

Advancing formalization in Bangladesh  
ILO Skills Programme  
ILO Country Office for Bangladesh

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### TERMS OF REFERENCE

**Assignment:** National Consultant to conduct a diagnostic study on informality of Bangladesh and develop a comprehensive framework & actionable strategies to facilitate the formalization of informal enterprises and employment in Bangladesh.

**Contract Type:** External Collaborator

**Duty stations:** Dhaka, Bangladesh

**Languages required:** English

**Duration of Ex-Col contract:** 90 working days over the period of 4 months (tentatively the assignment will be started from April 2024. Date will be finalized after completion of recruitment process).

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#### 1. Background and rational

The informal economy poses significant challenges to workers' rights, social protection, decent working conditions, and inclusive economic growth and development. Furthermore, the persistence of informality undermines the viability of sustainable enterprises, erodes public revenues, and weakens government policies, thereby exacerbating inequality and perpetuating poverty. Globally, over two billion people work informally, representing about 58% of global employment. In Asia and the Pacific region, as of 2024 approximately 66% of total employment is informal, affecting approximately 1.3 billion workers (65% of all workers in informal employment worldwide). Moreover, more than 8 in 10 enterprises in the region are informal.

The ILO's Recommendation No. 204 (R204), adopted in 2015, provides guidelines for transitioning from the informal to the formal economy. It focuses on creating decent jobs in the formal economy, transitioning workers and enterprises from the informal to the formal economy, and preventing the informalization of formal jobs. The process of formalization aims to achieve objectives like access to decent work, poverty reduction, and greater equality. It enhances enterprise sustainability, labour, and social protection, benefiting society by increasing public revenues and strengthening the rule of law. Formalization is also critical factor in advancing the achievement of several Sustainable Development Goals (SDGs), including SDG 1 (No Poverty), SDG 5 (Gender Equality), SDG 8 (Decent Work and Economic Growth), SDG 10 (Reduced Inequalities), and SDG 17 (Partnerships for the Goals).

Informal enterprises defined as Economic units that are not registered or do not comply with legal frameworks governing formal business operations. And informal employment defined as Jobs without labour or social protection, often found within informal enterprises or formal enterprises operating informally.

During its 347th Session, the ILO's Governing Body resolved to include on the agenda of the general discussions in the 113th Session (2025) of the International Labour Conference (ILC) a discussion item on innovative approaches to tackling informality and promoting transitions towards formality to promote decent work. The discussion at the ILC will hold particular significance as it marks the 10th anniversary of the adoption of R204.

The informal economy in Bangladesh poses significant challenges to sustainable economic growth, social equity, and the promotion of decent work. With over 84% of workers and 86% of private businesses operating informally, the nation faces obstacles such as poor worker protections, limited social security coverage, and reduced enterprise competitiveness. Informality also restricts access to finance, export and domestic markets, and essential support services, particularly for women-led enterprises, further perpetuating inequality and poverty. It also inhibits backward linkages between formal exporters with small enterprises, which is a missed opportunity for both parties - formal companies often find it difficult to source from informal enterprises for instance due to compliance restrictions. Furthermore, it hampers Bangladesh's ability to diversify its economy and increase exports, as businesses operating informally face difficulties complying with responsible business conduct safeguards and suffer from low productivity across supply chains.

To address these challenges, the ILO Country Office for Bangladesh has launched a comprehensive initiative to facilitate the transition from informal to formal employment and enterprises, leveraging ILO's Recommendation 204 (R204) and aligning with national constituents' priorities and global development goals. Additionally, the ILO has another initiative on improved coherence in support and action to advance decent work outcomes in supply chains. One of its aims is to support the formalization efforts by creating incentives for MSMEs to formalize through improved access to global supply chains. This dual approach seeks to accelerate the economy's transition toward formalization, enhancing productivity, competitiveness, and inclusivity. This initiative aims to generate evidence and knowledge to inform policy, develop an integrated and gender-responsive formalization strategy owned by the tripartite constituents, improve access to information and services, and strengthen capacities to support formalization processes. By addressing systemic barriers enhancing commitments and support structures, this initiative aims to create a more equitable, resilient, and sustainable economy in Bangladesh.

Existing barriers to formalization already identified include:

- Policy and institutional gaps:
  - Limited emphasis on formalization in key frameworks like the Industrial Policy 2022, SME Policy 2019, draft version of the upcoming SME Policy 2025 and White Paper on State of the Bangladesh Economy.
  - Absence of a cohesive and integrated policy framework or roadmap for formalization.
  - Lack of a dedicated agency to drive formalization, coupled with overlapping and unclear jurisdictions.
  - Inconsistent enforcement and control of existing laws and policies across regions, undermining trust in regulatory systems.
- Regulatory complexity and high cost:
  - Lengthy, cumbersome, and non-transparent registration and licensing procedures deter informal businesses from transitioning.

