



# Technical Assistance Report

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Project Number: 39634  
June 2007

## India: Implementing Pension Reforms (Financed by the Japan Special Fund)

Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 22 May 2007)

Currency Unit	–	Indian rupee/s (Re/Rs)
Re1.00	=	\$0.0246
\$1.00	=	Rs40.67

## ABBREVIATIONS

ADB	–	Asian Development Bank
CMD	–	Capital Markets Division
CRA	–	central record-keeping agency
DEA	–	Department of Economic Affairs
EA	–	executing agency
GDP	–	gross domestic product
NPS	–	new pension scheme
PFM	–	pension fund managers
PFRDA	–	Pension Fund Regulation and Development Authority
POP	–	points of presence
TA	–	technical assistance

## TECHNICAL ASSISTANCE CLASSIFICATION

<b>Targeting Classification</b>	–	General intervention
<b>Sector</b>	–	Finance
<b>Subsector</b>	–	Pensions, insurance, social security, and contractual savings
<b>Themes</b>	–	Sustainable economic growth, capacity development
<b>Subthemes</b>	–	Macroeconomic stability, economic efficiency and enabling markets, institutional development, organization development

## GLOSSARY

1 crore	–	10,000,000
1 lakh	–	100,000

## NOTES

- (i) The fiscal year (FY) of the Government of India ends on 31 March. FY before the calendar year denotes the year in which the fiscal year ends, e.g. FY2006 ends on 31 March 2006.
- (ii) In this report, "\$" refers to US dollars.

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## I. INTRODUCTION

1. In the context of its efforts to reform the pension system, the Government of India asked the Asian Development Bank (ADB) for technical assistance (TA)<sup>1</sup> in designing a comprehensive solution that will provide broad-based old age income security through pensions to the public, especially the informal<sup>2</sup> sector workforce. The proposed TA is included in the India country strategy and program for 2006–2008 and is consistent with the priorities of the Government and ADB, as expressed in the country strategy and program, and reflects the continuity of ADB's strategy in supporting India's pension system reforms.<sup>3</sup> A TA Fact-Finding Mission visited India in September 2006. The Mission reached agreement on the proposed TA with the Department of Economic Affairs (DEA), Ministry of Finance; Pension Fund Regulation and Development Authority (PFRDA); and other stakeholders, including the embassy of Japan in New Delhi.<sup>4</sup> This report reflects ADB's findings and the understanding reached with the Government on the TA.

## II. ISSUES

2. India lacks robust old age income security coverage, and cannot sustain the fiscal burden of its existing pension system. The recurrent expenditure for the central Government pension system has grown from 0.6% of gross domestic product (GDP) in FY1993 to 1.7% in FY2002, while total pension liabilities have risen from 9.7% of net tax revenue to 12.7% during the same period. A recent study<sup>5</sup> estimated India's unfunded pension liability, expressed as the net present value of future pensions for existing central and state government employees 21–60 years old in 2004,<sup>6</sup> at Rs1,735,527 crore (equivalent to about \$426.9 billion)—or 55.9% of GDP.<sup>7</sup> Given the high ratio of national public debt to GDP at 84.9%, or Rs2,635,000 crore (equivalent to \$648.2 billion), the contingent liability related to the unfunded pensions compounds India's public debt problem. This indicates that the Government pension system is inadequately funded and unsustainable.

3. To address the adverse sustainability, the Government embarked in 2003 on wide-ranging reforms of its pension system.<sup>8</sup> Immediate measures included the establishment of an interim PFRDA, and introduction of a defined contributory pension system so-called new pension system (NPS). Subsequently, the interim PFRDA has obtained legal status through an ordinance promulgated on 29 December 2004. The PFRDA Bill (2005), which would provide PFRDA with permanent legal status, has not been passed yet. The passage of the PFRDA Act

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<sup>1</sup> The TA was first listed in ADB *Business Opportunities* on 14 November 2006.

<sup>2</sup> The Indian Government uses the term “unorganized sector” for the informal sector.

<sup>3</sup> ADB. 2006. *Country Strategy and Program (2006–2008): India*. Manila. Paragraphs 64 and 91 provide the rationale for ADB support for the financial sector reform, including the pension system.

