

Terms of Reference (ToR)

Conduct Home-Based Businesses (HBB) Assessment in Palestine

1. PROJECT BACKGROUND OBJECTIVES:

The Innovative Private Sector Development Project (IPSD) is the Ministry of National Economy (MoNE) project funded by the World Bank (WB) and implemented by DAI as a Project Implementing Agency (PIA). IPSD is a US\$13 million project with the objective of improving economic opportunities for individuals and firms in the West Bank and Gaza (WB&G). It also falls under the World Bank's overarching objective to alleviate market failures related to gaps and binding constraints in the entrepreneurship ecosystem of the digital economy including human capital, financing, product markets, enabling policies, institutional support, and connectivity.

The IPSD project has the overarching objective of creating conditions that incentivize the private sector and simultaneously mitigate the risks faced while investing in a fragile and uncertain environment. It will support reforms to create an environment where private sector investment and jobs can grow. The project's components are aligned to major Bank and Government objectives of: i) increasing ties to regional markets; ii) building skills for the private sector's labor market needs; and iii) business environment reform. The project addresses the Palestinian National Policy Agenda (2017-2022) and its focus on improving Palestinian human capital. IPSD will also support the mobilization of private sector finance by addressing key constraints on the sector caused to a large extent by the fragmentation of and the restrictions upon the Palestinian territories. Through top-down support on policy and framework-building combined with bottom-up support on skill development and pilot initiatives, binding constraints will be addressed to attract private capital and foster sustainable private sector growth.

The IPSD intervention is intended to improve economic development and employability by alleviating market failures related to gaps and binding constraints in the entrepreneurship ecosystem of the digital economy. This is an area of global growth, utilizing the development and utilization of digital platform technologies, including in the automation of business registration.

The Ministry of National Economy is committed to improving the investment climate by minimizing unjustified costs disproportionately affecting Home-Based Businesses. This will help entrepreneurs, women and youth to formalize as a home-based business through identifying a HBB Legal Framework and developing a special licensing system for them.

It should be emphasized that the main objectives of creating enabling environment for home-based businesses is to achieve the following:

- Reduce administrative barriers and red tape involved in formalizing home-based businesses.
- Minimize costs associated with starting up a HBB for entrepreneurs and reduce financial burdens
- Improve start-up businesses' chances of continuity and success by minimizing operating costs.

- Help reduce unemployment, particularly among young people, and increase female participation in labor market
- Empower people with special needs or those with restrictive day-to-day living conditions or obligations preventing them from working outside their homes.
- Motivate and enable unregulated labor to become legitimate.

CURRENT SITUATION FOR HOME-BASED BUSINESS IN PALESTINE

Home-Based Business (HBB) is defined as one whose activities are based at home such that the use of the house for business purposes is secondary to its main residential use. Most of HBBs are women who do not have the opportunity to work outside the home. These home-based entrepreneurs are currently unable to formalize due to business entry requirements, such as municipal licenses, national legislations and regulations, and business regulatory requirements such as company registration, and tax registration.

In the “Home-based Business” licensing, legal and institutional realities overlap; as business owners are not only bound by licensing procedures, they also need to consider the legislative and institutional systems relating to registration, tax, chambers or unions membership as well as the requirements of regulatory legislations regarding residential areas.

According to preliminary findings of a survey conducted by the Palestinian Central Bureau of Statistics (PCBS), it is estimated that there are approximately 15,000 informal home-based establishments in the West Bank and up to 20,000 informal home-based establishments in Gaza.

These restrictions prevent home-based entrepreneurs from reaping the benefits of formalization, such as opening a bank account, getting a loan, gaining access to insurance and public procurement, or having the ability to invoice and formalize transactions.

2. OBJECTIVE OF THE ASSIGNMENT:

The objective of this assignment is to conduct a holistic assessment on HBBs in Palestine, including an analysis of the legislative and institutional frameworks to identify challenges and binding constraints facing HBBs in formally registering and licensing their businesses. Building on the findings from the assessment stage, the firm will have to provide a detailed set of recommendations for creating enabling environment for registration and licensing of home-based businesses while benchmarking international best practices. Finally, a thorough impact assessment of formalizing HBB must be presented to decision makers to create the leverage needed for adaptation of the new frame of work related to HBB business registration and licensing.