- High barriers to entry due to excessive taxes and complex, burdensome taxation processes.
- Corruption prevalent throughout formalization processes, discouraging compliance and increasing costs.
- Lack of capacity, information and awareness of constituents
  - Inadequate, outdated, or unavailable data on informal enterprises and workers to guide policymaking.
  - Insufficient efforts to demonstrate tangible benefits of formalization, such as social protection, market access, or financial inclusion.
  - Limited access to resources and capacity-building programs, particularly for small businesses and marginalized groups.
- Social and cultural factors:
  - Mistrust of government systems and formal institutions, discouraging engagement with formalization processes.
  - High prevalence of informality among women workers and enterprises, with limited support for their transition.
  - Perception that formalization limits flexibility and autonomy for workers and enterprises.
  - Fear of increased costs, scrutiny, or punitive measures as a result of formalization.

## **2. Objective of the assignment**

The primary goal of this study is to develop a comprehensive framework and actionable strategies to facilitate the formalization of informal enterprises and employment in Bangladesh. The study seeks to address the challenges, streamline processes, strengthen institutional capacities, bridge policy gaps, and enhance enterprise readiness to transition toward formality. The study aims to align with ILO Recommendation 204 and national priorities, fostering sustainable and inclusive economic growth.

## **3. Scope of work**

Through desk review of existing documentation and policies, data analysis, interviews of relevant ministries and development agencies, employers, informal workers, entrepreneurs, analysis of best practices, this study will be expected to:

### **Step 1. Review of existing documentation:**

1. Past reports and studies on the informal economy, formalization challenges, and previous policy recommendations related to the formalization of enterprises and employment.
2. Active policies (Limited emphasis on formalization in key frameworks like the Industrial Policy 2022, SME Policy 2019, draft version of upcoming SME policy 2025, White Paper on State of the Bangladesh Economy, Dissection of a Development Narrative, Bangladesh National Productivity Master Plan FY 2021-2030, Eighth Five Year Plan etc.).
3. List of relevant existing institutions for business and workers licensing/registration and their core activities in Bangladesh.

4. Map existing initiatives in Bangladesh relative to the formalization of informal enterprises and employment (organization, outcomes, date, donor, lead government agency)
5. Case studies and best practices from other countries that have successfully driven the formalization of enterprises and employment.
6. Compile relevant data from previous studies on the status of informal enterprises and employment.

## **Step 2. Support transition of enterprises to formality**

### **Simplification of process:**

1. Develop a detailed process map of the existing formalization procedure, including each step, cost, renewal frequency, documentation required, and actors involved for informal enterprises to formalize. Provide a comparison with other best-practice countries.
2. Provide recommendations for simplification (number, cost, frequency, documentation, etc) of the licensing and registration process based on experience of other countries.

### **Strengthen institutional capacity and efficiency to deliver tailored business development support services:**

3. Assess relevance of service provided, capacity and complementarity existing business development support structures, such as digital registration platforms and one-stop centers. Provide a comparison with other best-practice countries.
4. Provide recommendations on avenues to improve capacities, empower and monitor the business support services entities. Provide recommendations to leverage digital solutions.

### **Address policy gaps:**

5. Analyse existing policy and strategy gaps in Bangladesh. Review best practices policies and strategies for formalization of enterprises in Asia.
6. Based on past studies' recommendations, Bangladesh context, and interviews with stakeholders from both public and private sector formulate short term, medium term and long pathways to formalize the enterprise. The pathways should focus on the policies to be developed and formulated, identification of the roles and responsibilities of different institutions involved in enterprise development, the activities and programs to be undertaken – including financial and non-financial incentives -, the targets to be achieved, assessment of the programs that help in the transitioning to formalization, etc. - aligning with ILO Recommendation 204 and national priorities.

## **Step 3. Assess enterprise readiness to formalize employment**

1. Assess existing legal and regulatory framework around the formalization of employment, including social security provisions, in Bangladesh.
2. Examine how the ongoing comprehensive labour sector reform (wages, labour inspection, dispute resolution...) and social security reform processes can support employment formalization.
3. Assess willingness, understanding, capacity, of labour market institutions to advance formalization of employment in Bangladesh (labour inspection, registration, social security etc.), and provide recommendations on priority interventions.
4. Assess willingness, understanding, capacity, of enterprises to advance formalization of employment in Bangladesh (cost, norms, etc.), and provide recommendations on priority interventions.