<sup>4</sup> DEA-CMD confirmed the TA design on 4 May 2007.

<sup>5</sup> Bhardwaj, G. and S. Dave. 2006. *Towards estimating India's implicit pension debt on account of employees' civil service*. India: Invest India Economic Foundation.

<sup>6</sup> The population of central and state government employees in this age group is 5.3 and 18.4 million, respectively.

<sup>7</sup> This does not include liabilities related to defense employees, central and state civil pensioners, and the funding gap in the Employees' Pension Scheme.

<sup>8</sup> ADB assisted India's reform of the (i) Employees' Provident Fund, providing coverage for old age income security for private sector employees in ADB. 1999. *Technical Assistance to India for Reform of the Private Pension and Provident Funds System and Employees' Provident Fund Organization*. Manila (TA3367-IND); (ii) pension in the informal sector, which comprises about 90% of India's labor force in ADB. 2003. *Technical Assistance to India for Pension Reforms for the Unorganized Sector*. Manila (TA4226-IND); and (iii) civil service pensions at the state level in ADB. 2004. *Technical Assistance to India for State-Level Pension Reforms*. Manila (TA4548-IND). The latter has been provided in collaboration with the World Bank.

is important since the NPS is making substantial collections without an established setup of supporting institutions.

4. The NPS gradually will replace the defined benefit pension scheme, as well as the General Provident Fund for employees who have joined the service since 1 January 2004, except for the armed forces. Participation in the NPS is mandatory for central Government employees. Civil servants of state governments and other public and private sector employees, self-employed professionals, and informal sector workers may join NPS voluntarily. By April 2007, 19 of India's 28 states had adopted the NPS scheme for their own civil service staff through notification.<sup>9</sup>

5. Although the bill defines the NPS policy framework and its structure, it empowers the PFRDA to specify implementation details.<sup>10</sup> However, the interim PFRDA does not have the requisite skills, experience, and resources to implement the bill; and the supporting infrastructure to implement the NPS has not been established and tested.<sup>11</sup> The Government recently started a process to establish a central record-keeping agency (CRA), and to recruit pension fund managers (PFM). The full functionality of the CRA, the recruitment of qualified PFMs, and a nationwide network of pension service providers—or points of presence (POP)—are essential to develop and distribute suitable pension products.

6. The central Government resorts to depositing employer and employee contributions in individual accounts created in the Government's public account under an interim arrangement managed by the Controller General of Accounts and the Central Pension Accounting Office. As a result, the investment returns are not based on market rates, but on administratively determined interest rates identical to the General Provident Fund accounts for employees appointed before the NPS reforms. This has undermined public confidence in the NPS, which is the most critical factor for the successful implementation of pension reforms.

## II. THE TECHNICAL ASSISTANCE

7. The TA will assist the Government in designing and implementing the NPS and a solution providing broad-based old age income security to the civil servants (central and states) and public, especially the informal sector workforce. Building public confidence in the NPS vis-à-vis the current pay-as-you-go scheme is a key to the success of the NPS. This requires PFRDA to (i) provide proper pension products with adequate coverage; and (ii) develop marketing channels through service providers, POPs, and supporting institutions, such as the CRA and PFMs. In addition, POPs need to become capable of delivering quality services to targeted beneficiaries, including sales and promotions, to widen participation in the scheme and regular pension contributions. The TA will conduct a study on unregulated pension funds, the so-called "excluded funds" to help the Government formulate a suitable policy and regulatory framework.

<sup>9</sup> These include Andhra Pradesh, Assam, Bihar, Chattisgarh, Delhi, Goa, Gujarat, Haryana, Himachal Pradesh, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Manipur, Orissa, Rajasthan, Tamil Nadu, Uttar Pradesh and Uttaranchal (Source: Indian Pension Sector Encyclopedia, Invest India Economic Foundation (IIEF): <http://iief.com/indiapensions>).

<sup>10</sup> The bill envisages PFRDA to regulate all intermediaries under the NPS, including pension funds, CRA, and POPs. It will approve the terms and conditions of a scheme, and lay down norms for the management of pension funds.

<sup>11</sup> The infrastructure needs to be tested to come up with the most cost-effective way to implement the NPS.