The assignment should clearly define a proposed framework for HBBs in Palestine including legislative and institutional aspects related to business registration, taxing, zoning, insurance, chamber or union membership, municipal licensing and other sector-specific licensing including site visitations and inspections, and any other relevant areas. The assessment will include the following:

- 1- Mapping out the Home-Based Businesses landscape in Palestine via a survey of HBBs to capture baseline data describing the HBB landscape including key characteristics of the businesses, as well

as identifying their key constraints as they relate to the regulatory environment for starting and operating a home-based business.

- 2- Conducting an impact assessment of developing an HBB framework (i.e. jobs to be created, reduction in unemployment, increase in % of women owned businesses due to better legal protection and improved access to finance, increase in government revenue, enhance access to trade, increased export...etc.) in order to inform public discourse around the subject and secure government's buy-in in adopting regulatory and institutional recommendations.
- 3- Assessment of the binding constraints:
 - a. Full analysis of the legal, regulatory, and institutional components for starting and operating HBBs, this should include:
 - i. Areas such as registrations, taxes, insurance, zoning, licensing, health and safety codes, and inspections. The analysis should not only focus on restrictions but also on ease of access (e.g. disproportionate delays and costs associated with compliance that may be an obstacle for HBBs)
 - ii. first-hand research obtained during the Mapping of HBB exercise
- 4- Inventory of government and non-government entities currently supporting HBBs
 - a. An inventory of governmental and non-governmental support programs and area of focus should be developed clearly highlighting areas of support available and criteria to be eligible.
 - b. Details of support programs offered by these institutions
- 5- International examples of how other relevant countries treat HBBs from a regulatory perspective, and development of recommendations on:
 - a. Proposing a regulatory framework for HBBs in Palestine
 - b. Proposals of new regulations, amendments of existing regulations, or establishing simplified systems adequate for HBB formalization.
 - c. Designing of a suitable incentive package(s) for HBB

The assessment should include comparative studies of the proposed institutional and legislative models to those in other countries.

Roundtable discussions will be held to discuss identified binding constraints to HBBs, identifying promising activities within this category, and what incentive mechanisms should be put in place for the formalization of these businesses. These roundtables will include participatory engagement of key stakeholders such as the Ministry of National Economy, regulatory authorities, licensing bodies, chambers, municipalities, women's business associations involved in supporting HBBs, and NGOs along with relevant stakeholders engaged in supporting youth and female livelihoods, and all stakeholders of actors in the local HBB sector.

The Consultation process should take into consideration the safety measures of working during the COVID-19 pandemic

3. TASKS AND DELIVERABLES:

Task 1: Literature review, project introduction and planning:

- a. Review relevant literature, concepts, reports, laws, regulations, previous studies, and all related documents/literature pertaining to HBB;
- b. Work with IPSD to identify key project stakeholders and carryout proper stakeholder analysis identifying roles and responsibilities.
- c. Review studies relating to the HBB sector in other countries and research the relevant legislative and institutional systems;
- d. Develop the assignment plan, including activities, milestones, and implementation timeline;
- e. Prepare the kickoff meeting materials, including agenda, presentations, handouts, meeting minutes, and;
- f. Conduct a kickoff meeting to present and discuss the plan and methodology to the Technical Committee team.

