

Call for Research Proposals

Understanding the Informal Economy and Associated Behaviors in Economic Agents: The Case of Bolivia, Ecuador, Paraguay and Suriname

A Research Project
RG-T4569

1. Background

The region grapples with widespread informality, which spans across labor markets, fiscal policies, and business practices. Identifying the driving forces behind labor, fiscal, and business informality is crucial for bringing economic agents out of the shadows and fostering conditions conducive to higher productivity.

The initial phase of the study will focus on a diagnosis of the conditions that favor informality in **Bolivia, Ecuador, Paraguay, and Suriname**. Leveraging multidisciplinary research teams, this diagnosis primarily includes the use of statistics and secondary sources and will focus on socio-economic structural reasons as well as regulatory and behavioral economics biases. This comprehensive approach will illuminate the intricacies of informality, providing a detailed understanding crucial for effective policymaking.

These four countries were selected to leverage the presence of team members based in the field to gather comprehensive insights. More important, these countries, characterized by relatively low population density and noticeable skill gaps, offer unique insights due to their varied regulatory frameworks. By examining these diverse environments, the study aims to uncover valuable patterns and potential solutions that could inform strategies in other regional economies.

Following this diagnostic, a second phase comprises a pilot targeted intervention aimed at mitigating the root causes of informality and assessing their effectiveness. The outcomes of this intervention will be documented, highlighting the key lessons learned and offering actionable recommendations. This initiative could pave the way for subsequent projects to replicate and scale successful strategies across other countries.

A project team in each country will be responsible for collecting all relevant information, including data and studies conducted by other institutions on the sector to conduct the country case analysis. This includes studies, articles, policy briefs, available statistics, and other relevant documents. Given the great variance among countries in the availability of studies and data, it may be necessary to generate new data. In turn, for the pilot project, institutions with a focus on the informal sector can be identified as key counterparts for the development of the pilot project. Additionally, the pilot project may require the participation of government authorities or companies to be effective and/or to measure its impact.

2. Objectives

This Call for Research Proposals seeks to address the gap in understanding the factors leading to high levels of informality in **Bolivia, Ecuador, Paraguay, and Suriname**. By examining existing literature and generating new statistics specific to these countries, the research will provide a comprehensive understanding of why informality prevails in certain environments. This analysis will uncover economic and regulatory dimensions, as well as potential behavioral biases, that could fuel the informal economy. The specific objectives of this research proposals are the following:

- 2.1 This project sets out to explore into the intricate web of factors leading to high levels of informality in Bolivia, Ecuador, Paraguay, and Suriname.
- 2.2 Through a meticulous examination of existing literature and the generation of new statistics specific to these countries, the project aims to provide a comprehensive understanding of why informality prevails and flourishes in certain environments.
- 2.3 This analysis should reveal the economic and regulatory dimensions and potential behavioral biases (e.g., present bias, status quo bias, loss aversion) that could fuel the informal economy.
- 2.4 By leveraging the principles of behavioral economics, the project seeks to uncover if there are underlying biases that drive economic agents towards informal practices.
- 2.5 The project will produce new data to close existing gaps and ensure a robust diagnosis when the availability of studies and data across countries is limited.
- 2.6 The project will analyze previous experience in the region in similar studies and pilot programs to incorporate lessons learned and best practices.
- 2.7 For the pilot project to be effective and to accurately measure its impact, the involvement of government authorities or private companies might be essential.
- 2.8 The results of these interventions will be carefully recorded, creating a valuable collection of empirical data and insights.
- 2.9 The results will be compiled into an in-depth report, summarizing the key lessons learned and providing actionable recommendations.
- 2.10 To maximize the impact of the project, the findings and lessons learned will be disseminated through various channels, including policy briefs, academic publications, and workshops. This will facilitate knowledge sharing and promote the adoption of successful strategies in other contexts/countries.

3. Scope of Services and Expected Deliverables

This research project will provide funding for studies in one of the following countries: **Bolivia, Ecuador, Paraguay, or Suriname**. The selected country will be the focus of in-depth exploration of the key questions outlined above.

- 3.1. Selected teams will gather required information, statistics and qualitative data relevant to the analysis. When the availability of studies and data across countries is limited, it will be imperative to produce new data to close existing gaps and ensure a robust diagnosis.
- 3.2. Those teams will collect and review all existing relevant studies on the theme undertaken by other institutions. This includes studies, articles, policy briefs, available statistics, and other relevant documents.
- 3.3. Teams will engage with key institutions linked to the informal sector to identify potential partners essential for the project's success and to gather vital information.
- 3.4. Teams will produce a diagnostic delving into socio-economic structural factors and the behavioral economics of informality, uncovering incentives and obstacles, benefits and drawbacks for economic agents, and patterns within behavioral economics.
- 3.5. Teams will design and implement an innovative pilot project in the selected country, targeting the key drivers of informality, to measure and evaluate its impact comprehensively.
- 3.6. The primary deliverables will include a thorough diagnostic report that uncovers the underlying socioeconomic factors contributing to informality in the selected nations.
- 3.7. Additionally, an innovative pilot project will be designed and implemented to address key causes of informality and to evaluate its impact comprehensively.

4. Selection Criteria

Only research institutions from Latin America and the Caribbean may present proposals for this research network. We expect to fund only one proposal per selected country. The selection of the proposal will depend on the quality of the submissions and the alignment with the assigned budget to this research project.