## **A. Impact and Outcome**

8. The expected impact is the successful introduction of the NPS and a comprehensive old age income security system in India. This would reduce the fiscal burden for the government at the central and state levels, and widen the coverage of old age income security for the workers in the informal sector. It also will contribute to the development of the national capital market in India, as pension funds are important sources for long-term funding.

9. The TA will enable the Government and PFRDA to formulate strategies and measurable action plans, and develop and field test pension products, before rolling out the NPS to the formal and informal sectors. The NPS would encourage greater participation from state civil servants and individual pensioners, as well as informal sector workers. The TA will help the Government and PFRDA develop a database to determine the informal sector workers' demand and ability to pay for voluntary retirement contributions, and the nature and the size of the excluded funds. Conferences and workshops will be held to disseminate and discuss TA findings, and to sensitize stakeholders to potential reforms.

## **B. Methodology and Key Activities**

10. The TA will provide assistance in (i) raising awareness regarding workers' participation in the NPS; (ii) evaluating the effectiveness of NPS institutional support mechanisms and the ability of the POPs to deliver quality services, including sales, promotions, collection, pooling, and transfer of pension savings to the CRA and PFMs; (iii) assessing the effectiveness of service delivery and adequacy of benefits under existing schemes, and developing strategies for effective service delivery networks (iv) developing products; and (v) studying excluded funds. Product development would include the formulation and field testing in four selected districts<sup>12</sup> to test market demand, and the informal sector workers' ability to pay for such products.

11. An international consultant will be the project leader with the necessary experience in launching and managing a voluntary pension system in developing countries. India does not have any experience in launching and managing the NPS.

12. For field-testing, the TA will support overall design and implementation of activities to maximize impact, and recommend approaches for mass rollout to low-income beneficiaries. Subtasks, such as advertisements, literature, films, surveys, and related research, will be outsourced to advertising agencies and local specialists.

13. At the district level, a team of local staff will monitor the implementation of the field test components. In addition, it will network with local schools, industry associations, cooperatives, chambers, microfinance institutions, and nongovernmental organizations for the rollout. Local agencies (banks, post offices, microfinance institutions) also will be harnessed to deliver promotional and educational campaigns to targeted households. To this end, the team will undertake training and institutional capacity building to enable regulated service delivery agencies to participate as POPs under the NPS.

14. The TA also will conduct a study on unregulated pension and provident funds that entails consultations with regulators, policy makers, and employers. Further, it will develop a database on these funds to recommend policy and regulatory reforms aimed at the excluded funds.

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<sup>12</sup> Within four regions (north, south, east, and west) and consisting of two urban and two rural districts.

### **C. Costs and Financing**

15. The Japan Special Fund, funded by the Government of Japan, will finance the TA on a grant basis. The TA is estimated to cost the equivalent of \$1.1 million, of which ADB would provide \$1 million to finance consulting services, training and workshops, and promotional literature. The Government would finance the remainder, equivalent to \$100,000. The cost estimates and financing plan are in Appendix 2.

### **D. Implementation Arrangements**

16. The Ministry of Finance, DEA-CMD, will be the Executing Agency for the TA, and will provide the necessary office space, counterpart support, and other services to the consultants throughout the TA. The consultants will establish a monitoring arrangement to enable DEA-CMD to evaluate the TA's progress and outcomes. PRFDA is the Implementing Agency.

17. The TA is expected to start by early July 2007 and be completed by December 2008. The consulting team will include two international consultants (20 person-months) and six national consultants (49 person-months). An international consulting firm is preferred to lead the assignment. The international consultants will associate with a national professional consulting firm with expertise and experience in pension policy, as well as system design, reform, and implementation. The national consulting firm will support the lead firm's overall project management, including coordinating various tasks and deliverables under the TA in the districts selected for pilot testing, between DEA (and PFRDA) and the districts, and between PFRDA and DEA-CMD.

18. International consultants will comprise a pension system and financial expert (team leader), and a pension product scheme and development expert. The national consultants will comprise (i) pension system expert, (ii) communications and publicity expert, (iii) process and information technology expert, (iv) social sector expert, (v) legal expert, and (vi) pension system and policy expert. The international consulting firm will be recruited using simplified technical proposals under the quality- and cost-based selection method, in accordance with ADB's *Guidelines on the Use of Consultants* (2007, as amended from time to time). The terms of reference are in Appendix 3.