#### **Step 4. Validation**

1. Facilitate a validation workshop with tripartite constituents (government, workers, and employers) to gather input on findings. Incorporate stakeholder perspectives into the development of actionable and inclusive recommendations.

*\* Consultant must consider and include the expenditure in terms of organizing meetings, training & workshops in financial proposal. The validation workshop at the end of the study will be taken care by ILO.*

#### **4. Specific Tasks and Timetable**

The below is based on the assumption that the contract would start in April 2025:

<b>Key Tasks</b>	<b>Specific Deliverables</b>	<b>Deadline and days</b>	<b>Remarks</b>
<b>1. Review of existing documentation</b>	<ul style="list-style-type: none"><li>- Comprehensive review report summarizing past studies, policies, and initiatives on the informal economy and formalization challenges.</li><li>- Summary report on active policies (e.g., Industrial Policy 2022, SME Policy 2019, Draft version of upcoming SME policy 2025, White Paper on State of the Bangladesh Economy, Dissection of a Development Narrative, Bangladesh National Productivity Master Plan FY 2021-2030, Eighth Five Year Plan etc.) with limited focus on formalization and analysis of gaps.</li><li>- Mapping of existing institutions (business and worker licensing/registration) and their core activities.</li></ul>	<b>4th week of April</b> (10 days)	Focus on identifying systemic challenges and opportunities for formalization in Bangladesh.
<b>2. Process mapping for enterprise formalization</b>	<ul style="list-style-type: none"><li>- Detailed process map for enterprise formalization, outlining each step, associated costs, renewal frequencies, required documentation, and involved actors.</li><li>- Comparative analysis with international best practices, highlighting bottlenecks, inefficiencies, and areas for improvement.</li></ul>	<b>2nd week of May</b> (15 days)	Highlight key barriers in existing processes and propose alternative approaches.
<b>3. Barriers, opportunities, and policy gaps</b>	<ul style="list-style-type: none"><li>- Assessment report identifying barriers (e.g., cost, administrative burdens) and opportunities for</li></ul>	<b>4th week of May</b> (15 days)	Provide a clear understanding of systemic

	<p>formalizing informal enterprises and employment.</p> <ul style="list-style-type: none"> <li>- Policy gap analysis, including a review of international best practices and strategies from other Asian countries.</li> <li>- Preliminary recommendations to address identified gaps and leverage opportunities.</li> </ul>		barriers and actionable insights.
<b>4. Recommendations for simplification and institutional strengthening</b>	<ul style="list-style-type: none"> <li>- Recommendations for simplifying formalization processes, including reducing costs, frequency of renewals, and required documentation.</li> <li>- Institutional capacity assessment, including business development support services (e.g., digital registration platforms, one-stop centers), and recommendations for improvements (e.g., digital solutions, capacity-building programs).</li> </ul>	<b>2nd week of June</b> (10 days)	Ensure recommendations are realistic and informed by international best practices.
<b>5. Draft pathways for Formalization</b>	<ul style="list-style-type: none"> <li>- Draft pathways with actionable short-, medium-, and long-term plans to support the formalization of enterprises and employment.</li> <li>- Detailed outline of roles and responsibilities of institutions, suggested programs and activities, financial and non-financial incentives, and targets to achieve.</li> <li>- Alignment with ILO Recommendation 204 and national development priorities.</li> </ul>	<b>4th week of June</b> (10 days)	Include actionable plans tailored to Bangladesh's socio-economic and institutional context.
<b>6. Enterprise and Employment Readiness Assessment</b>	<ul style="list-style-type: none"> <li>- Legal and regulatory framework assessment report for formalizing employment, including social security provisions.</li> <li>- Analysis of ongoing reforms (e.g., labour inspection, wage policies, dispute resolution) and their impact on formalization.</li> <li>- Assessment of readiness of labour market institutions and enterprises (understanding, willingness, and capacity) with prioritized interventions.</li> </ul>	<b>1st week of July</b> (10 days)	Address both enterprise and worker perspectives in readiness for formalization.