Since this *Call for Research Proposals* is open for a limited period, we encourage the submission of short proposals (no more than 5 pages, but potentially fewer) that:

1. Identify the research question and clearly explain how it contributes to our broader understanding of the driving forces behind labor, fiscal, and business informality in the four selected countries (Bolivia, Ecuador, Paraguay and Suriname).
2. Review the prior work addressing the question tackled and explain how the proposed paper will present novel analysis and findings.
3. Identify the data sources that the team will use to answer the question and explain the likelihood of getting access to these data. If some data is readily available and other data are more challenging to obtain, proposals should indicate whether partial answers to the research question can be achieved using the accessible data. Demonstrating evidence of data availability or the team's ability to collect relevant data is crucial.

4. Present some initial ideas about the key components of the proposed research (conceptual framework, analysis of trends, review of empirical studies, discussion of policy implementations in the region and potential policy recommendations).
5. The proposal should describe how the findings of the research can inform policy recommendations in the four selected countries (Bolivia, Ecuador, Paraguay and Suriname).
6. Proposals must be submitted in **English**.

The final paper will be considered for dissemination as IDB working paper or technical note depending on the approach followed and the nature of the methodology and analysis performed. All raw data and properly documented programming code that produced results should be submitted with the final draft. The project coordinators may explore the possibility of having the study published in an academic journal, in which case it would be subject to a system of standard peer review. Proposals may include suggestions for further dissemination of the final version of the study.

5. Proposal Submission

Interested **research institutions** should submit a proposal no later than **March 31, 2025**, through the following [Web Submission Form](#) and using the **provided proposal form**. Please note that there are two options within the **Web Submission Form**: one for institutions and another for teams of individual researchers. Please make sure to choose the “institutions” option. If unable to submit by this means, please send an email to eltonma@iadb.org.

Application Guidelines:

- For your application to be considered, please do not modify the provided format and respect the word limit specified in each case. Use the blank space to enter the answer in each section. **This application should not exceed 5 pages in length** (excluding CVs, work plan/schedule of execution, indicative budget, and bibliographical references that are part of the annex of this form).
- To apply, researchers and research teams must send this form (in PDF format) duly completed through the [Web Submission Form](#). **All annexes must be included in this application form and should also be attached individually, following the instructions provided in the Web Submission Form.**
- **This form is subject to the terms and conditions of the call, including the provision on "Arbitration, Applicable Law and IDB Privileges and Immunities."**

Substitutions for researchers originally specified in the proposal may be made with prior approval from the IDB project coordinators, but the principal investigator of the proposal should lead the entire project until its full completion.

6. Coordination and Schedule

The project will be coordinated and administered by the coordinating team consisting of Liliana Castilleja (CCB/CSU) and Manuel Urquidi (SCL/SPL) from the IDB and a qualified external advisor.

The tentative schedule of activities is as follows:

- **March 31, 2025:** Due date for **receiving proposals**. Institutions should ensure that the complete documentation is submitted through the web form mentioned in Section 5.
- **April 25, 2025:** Announcement of **selected research proposal (per country)**.
- **May 15, 2025:** **Signing and submission of the contract**.
- **May 22, 2025:** Due date for receiving the **paper outline**. This outline should provide a clear roadmap for the research and demonstrate that data collection and analysis are feasible.
- **June 1, 2025:** **First virtual discussion** of the project via Zoom to discuss and refine the paper outline and methodology to be used in the project.
- **August 1, 2025:** Due date for receiving a **first draft** of research papers.
- **August 4, 2025:** **Second virtual discussion** of the project via Zoom to discuss the **first draft** of the research papers.
- **October 1, 2025:** Due date for receiving a **second draft** of the research papers.
- **October 6, 2025:** **Third virtual discussion seminar** of the project via Zoom to discuss the **second draft** of the research papers.
- **December 1, 2025:** Due date for receiving a **final version** of research papers, and delivery to the IDB of any further versions of the datasets utilized in the research paper. Research papers must follow the **IDB Manual of Style** for working papers. Studies that are of good quality at this stage will be considered for publication in the **IDB Working Papers series**.
- **January-August 2026:** design and implementation of an innovative pilot project with a behavioral intervention in the selected country targeting the key drivers of informality
- **September-December 2026:** Evaluation of the results from the pilot project to assess its impact comprehensively in the selected country.

7. Financial Contribution and Payment Schedule

The IDB will contribute up to **US\$45,000** or the equivalent in local currency as a contribution to the total budget of each study, depending on the scope of the work proposed.

The payment schedule is as follows:

- **15 percent** within 30 calendar days upon contract's signature between the IDB and the institution.
- **15 percent** within 105 calendar days upon the date of signature of the contract between the IDB and the institution after submission of the first draft of the research paper (including primary data gathering) and presentation of working files (including database).
- **15 percent** within 180 calendar days upon the date of signature of the contract between the IDB and the institution after submission of the second draft of the research paper and first draft of the design of pilot project and working files (including database).
- **15 percent** within 215 calendar days upon the date of signature of the contract between the IDB and the institution after submission of the final draft of the research paper and final design of pilot project incorporating comments and working files.

- **20 percent** within 465 calendar days upon the date of signature of the contract between the IDB and the institution after the conclusion of the pilot's design and implementation with a behavioral intervention in the selected country targeting the key drivers of informality.
- **20 percent** within 570 calendar days upon the date of signature of the contract between the IDB and the institution after the submission of the evaluation of the results from the pilot project to assess its impact comprehensively in the selected country.

8. References

Alaimo, V. (2017). *Jobs For Growth*. <https://publications.iadb.org/en/jobs-growth-0>

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Ohnsorge, F., & Yu, S. (2022). *The long shadow of informality: Challenges and policies*. World Bank Publications <https://openknowledge.worldbank.org/server/api/core/bitstreams/f3fbcde3-8891-424e-a574-6f247030a230/content>