19. The international consulting firm will submit a work plan for the TA to DEA-CMD and ADB within 2 weeks of starting its services in the field. This will include the planned activities, methodologies, and outputs of the TA. The start of services would allow for a proper interface with the local publicity firm before finalizing the design of the public awareness program for the districts selected for pilot testing. The consulting firm will submit an inception report within 4 weeks of starting its services in the field. Within 9–12 months of TA inception, the consulting firm will be expected to complete the (i) design of the pilot, as well as implementation of the pilot components and networking with local institutions; (ii) overall design and implementation of activities and interventions, impact measurement, and recommendations for the mass rollout of NPS, based on the outcome of the pilot; (iii) development of strategies for providing low-cost access to low-income informal sector workers; and (iv) assessment of unregulated funds and provident funds to build the database, and come up with suitable policy and regulatory provisions for these funds.

20. Upon completion of the pilot testing in the selected districts, the consultants will undertake two quarterly impact assessments, which will include sample surveys and focus group discussions among members and eligible nonmembers, and interviews with POPs. Thereafter,

the consultants will submit a detailed report regarding the activities associated with the launch of the NPS in the pilot district, as well as a detailed report on the periodic impact assessments. A workshop will be held with stakeholders, including representatives from the DEA-CMD, PFRDA, the consulting firm, and ADB, to present the findings for the pilot testing. This will become an input for the design and implementation for the mass rollout of the NPS. A separate workshop will be held with stakeholders, including representatives from DEA-CMD, tax authority, PFRDA, the consulting firm, ADB, market participants (PFMs and annuity providers), to disseminate the findings of the study on excluded funds, which will become an input for the final recommendations for the study.

21. Two interim reports will be submitted, one at the end 6 months and the other at the end of 12 months. A draft final report will be submitted, which will be the basis of discussions in a tripartite meeting among DEA-CMD, the consulting firm, and ADB to be held 2 weeks before the finalization of the report. This meeting will consider the results of the strategies, market segmentation, devised pension product schemes, and the plan implementation of the pension program.

#### **IV. THE PRESIDENT'S DECISION**

22. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$1,000,000 on a grant basis to the Government of India for Implementing Pension Reforms, and hereby reports this action to the Board.

## DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/ Reporting	Assumptions and Risks
<b>Impact</b> <ul style="list-style-type: none"> <li>• Public is confident in NPS</li> <li>• Comprehensive old age income security system is sustainable</li> <li>• National capital market enhanced</li> </ul>	<ul style="list-style-type: none"> <li>• Number of states joining NPS</li> <li>• Number of pensioners under NPS and from the informal sectors</li> <li>• Value of pensions under NPS</li> <li>• Number of adequately funded pension funds</li> </ul>	<ul style="list-style-type: none"> <li>• Government reports</li> <li>• Consultants' reports</li> <li>• ADB reviews</li> </ul>	<b>Assumptions</b> <ul style="list-style-type: none"> <li>• Continued Government pension reform commitment</li> <li>• Cooperation of key stakeholders</li> <li>• Stable financial markets</li> </ul>
<b>Outcome</b> <ul style="list-style-type: none"> <li>• Strategy for rolling out NPS to formal and informal sectors</li> <li>• Establish NPS institutions and quality service networks</li> </ul>	<ul style="list-style-type: none"> <li>• Number of districts where the Government adopted strategies</li> <li>• Portable and affordable pension product schemes developed for the informal sector</li> <li>• Number and coverage (beneficiaries and volume) of service networks</li> </ul>	<ul style="list-style-type: none"> <li>• Government reports</li> <li>• PFRDA reports</li> <li>• Consultants' reports</li> <li>• ADB reviews</li> </ul>	<b>Risk</b> <ul style="list-style-type: none"> <li>• Establishment of the statutory PFRDA through the passage of the PFRDA Bill 2005</li> </ul>
<b>Outputs</b> <ul style="list-style-type: none"> <li>• Cost-effective and sustainable products</li> <li>• New enhanced products</li> <li>• Draft policy and regulations</li> </ul>	<ul style="list-style-type: none"> <li>• Field test of marketing strategies</li> <li>• Plans and pension products in four locations</li> <li>• Service network tested in four locations</li> <li>• Demand and ability to pay analysis</li> <li>• Database established for excluded funds</li> <li>• Draft law and regulations for excluded funds</li> <li>• Workshop</li> </ul>	<ul style="list-style-type: none"> <li>• Government reports</li> <li>• PFRDA reports</li> <li>• Consultants' reports</li> <li>• Market feedback</li> <li>• ADB reviews</li> </ul>	<b>Assumption</b> <ul style="list-style-type: none"> <li>• Accurate record keeping for individual accounts</li> <li>• Creation of tax incentives for pension contribution</li> </ul>
<b>Activities with Milestones</b> <ul style="list-style-type: none"> <li>• Coverage strategies for NPS, including promotion for the selected districts.</li> <li>• Recommend the service delivery networks to ensure portability of individual pension accounts transfer.</li> <li>• Implement the devised pilot NPS for the selected districts.</li> <li>• Advice to the Government and PFRDA on implementing NPS system architecture and rollout of NPS.</li> <li>• Study the "excluded funds" to help the Government monitor and formulate adequate policies and regulations.</li> <li>• Workshops to disseminate the TA findings and recommendations.</li> <li>• Enable regulated service deliver agencies (banks, postal branches, deposit participants, etc.) to participate as service providers through appropriate training.</li> </ul>			<b>Inputs</b> <p><b>ADB</b></p> <ul style="list-style-type: none"> <li>• \$1 million</li> <li>• International consultants (20 person-months)</li> <li>• National consultants (49 person-months)</li> </ul> <p><b>Government</b></p> <ul style="list-style-type: none"> <li>• \$100,000</li> <li>• Counterpart staff of implementing agencies</li> </ul>