The deliverables of task 1 are as follows:

- **Deliverable 1.1:** Stakeholder analysis
- **Deliverable 1.2:** Project implementation plan which include a comprehensive implementation plan with timelines of critical milestone events. Plan must be presented through a kickoff meeting with relevant stakeholders

Task 2. Identifying the Home-Based Business landscape in Palestine:

- a. Establish baseline data on HBB including but not limited to:
 - Number of establishments working at home;
 - Geographical and gender distribution;
 - Types of professions (business activities) practiced using the ISIC4 classification system.
 - Number of employees currently working at these facilities; Breakdown by family and non-family members.
 - Years of operation, annual revenue (by range), client profile (friends, local shops, large retailer, etc), products made/services provided
 - Education level;
 - Age;
 - Social status (Married, single, children...etc.);
 - Economic status;
 - Dwelling status: HBB in the same house, basement, garage, outdoor...etc.
- b. Conduct analysis of the baseline data to highlight and illustrate characteristics of Palestine's HBB landscape on multi-relational factors including gender analysis, economic conditions, types of professions and businesses, size of enterprises, demographical distribution, and so on. Carryout

meetings with stakeholders to develop a set of key possible needs of individuals working in various target groups to facilitate and start their home-based businesses;

- c. Identify binding constraints hindering these HBBs (from their own perspective) from operating in the formal sector
- d. Identify level of support: research what support have these HBBs received from different institutions “access to finance, training, access to market, capacity building...etc”

We anticipate that the consulting firm will carry out a limited survey of HBBs to identify characteristics of the businesses, key constraints as they relate to the regulatory environment for starting and operating as mentioned above.

The deliverables of task 2 are as follows:

- **Deliverable 2.1:** Survey implementation plan, questionnaires, interview protocols, and data collection instruments
- **Deliverable 2.2:** Home-Based Businesses baseline data and analysis
- **Deliverable 2.3:** Assessment of constraints identified by target group or category to start and operate an HBB

Task 3. Conduct reform impact assessment:

- a. Conduct a study to determine the potential impact of facilitating the HBB sector. (i.e. potential revenue of registration, licensing, VAT & income tax, reduced unemployment levels, increased number of registered female businesses, growth for women entrepreneurs, enhancement of exports...etc.), while benchmarking similar interventions in other countries.;
- b. Building on the analysis conducted in task 2, the firm shall discuss findings, assumptions, and results of the impact assessment as well as recommendations with the technical working group.

The deliverable of task 3 is the following:

- **Deliverable 3.1:** Thorough impact assessment of facilitating home based business with close consultation with technical working group on key operational assumptions. The impact assessment should address the following:
 - o Evaluation of the financial impact of this reform in terms of potential government revenues, generation of taxes and increased exports.
 - o Impact on key social indicators such as employment, women participation in the workforce, entrepreneurship...etc.
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Task 4. Legal/Regulatory assessment of the HBB including:

- a. A detailed review of all relevant laws, regulations, and other legal instruments, including but not limited to the following:
 - Registration regulatory environment (companies act, trade law...etc.)

- Building licensing and zoning;
 - Tax;
 - Health and safety
 - Chambers, unions, and other professional body registration;
 - Crafts and professions licenses, and;
 - Other sector-specific licenses.
- b. Outline constraints in the current regulatory environment that prevent and/or hinder individuals from practicing businesses from home while addressing key needs of target groups: (i.e. Identify and describe key constraints to HBB). These should include both de jure restrictions (e.g. regulation does not allow) and de facto restrictions (e.g. costly or complex regulations that disproportionately affect HBB-type businesses)
- c. Developing recommendations for a new framework while benchmarking international best practices. This shall include developing regulations and amendments to existing regulations to alleviate regulatory hinderances for operating HBBs. Examples from other countries shall be referenced in the design of the framework to include urban planning and zoning, protecting the health and safety of the public, protecting the interests of neighbors, and ensuring the safety of workers.

The deliverables of Task 4 are as follows:

- **Deliverable 4.1:** Detailed review of all laws and regulations relevant to HBBs, and recommendations across all domains/topics; and
- **Deliverable 4.2:** Develop and draft new regulations /recommendations for the amendment of laws and regulations to facilitate HBB registration
- **Deliverable 4.3:** Detailed description of the overall proposed framework

Task 5. Institutional assessment:

- a. Detailed review of procedures, and conditions stipulated for practicing business activities in Palestine by the regulatory bodies;
- b. Map out processes linked to registering and operating an HBB across different regulatory authorities. The map shall include:
- Identity of authorities (roles and responsibilities)
 - Identification of prior approvals
 - Required documents and costs associated with compliance (time and cost)
 - Technical conditions per type of business activity
- c. With close consultation with stakeholders, analyze and draft amendments to streamline registration of HBB, elimination of pre-requisites, pre-approvals reduction, amendment of technical conditions...etc.