<b>7. Validation of Findings and Recommendations</b>	<ul style="list-style-type: none"> <li>- Validation workshop with tripartite constituents (government, employers, workers) to gather feedback on findings and proposed recommendations.</li> <li>- Workshop summary report incorporating feedback into actionable recommendations.</li> </ul>	<b>3rd week of July</b> (10 days)	Ensure feedback is inclusive and informs final deliverables effectively.
<b>8. Final Report and Presentation</b>	<ul style="list-style-type: none"> <li>- Final report incorporating validation feedback, including refined recommendations and implementation strategies.</li> <li>- Presentation of findings and recommendations to key stakeholders.</li> </ul>	<b>4th week</b> (10 days)	Final deliverables should be comprehensive, actionable, and aligned with project objectives.
<b>Total</b>		<b>90 days</b>	

### 5. Deliverables and Payment Schedule

Sl.	Payment Percentage	Linked Deliverables	Proposed Timeline
1.	10%	- After awarding and signing the contract.	<b>By 07 April 2025</b>
2.	30%	<ul style="list-style-type: none"> <li>- Submission and approval of the Inception Report (Step 1) summarizing past studies, active policies, institutions, and initiatives.</li> <li>- Submission of the Process Mapping Report (Step 2) including visual process map and comparison with best practices.</li> </ul>	<b>By 15 May 2025</b>
3.	50%	<ul style="list-style-type: none"> <li>- Submission of the Draft pathways for Formalization (Step 5), incorporating recommendations for simplification and institutional strengthening.</li> <li>- Completion of the Validation Workshop (Step 7)</li> </ul>	<b>By 20 July 2025</b>
4.	10%	- Submission of the Final Report and presentation (Step 8).	<b>By 07 August 2025</b>

### 6. Completion criteria

- All reports to be submitted to the ILO must be relevant to the outputs (activity and the task) mentioned in the TOR following ILO brand guideline and brand premier.
- Provide information and update progress as requested by the Project team of the ILO.
- The consultant has to follow the guideline of ILO to ensure quality of the reports/documents.
- The consultant should be proactive, report timely on the progress, and undertake visits to the project partners' site, participate in meetings as and when necessary.

## 7. Timeframe and Reporting

- a. **Timeframe:** The duration of the assignment will be for 90 working days over the period of four months (tentatively the assignment will start from April 2025, but the date will be finalized after completion of recruitment process). The ILO shall NOT provide office space in Dhaka and necessary logistics (like Laptop, Printer, Paper, internet, local travel, etc.) to carry out day-to-day jobs of the consultant.
- b. **Reporting:** The Consultant will report to the SME Specialist and National Project Officer of formalization project and submit final report to the formalization project of ILO Dhaka. The SME Specialist and Project Officer will provide oversight and quality assurance and will also carry out a performance evaluation at the end of the assignment.

## 8. Special Terms and Conditions

- a. **Confidentiality Statement and Intellectual Property of Data:** The documents prepared under this contract are the property of ILO. Therefore, the consultant cannot publish these without permission of the ILO.
- b. **Unsatisfactory or incomplete work:** For the assignment, the ILO's Standard Rules and Procedure for external collaboration contract shall be applicable. In event that the service delivered is unsatisfactory or fails to conform to the conditions set out above, the ILO reserves the right, as appropriate to interrupt it, to request that it be corrected or modified, or to refuse to accept the service.
- c. **Insurances:** The ILO accepts no liability in the event of death, injury or illness of the External Collaborator. The External Collaborator attests that he/she is adequately covered by insurance for these risks. In no circumstances shall the External Collaborator be covered by any ILO insurance and it is his/her responsibility to take out, at his/her own expense, any personal insurance policies he/she may consider necessary, including a civil liability insurance policy.

## 9. ILO's responsibilities

The responsibility of the ILO will be to:

- a. Provide all the documents and other related literature of ILO available as relevant to the task.
- b. Assist in coordination with relevant stakeholders.
- c. Identification of interviewees and validation of questionnaire, interview guide and other review and analysis tools through providing technical inputs.
- d. Review progress of the work and provide feedback as necessary.
- e. Quality assurance of the deliverables.
- f. Organize the validation workshop.
- g. Ensure payment of agreed amounts, based on deliverables.
- h. Any other tasks/supports as required and agreed by the ILO.

## 10. Qualifications and Experience of the consultant

### Academic Qualification:

- A post-graduation in economics, Social Science, Public Administration, Development Studies, Science and Engineering or related field.