ADB = Asian Development Bank, NPS = new pension scheme,, PFRDA = Pension Fund Regulation and Development Authority, TA = Technical Assistance.

**COST ESTIMATES AND FINANCING PLAN**  
(\$'000)

<b>Item</b>	<b>Total Cost</b>
<b>A. Asian Development Bank Financing<sup>a</sup></b>	
1. Consultants	
a. Remuneration and Per Diem	
i. International Consultants (20 person-months)	497.0
ii. National Consultants (49 person-months)	220.0
b. International and Local Travel	45.0
c. Reports and Communications	10.0
2. Equipment	0.0
3. Workshops, Trainings, and Conferences	15.0
4. Design Promotional Films and Literature	150.0
5. Representative for Contract Negotiations	5.0
6. Contingencies	58.0
<b>Subtotal (A)</b>	<b>1,000.0</b>
<b>B. Government of India Financing</b>	
1. Office Accommodation and Transport	50.0
2. Remuneration and Per Diem of Counterpart Staff	30.0
3. Others	20.0
<b>Subtotal (B)</b>	<b>100.0</b>
<b>Total</b>	<b>1,100.0</b>

<sup>a</sup> Financed by the Japan Special Fund, funded by the Government of Japan.  
Source: Asian Development Bank estimates.

## OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. An international and a national firm under the leadership of an international firm will provide two international consultants (20 person-months) and six national consultants (49 person-months) to conduct the tasks detailed in this appendix.

### A. International Consultants

2. **Pension System and Financial Expert** (12 person-months). The consultant, a pension system and financial expert, will be the team leader responsible for the overall management of the technical assistance (TA), as well as the quality and timely delivery of outputs. The expert must have extensive experience in launching and managing similar voluntary pension systems. Experience in developed and developing countries in these respects will be preferred. As team leader, the consultant is expected to be in the field to carry out the tasks properly for at least 9 months of the assignment. The consultant will