The deliverables of Task 5 are as follows:

- **Deliverable 5.1:** AS-IS process mapping for business registration and operations
- **Deliverable 5.2:** Develop recommendations for the modifications to institutional structure of all other regulatory compliance procedures, pre-requisites, conditions, and pre-approvals throughout the life cycle of a company.
- **Deliverable 5.3:** Thorough analysis of binding constraints imposed by different stakeholders per type of business activity.

Task 6. Proposed HBB Framework for Palestine (TO-BE), including:

Consulting firm shall develop a new model that takes in to account the legislative system and institutional situation of the Palestinian government and municipalities, this framework should balance the need for a flexible and adapted framework for HBB . Moreover, the consulting firm shall propose a clear and concise transition plan from the AS-IS to the Future state taking into consideration the key objectives of regulation)safety ,public protection ,etc:

The deliverables of Task 6 are as follows:

- **Deliverable 6.1:** Action plan of regulatory and institutional reform.
- **Deliverable 6.2:** Suggested offering incentives to support the HBB and empower transition to the formal sector.
- **Deliverable 6.3:** Suggested interventions and actions to support the HBB sector overall

Task 7: Final comprehensive report design

All recommendations developed for the legal and institutional frameworks in addition to the incentive’s packages should be submitted in one comprehensive report in order to be shared with different stakeholders.

The deliverables of Task 7 are as follows:

- **Deliverable 7.1:** Final comprehensive report in English and accompanying PowerPoint presentation
- **Deliverable 7.2:** Final report in Arabic after approving the English version.

4. Special Terms and Conditions:

In the context of the assignment, the Consulting firm will work closely with the PIA and MoNE to conduct the assessment. The following conditions should also apply:

1. All deliverables must be approved by the PIA;
2. All deliverables must be delivered in Word, Excel, and process diagrams in the business process model and notation (BPMN) format and PDF;
3. Final report must be provided in English, and in Arabic;
4. The Consulting firm is required to submit progress reports to the PIA summarizing completed tasks, delayed tasks, issues and risks, and next steps every month

5. Qualification Requirements for the Consulting Firm:

The Consulting firm selected for the implementation of the above assignments should possess the following:

1. The Consulting firm needs to prove its professional capacities and previous experience in similar projects in the field of licensing reform, female empowerment, entrepreneurship , experience in Home Based Businesses is a plus. In this regard, the Consulting firm needs to provide the following:
 - Evidence/contracts for similar projects/assignments during the past 5 years,
 - Reference list of assignments (minimum three) executed during the last 5 years, indicating the following information: Name of the client, contact (e-mails and telephone numbers of the customer), description and time of completed assignments, the value of the contract, etc.
2. Financial capacity to implement the assignment (PIA has the right to ask for financial documents, including recent audit reports, and bank financial statements).
3. Prove its personnel capacities by delivering CVs and certificates for experts with relevant experience in providing legal and institutional assessment.
 - a. Legal and Regulatory Framework:
 - i. Experience in government reform projects related to legal, institutional, and procedural improvements linked to businesses.
 - ii. Knowledge of the local Palestinian business/commercial legal framework is mandatory.
 - b. Business Process Analysis:
 - i. Experience in business process analysis and design in government reform projects.
 - ii. Experience in licensing process design, applying good practice models.
 - c. Economic analysis expert with relative experience in conducting impact assessment for a similar reform
 - d. Experience in developing surveys, questionnaires, and data collection and analysis
 - e. Other requirements for staff to conduct client-facing activities with ability to communicate, speak, write and read in both Arabic and English.

6. Duration of Assignment:

The assignment is planned to be completed within 6 months.

7. Level of Effort:

The anticipated level of effort for carrying out this assignment shall not exceed 160 man-days