



For approval of para. 8

10 October 2007

To: Ashok Sharma, Director, SAGF 

From: Cheolsu Kim, Senior Finance Specialist, SAGF 

Subject: **TA4938-IND: Implementing Pension Reforms
- Minor Change in Implementation Arrangements**

Background Information

1. TA 4938-IND is a \$1 million technical assistance grant from Japan Special Fund, approved by the President on 8 June 2007.
2. The TA will provide assistance in the following identified areas: (i) raising public awareness to ensure workers' participation in the NPS and this would include strategies, formulation of action plans, development of pension product schemes, etc., in undertaking the task and, upon formulation, sample field level pilot-testing will be undertaken in 4 selected districts (within 4 regions – North, South, East, West – consisting of 2 urban and 2 rural districts), to study market and likely level of penetration (the demand, financial capacity of informal sector workers, etc.) to devise early coverage strategies; (ii) evaluation of the efficacy of the proposed institutional arrangements under the NPS and the ability of POPs to deliver high quality services to this segment of the workforce including sales and promotional activities for encouraging participation in the NPS and regular pension contributions, as well as collection, pooling, and transfer of pension savings to the CRA and PFMs; (iii) assessing the delivery efficacy and adequacy of benefits under the existing social assistance schemes and developing strategies for effective service delivery networks for both formal and informal/unorganized sector workers; (iv) study of unregulated pension funds (the so-called 'excluded funds') to build a database which will help assist the GoI formulate the policy and regulatory framework for such funds.
3. The Executing Agency (EA) of the TA is the Capital Market (CD) Division, Department of Economic Affairs (DEA), Ministry of Finance while its Implementing Agency (IA) is the Pension Fund Regulation and Development Authority (PFRDA). The Mission had had several consultations with DEA-CMD, PFRDA, embassy of Japan in New Delhi and other stakeholders regarding the overall design, scope and implementation arrangements of the TA. On 30 April 2006, after incorporating comments provided by CMD, CMD gave ADB its in-principle acceptance of the scope and components of the TA.

Current Status of Project Implementation

4. Subsequent to the management approval on 8 June 2007, the TA letter was sent on 20 June 2007 to GoI for signing. After repeated follow up on the status of the signing of the same, we have received the attached letter from GoI on 5 October 2007 (the letter dated on 24 September 2007).

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5. Parallel to the TA letter signing, ADB sought for Gol's no-objection to the short-listed consulting firms selected by the Consultant Selection Committee (CSC) for which on 19 September 2007, GOI confirmed its no-objection. Subsequently, the CSC meeting for the evaluation of proposals was convened on 5 October 2007. The committee recommended that TA negotiations with the selected firm be deferred until the TA letter is signed by Gol.

Issue

6. As stated in para 4 above, the following comments were raised by Gol:

- (i) *CM Division would need to be consulted in deciding (a) how the TA will be apportioned between designing old-age pension for the unorganized workers and the study of excluded funds, and (b) which sub-sets of 'exclude funds' and in what priority, these will be taken up for study under the proposed TA.*
- (ii) *It was suggested that one district would be taken for study, whereas the TA mentions four districts. Division would decide the exact number of districts when the TA commences.*
- (iii) *TA mentions PFRDA as the Implementing Agency. In Division's concept note, there was no reference to IA. IA will vary depending which segments of excluded funds are selected for study. Therefore, CM Division would decide, which agency would be IA, So, TA may not have reference to IA.*

Staff Views

5. Staff views are as follows:

- (i) Apportioning of TA funds between old-age pension design for the unorganized workers and study of excluded funds and its subsets will be consulted with CM Division as is already implicated in paras. 16 - 19 of the TA paper wherein the international consulting firm is directed to submit a work plan for the TA which include planned activities, methodologies & outputs of the TA to CM Division and ADB.
- (ii) Though CM Division gave in-principal acceptance to the proposed number of districts (i.e four districts) on 20 April 2007 which formed the basis of the TA paper, the exact number of districts as well as the exact geographical location of the selected pilot testing districts will be determined in close consultation with CM Division.
- (iii) ADB is agreeable to the suggestion of CM division that the final Implementing Agency (IA) for the component on the study of the excluded funds shall be decided by CM Division.

6. We consulted with OGC, CTL and COSO as to whether these changes require a minor or major change in TA scope and implementation arrangements. Their view was unanimous that it is only a minor change considering that the proposal does not affect the immediate objectives, benefits, costs and impact of the TA project.

Request for an Approval

7. In accordance with paragraph 14 of PAI 5.04 and paragraph 37 of PAI 5.11, your approval is sought for a minor change in implementation arrangements for TA4938-IND as enumerated above.

cc: R. Rothery, COSO
A. Djusupbekova, OGC
F. Emmanuel, CTLA-1

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