- (i) Assist the Government in designing a comprehensive approach to the delivery of broad-based old age income securities in the form of a pension system for the public, including informal sector workers, through the implementation and mass rollout of the new pension scheme (NPS) in India.
- (ii) Oversee and supervise the preparation and conduct of a public awareness program to ensure workers from formal and informal sectors participate in the NPS. This program would include strategies, formation of action plans, development of pension product schemes, etc.
- (iii) Upon formulation of (ii), undertake sample field-level testing in four selected districts (two urban and two rural) within four regions (north, south, east, and west) to study market segmentation and likely level of penetration (demand, financial capacity of informal sector workers, etc.) to devise early coverage strategies.
- (iv) Assess and evaluate the efficacy of the proposed institutional arrangements in the selected districts under the NPS and the ability of points of presence (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 central record-keeping agency (CRA) and pension fund managers (PFMs).
- (v) Assess the delivery efficacy and adequacy of benefits under the existing social assistance schemes for informal sector workers to identify institutional capacity gaps and needs in the selected districts, and develop strategies for effective service delivery networks for those workers.
- (vi) Based on the outcomes of (ii)–(v), conduct overall design and implementation of activities and interventions, measure impact, and make recommendations for mass rollout of the NPS. Recommend suitable strategies for creating awareness of the NPS for formal and informal sector workers and employers.
- (vii) Develop strategies for providing low-cost access to low-income informal sector workers.
- (viii) Oversee and supervise the assessment study on unregulated funds and provident funds to collect and build a database, and to come up with suitable policy and regulatory provisions relating to these funds.
- (ix) Organize and conduct workshops with stakeholders, including representatives from the Executing Agency (EA), Pension Fund Regulation and Development

Authority (PFRDA), and Asian Development Bank (ADB), to present the findings for the pilot testing.

- (x) Organize and conduct workshop with stakeholders including representatives from EA, tax authority, PFRDA, ADB, and market practitioners, to disseminate the findings of the study on "excluded funds."
- (xi) Undertake training and institutional capacity building to enable regulated service delivery agencies (banks, postal branches, depository participants, etc.) to participate as service providers (POPs) under the NPS.
- (xii) Identify capacity building requirements within the Government and PFRDA to implement and manage effectively the proposed pension reforms, and recommend suitable and workable measures to address them.

**3. Pension Product Schemes and Development Expert (8 person-months).** The consultant will be responsible for the development of pension product schemes and action plans for the pilot testing, as well as the quality and timely delivery of outputs. The expert must have extensive experience in developing pension product schemes in similar voluntary defined contributory pension system. Experience in developing and developed countries in these aspects, particularly in the Indian context, will be preferred. The consultant will

- (i) Identify suitable districts for adoption under this TA based on data and research, and propose suitable geographical options to the EA for finalizing the districts to be adopted under this TA.
- (ii) Evaluate and assess the available retirement savings schemes and existing practices, as well as the level of awareness and concern related to the retirement consumption among the informal sector workforce in the selected districts for the pilot testing.
- (iii) Evaluate and assess the market segmentation of each selected district, and analyze the likely level of penetration (demand, financial capacity of informal sector workers, and the institutional capacities of local POPs, etc.).
- (iv) Based on the assessments of (i)–(iii), devise early coverage strategies, and develop pension product schemes.
- (v) Upon the development of (iv), undertake the field-level testing in four selected districts.
- (vi) Based on the outcome of (v), conduct overall design and implementation of activities and interventions, measure impact, and make recommendations for mass rollout of the NPS. Recommend suitable strategies for creating awareness of the NPS at the national level for formal and informal sector workers and employers.
- (vii) Assist the team leader in developing strategies for providing portable and low-cost access to low-income informal sector workers.
- (viii) Assist the team leader in assessing the delivery efficacy and adequacy of benefits under the existing social assistance schemes for the informal sector workers, and develop strategies for effective service delivery networks for the informal sector workers.
- (ix) Based on the outcome of (viii), assist the team leader in developing strategies for service delivery networks for the informal sector workers.
- (x) Participate in and contribute to the workshops with stakeholders, including representatives from the EA, PFRDA, and ADB, to present the findings for the pilot testing.

- (xi) Assist the team leader in undertaking training and institutional capacity building to enable regulated service delivery agencies (banks, postal branches) to participate as service providers (POPs) under the NPS.
- (xii) Assist Government and PFRDA officers, through seminars and workshops, with the development of pension product schemes, and identify capacity building requirements within the Government and PFRDA for this purpose.

