

## TERMS OF REFERENCE

<b>Job title</b>	<b>International consultant for guiding the implementation of Randomized Control Trial on tax compliance in the Republic of Moldova</b>
<b>Duty station:</b>	Chisinau, Moldova
<b>Reference to the project:</b>	Moldova Social Innovation Hub (MiLab)
<b>Contract type:</b>	Individual Contract (IC)
<b>Expected duration of the assignment:</b>	20 working days between November, 2016 – July, 2017
<b>Starting date:</b>	November 14, 2016

### 1. BACKGROUND

The phenomenon of informal economy is wide-spread in many parts of the world. In Moldova it often takes form of hidden wages, when employees are paid only part of the wage formally and the rest “in envelope”, avoiding taxes. As a result, the public budget, as well as pensions and health insurance funds receive less funding while many employees are running huge health care and social insurance risks.

According to the Ministry of Labour, Social Protection and Family, 57% of employed population have not had their salaries reported in full, and the value of informal salaries has increased by 6% annually<sup>1</sup>. One of the main determinants for undeclared wages among employees are: dissatisfaction with the low quality of public goods and services, such as quality of roads infrastructure, social protection system, public institutions, and health care system. One of the major factor affecting under-reported salaries is low transparency of public spending: only 11.4% of the population is highly informed about how the public money is spent, while 79.4% consider that they are poorly informed<sup>2</sup>.

To overcome this phenomenon, the National Tax Office has started to send out targeted letters to companies reminding them of their duty to pay taxes and wages in full. Our hypothesis is that these letters may achieve higher results if they use behavioral insights: “social recognition and reciprocity”, and “social norms”. In order to test this hypothesis, UNDP Moldova together with the National Tax Office intends to carry out a Randomized Control Trial (RCT) to assess the effectiveness of different types of letters on the formal salaries reported by businesses.

Thus, additionally to the standard letter, two more types of letters will be sent out by the National Tax Office to other two groups of businesses: one highlighting that most of the businesses in the sector pay much higher salaries, and consequently, higher taxes, and another one promising to award a recognition certificate in case reported salaries increase by certain percent. This experiment will help the UNDP team on the ground assess and measure the impact of this approach and will inform national tax policy at scale to formalize wages, protect workers’ rights and improve tax collection.

<sup>1</sup> <http://www.mmps.gov.md/ro/content/tranzitia-moldovei-la-economia-formala>

<sup>2</sup> [http://www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/---sro-budapest/documents/publication/wcms\\_457542.pdf](http://www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/---sro-budapest/documents/publication/wcms_457542.pdf)

Therefore, UNDP Moldova is looking for an international consultant who would guide the MiLab team in the implementation of the RCT, ensuring a correct and valid trial.

## 2. OBJECTIVES

UNDP Moldova is looking for a consultant with international experience for guiding the implementation of a RCT on tax compliance in the Republic of Moldova. This activity is part of an effort to apply rigorous methods, such as RCT, for policy evaluation in the Republic of Moldova. Besides, UNDP Moldova and its MiLab project are looking to build its capacity for policy evaluations using RCTs and sees this project as contributing to that goal.

In order to achieve these objectives, the Consultant will have the following responsibilities:

1. Guide and provide advice to the UNDP Moldova team on the overall design of the trial;
2. Advise on randomization, sample size, power calculation, and econometric model specification;
3. Review the intervention letters;
4. Provide ad-hoc guidance and support as needed;
5. Support and guide data analysis;
6. Validate the trial;

## 3. KEY DELIVERABLES AND TENTATIVE TIMETABLE

SN	Deliverables	Working Days	Tentative schedule
1	Formulate the RCT protocol, assessing the feasibility, design, and quality of available data	3	By Nov. 28, 2016
2	Advisory services on randomization and specification of econometric model	2	By December 5, 2016
3	Advisory services on the design of intervention	1	By December 12, 2016
4	Advisory services on data analysis	4	By June 26, 2017
5	Develop final report to include key findings and policy recommendation on the upscale of intervention	5	By July 15, 2017
6	Ad-hoc support to the team, as required	5	As required
Estimated working days:		20	

## 4. INSTITUTIONAL ARRANGEMENTS

The consultant will work closely with the UNDP Strategic Support Team and MiLab project. The consultant will work under the direct supervision of, and will report to the UNDP Policy Specialist, Alexandru Oprunenco ([alexandru.oprunenco@undp.org](mailto:alexandru.oprunenco@undp.org)).

### 4.1 Language

All communications and documentation related to the assignment will be in English.

## **4.2 Timeframe**

The timeframe for the work of the national consultant is tentatively planned for October, 2016 – July, 2017.

## **4.3 Financial arrangements**

Payment will be distributed in three installments upon submission and approval of deliverables and certification by UNDP Policy Specialist that the services have been performed satisfactory. The distribution will be as follows:

<b>Milestone</b>	<b>Disbursement amount</b>
Deliverable 1	50%
Deliverable 3	40%
Deliverable 5	10%

## **1. QUALIFICATIONS AND SKILLS REQUIRED**

### **5.1 Academic qualifications**

- Master degree (PhD desirable) in economics, econometrics, social sciences, finance, or related discipline.

### **5.2 Work experience**

- At least 5 years of relevant academic or professional experience in the field of economics / econometrics/ public policy / social sciences / or related;
- At least 3 research projects proving experience in conducting randomized control trials, as well as experience of working in the field. Links or copies of relevant published articles, reports, or other written proof of authoring or co-authoring such research must be provided;
- Research projects conducted in the field of tax policy will be an asset (copies or links to the articles or reports must be provided);
- Proven experience of econometric modelling and data analysis;

### **5.3 Competencies**

- In-depth knowledge of advanced econometric methods for policy evaluation;
- Advanced experience in quantitative data analysis;
- Advanced user of Stata;
- Strong analytical skills;
- Proven commitment to the core values of the United Nations, in particular, respecting differences in culture, gender, religion, ethnicity, nationality, language, age, HIV status, disability, and sexual orientation, or other status.