, ILO, 2019
<https://www.social-protection.org/gimi/Course.action?id=3>
- 4) Shadow economy research and calculation, 2015-2018, NSO, 2020
http://1212.mn/BookLibraryDownload.ashx?url=NOE_2015-2018.pdf&In=Mn.

Deliverables:

A consulting firm will produce the following deliverables:

Deliverable 1: to be delivered by January 31, 2024:

- 1.1. The statistical analysis report and its ppt slides;
- 1.2. Legal framework and policy review report, and its ppt slides;

Deliverable 2: to be delivered by March 31, 2024:

- 2.1. International practices;
- 2.2. Report on interviews and discussions with informal workers;
- 2.3. Policy strategies; ppt slides introducing the above deliverables;

Deliverable 3: to be delivered by May 31, 2024:

- 3.1. An action plan and implementation roadmap;
- 3.2. Final synthesis report presenting strategy, action plan and roadmap (to be finalized based on review and comments from the MLSP)
- 3.3. Consultation and dissemination report; ppt slides introducing the above deliverables;

Contract duration:

A contract will cover the period from December 1, 2023, to May 31, 2024 (6 months).

Contract Price:

The contract price is negotiable with the consulting firm. The total price of the contract will be up to MNT 160,000,000 (USD 46,300) and include all costs required to perform the deliverables identified in the TOR. The contract will include a consultancy fee and the following additional costs:

- i) Estimated consultancy fee: MNT 130,000,000 (3 consultants)
- ii) Focus group discussion costs: MNT 15,000,000 (4 times*50 persons in UB and 3 aimags)
- iii) Travel costs to 3 aimags: MNT 3,000,000 (proposed Arkhangai, Darkhan-Uul and Selenge aimags will be negotiated)
- iv) Consultation costs: MNT 6,000,000 (1 time*60 persons)
- v) Dissemination workshop costs: MNT 6,000,000 (1 workshop*60 persons).

A consulting firm will deliver the products at no cost if any of the deliverables stipulated by this TOR

cannot produced before the contract ends due to justifiable circumstances, and for this reason, extending the contract duration.

Monitoring and progress control:

A consulting firm will work under the supervision of the MLSP and the MERESP PIU while performing the activities in this contract. The consulting firm will work closely with an international consultant hired by the World Bank to provide the technical support throughout the entire assignment.

The performance of a consulting firm is evaluated based on the following indicators:

- 1) Completion of tasks specified in ToR;
- 2) Compliance with the established deadlines for submission of deliverables (subject to deliverables by the international consultant as well);
- 3) Quality of work.

Reporting:

A consulting firm will report to the MLSP/PIU and World Bank. A consulting firm will fill out a Deliverable acceptance form for each scheduled deliverable to the MLSP/PIU before receiving the contract payments.

Schedule of payments:

The contract price is output-based regardless of the extension of the herein-specified duration. Payments shall be in three installments based on the list of deliverables.

The consulting firm will be paid in the following schedule:

Deliverable	Payment
Deliverable 1.1; and 1.2	30% of consultancy fee
Deliverable 2.1; 2.2; and 2.3	30% of consultancy fee plus reimbursement of discussions and travel costs
Deliverable 3.1; 3.2; and 3.3	40% of consultancy fee plus reimbursement of consultation and dissemination workshop costs

Payment will be made upon submission of the agreed deliverables and acceptance by the MLSP/PIU. Discussions, consultation, travel costs and dissemination workshop costs will be reimbursed upon documented evidence.

REQUIRED SKILLS AND EXPERIENCE

A consulting firm should have a team consisting of a team leader, a policy analyst, and a legal consultant. The team leader and consultants should be the permanent employees of the consulting firm or have stable cooperation with it.

Team leader and members should meet the following requirements:

Educational Qualifications:

- The team leader should have a Ph.D degree (or a master’s degree with relevant working experience) in economics, labor economics, social policy, public administration, and other related fields;
- The team members should have a master's degree or higher degree in economics, labor economics, social policy, public administration, and other related fields;

Experience:

- The team leader should have at least 5 years of work experience in preparing policy design and coordination, strategic planning, and road map preparation in the employment or social sector;

- The policy analyst should have at least 3 years of work experience in analyzing employment and social policy studies, discussing survey reports, and being involved in labor market and social policy planning and reforms;
- The legal consultant should have at least 3 years of work experience in developing social and labor laws, regulations, guidelines, and cost calculations, and in developing strategies for intersectoral policy coordination;
- Prior relevant experience with WB and other international donor organizations would be an advantage;

Competencies:

- The consulting team should have the knowledge and skills in legislation and policy studies and analysis and strategic development;
- Good communication skills, organized;
- Proficiency in written and spoken English;
- Good teamwork skills and ability to manage complexities.