## **B. National Consultants**

4. **Pension System Expert** (12 person-months). The consultant should have broad experience with public pension policy, reform, and implementation issues; and should have good knowledge of the existing pension arrangements in India. The consultant will assist the team leader in all tasks under the TA, and specifically will

- (i) Assist the team leader in designing a comprehensive approach to the delivery of broad-based old age income securities in the form of a pension system for the public, including informal sector workers, through the implementation and mass rollout of the NPS in India.
- (ii) Assist the team leader in carrying out his or her duties.
- (iii) Arrange meetings and help conduct discussions and workshops with stakeholders, including representatives from the EA, PFRDA, and ADB, to present the findings for the pilot testing.
- (iv) Assist team leader in organizing and conducting workshop with stakeholders, including representatives from the EA, tax authority, PFRDA, ADB, and market practitioners, to disseminate the findings of the study on excluded funds.
- (v) Establish, in consultation with the EA and the team leader, a process for monitoring and evaluating the progress of NPS implementation and membership coverage periodically.

5. **Communications and Publicity Expert** (6 person-months). The expert should have good experience in designing and managing promotions and publicity campaigns in the Indian context. The consultant will assist the team leader in devising the public awareness program for the NPS for the pilot testing, as well as for the national level campaign after the pilot testing. The expert will

- (i) In consultation with the social sector expert, segment the population in selected districts into homogeneous groups with respect to incomes, occupations, financial attitudes, and attachments.
- (ii) Design appropriate messages and promotional strategies, including publicity materials, media, and other delivery channels.
- (iii) Assess and monitor the outcome of the public awareness program devised in (ii) during the pilot testing.
- (iv) Based on the assessment of (iii), design appropriate messages and promotional strategies, including publicity materials, media, and other delivery channels, for the national-level campaign.
- (v) Establish, in consultation with the EA, the social sector expert, and the team leader, a process for monitoring and evaluating the public awareness program and strategies.
- (vi) Assist the team leader in organizing and conducting workshop with stakeholders, including representatives from the EA, PFRDA, ADB, and media and other

delivery channels, to disseminate the findings of (iii) and (iv) and for the task of (v).

- (vii) Assist the team leader in carrying out all other public awareness program and strategies-related tasks, as may be identified under this TA.

6. **Process and Information Technology Expert** (8 person-months). The consultant should have satisfactory experience in using technology in the distribution of financial services and information to the public. The consultant will

- (i) Evaluate the information technology, telecommunications, and distribution capacity and practices for financial products and services within the selected districts with a view to collecting, pooling, and transferring pension contributions under the NPS to PFRDA-designated service providers, including the CRA and PFMs. In this context, the expert will evaluate the existing processes for financial intermediation in the selected districts, as well as the role that banks, postal branches, and such other entities may be geared to perform in the distribution of the NPS to the population of selected districts.
- (ii) Assess the processes, as well as capacity strengths and gaps, of banks, postal branches, and other service providers to serve as POPs for the NPS.
- (iii) Design service benchmarks and pre-qualifications for such entities that might be designated as POPs by PFRDA in selected districts, and design performance evaluation guidelines for PFRDA for assessing the functioning of these entities as POPs on an ongoing basis.
- (iv) Design the process through which designated POPs will channel member instructions and funds to the CRA appointed by PFRDA.
- (v) Deliver system-related information and training to the designated POPs on their roles in the NPS and in the delivery of services to plan members.
- (vi) Assist the team leader in carrying out all other information technology-related tasks, as may be identified under this TA.

7. **Social Sector Expert** (8 person-months). The consultant should be a social scientist with adequate understanding of the informal sector in urban and rural India. The consultant will

- (i) Undertake an extensive social assessment and situation analysis in the selected districts to document the demographic, social, and economic structures of the underlying population in each district.
- (ii) Document the formal and informal access and distribution networks for public and financial services in these districts.
- (iii) Produce an assessment of the literacy, language preferences, financial knowledge, occupational characteristics, incomes, savings and retirement capacities, and attitudes of the underlying population.
- (iv) Conduct focus group discussions and interviews with the formal and informal service providers and potential beneficiaries.
- (v) In consultation with the communications and publicity expert, design impact assessment protocols for evaluating, at the cognitive and behavioral levels, the impact of promotional and publicity efforts under this TA. This evaluation should be undertaken periodically to incorporate corrective measures that might be required.
- (vi) Participate in and contribute to the workshops with stakeholders, including representatives from the EA, PFRDA, and ADB, to present the findings for the pilot testing.