### Experiences:

- At least seven years of demonstrated experience in conducting diagnostic studies, research, assessments related to enterprise development.
- Practical experience in conducting value chain analysis and upgrading strategies.
- Track record
  - The consultant must possess a minimum of 5 years of experience in enterprise development.
  - 3 years' experience in Bangladesh.
  - Proven experience of Inclusive Economic Development and Economic Analysis.
  - Demonstrated evidence of at least 5 completed studies, research projects, or assessments on enterprise development, with references from credible clients (e.g., government agencies, international organizations, or private sector partners).
- Proven expertise in economic research, enterprise development, legal and regulatory analysis, and gender-inclusive policy recommendations.
- Must have demonstrated expertise in working on gender-responsive analysis and women-led enterprise development.
- Proven experience in engaging with public and private sector institutions and stakeholders. Experience working with UN agencies is considered an asset.

### Competencies:

- a. Openness to change, flexibility, and ability to manage complexities.
- b. Written and spoken competence in English languages.
- c. Coordination and collaboration with stakeholders.
- b. Written, analytical and communication skills.

Some other expected broad competencies are:

- d. Ability to work in a multi-cultural environment.
- e. Must display a high standard of ethical conduct and exhibit honesty and integrity.
- f. Gender-sensitive behaviour and attitude.
- g. Able to work under time pressure.

## 11. Evaluation Criteria and Score

The selection of the candidate will be made based on the cumulative analysis scheme, where total score will be obtained upon combination of weighted technical and financial aspects.

(a) Technical weighted score, out of 70: When using this weighted scoring method, the award of the contract should be made to the individual consultant whose offer has been evaluated and determined as:

- I. Responsive/compliant/acceptable, and
- II. Having received the highest score out of a pre-determined set of technical and financial criteria specific to this TOR.

Only candidates obtaining a minimum of 70% score in the technical evaluation would be considered for the financial evaluation. The technical proposal will be evaluated in accordance with the criteria stated below:

Evaluation Criteria	
I.	Relevant educational qualification
II.	Relevant and recent experience of conducting gender analysis, review of policies and strategies using gender lens and developing gender equality strategies and action plans
III.	Experience of working in TVET/skills development system of home and abroad
IV.	Experience of working with Development partners/ UN agencies/ GOB on gender related issues
V.	Presentation on understanding of the concept of the assignment and methodologies to perform the task (through interview, if necessary)
VI.	Quality of concept note and other relevant reports produced earlier

(b) Financially weighed score, out of 30:

The maximum number of points assigned to the daily fee is allocated to the lowest daily fee quoted by the applicant. All other quoted daily fees receive points in inverse proportion. The suggested formula is as follows:

$$p = y (\mu/z),$$

**p** = points for the daily fee being evaluated,

**y** = maximum number of points for the daily fee (here it is 30),

**μ** = the lowest daily fee quoted among the candidates being considered,

**z** = the daily fee being evaluated

## 12. Application Requirements

Interested individuals must submit the following documents/information:

- **Personal CV**, indicating all past experience from similar assignments, as well as the contact details (email and telephone number) of the candidate and at least three (3) professional references;
- **One page concept note on the assigned task**, specifying the methodology to conduct the study and candidate's qualifications and relevant experiences, and preferably attach sample(s) of accredited publication(s), if any;
- **Financial proposal**, specifying the professional fees for this assignment. The proposal is to be submitted through the attached standard template (ANNEX – 01);
- **Copy of a recent contract** to be submitted as an evidence of daily fees offered to the candidate for similar assignment by other agency (preferably by any UN agency, Multilateral Development Bank, or bilateral donors).
- **Evidence of relevant past publications or reports**

The ILO promotes equal opportunities for women, men and disabled candidates to obtain decent and productive employment in conditions of freedom, equity, security and human dignity.

**13. Proposal Submission Procedure and Submission Deadline:**

Interested individuals must submit aforementioned documents to the ILO through email ID: [dac\\_skills@ilo.org](mailto:dac_skills@ilo.org) latest by **March 09, 2025, by 4.30pm** (GMT+6, Bangladesh Standard Time). Proposers who shall not submit all these documents shall not be considered for further evaluation.

*For any further query, kindly send email to [dac\\_skills@ilo.org](mailto:dac_skills@ilo.org)*

BREAKDOWN OF COSTS  
SUPPORTING THE ALL-INCLUSIVE FINANCIAL PROPOSAL

A. Breakdown of Cost by Components:

Cost Components	Unit Cost in BDT	Quantity	Total Rate for the Contract Duration
<b>I. Personnel Costs</b>			
Professional Fees		90 working days	
<b>II. Duty Travel</b>			
Local Transport Cost (At actual)		2 round trips outside Dhaka in project locations	
Living Allowance as per DAS (At actual outside Dhaka)	11,000	6 Nights	66,000
<b>Grand Total in BDT</b>			