- (vii) Assist the team leader in carrying out all other social sector-related tasks, as may be identified under this TA.

8. **Legal Expert** (5 person-months). The consultant will be familiar with legal issues related to the NPS and provident funds, including so-called excluded funds. The consultant will assist the team leader in all tasks for the timely delivery of TA outputs, and specifically will

- (i) Advise the team leader and PFRDA regarding local rules, laws, and regulations that might conflict with the intention of implementing the NPS in the selected districts for pilot testing.
- (ii) Collect and evaluate all legislation relating to the NPS, General Provident Fund, and the Central Civil Service Pension Rules.
- (iii) Assist the team leader in launching and implementing the NPS systems' architecture and mass rollout of the NPS.
- (iv) Identify and recommend any changes in laws, rules, and regulations that will be required for implementing the NPS and the PFRDA.
- (v) Assist the team conducting a study on excluded funds to identify and recommend any required modifications of laws, rules, and regulations.
- (vi) Arrange meetings and help conduct discussions with relevant persons and organizations.
- (vii) Assist the team in carrying out other tasks, as may be identified under this TA.

### C. For Study on Excluded Funds: Unregulated Pension and Provident Funds

9. **Pension System and Policy Expert** (10 person-months). The national consultant should have broad knowledge and experience with pension systems in India, including existing pension arrangements and the NPS. The consultant will assist the team leader in conducting the assessment study on unregulated pension funds and provident funds under the TA. The consultant will assist the team leader in the timely delivery of TA outputs. The consultant will

- (i) Conduct interviews and consultations with regulators, policy makers, tax authority, and employers on issues relating to unregulated pension funds and provident funds.
- (ii) Collect and build database of unregulated funds and pension funds.
- (iii) Prepare a report on necessary regulatory reforms related to these funds.
- (iv) Recommend suitable policy and regulatory provisions relating to these funds.
- (v) Identify capacity building requirements within the Department of Economic Affairs-Capital Markets Division to effectively regulate these funds, and recommend suitable and workable measures to address them.
- (vi) Organize and conduct workshop with various stakeholders, including representatives from the EA, tax authority, PFRDA, ADB, and market practitioners, to disseminate the findings of the study and to get feedback on recommended measures, policy, and regulatory reforms relating to these funds.

## INITIAL POVERTY AND SOCIAL ANALYSIS

### A. Links to the Country Poverty Analysis

<b>Is the sector identified as a national priority in country poverty analysis?</b> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<b>Is the sector identified as a national priority in country poverty partnership agreement?</b> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<p><b>Contribution of the sector or subsector to poverty reduction in India:</b></p> <p>The proposed technical assistance (TA) is directly linked to poverty reduction in India in two ways: (i) the successful introduction of an efficient, cost-effective, and well-funded old age income security system will provide social safety net for the old age group in formal and informal sectors; (ii) the development of a well-funded sustainable pension scheme for the civil servants will reduce the fiscal burden of the government, at the central and state levels, making more funds available for other priority areas of economic growth.</p>	

### B. Poverty Analysis

**Targeting Classification:** General Intervention

<p><b>What type of poverty analysis is needed?</b></p> <p>An analysis of attitude and willingness to save by income groups, including informal sector workers. The pilot testing will conduct such an analysis.</p>
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### C. Participation Process

<p><b>Is there a stakeholder analysis?</b>      <input checked="" type="checkbox"/> Yes      <input type="checkbox"/> No</p> <p>Preliminary stakeholder consultation was carried out with Government of India counterparts and market participants in September 2006.</p>
<p><b>Is there a participation strategy?</b>      <input checked="" type="checkbox"/> Yes      <input type="checkbox"/> No</p> <p>A key component of the TA is the promotion of public awareness of the new pension scheme (NPS). Four districts will be selected for pilot testing of the NPS. Formal and informal sector workers in the selected districts will be consulted under the TA. Further, training and institutional capacity building efforts will be undertaken to enable regulated service delivery agencies (banks, postal branches, depository participants, etc.) to participate as service providers under the NPS.</p>

### D. Gender Development

<p><b>Strategy to maximize impacts on women:</b></p> <p>The TA will assist in reforming the pension system in India, covering all employees, including workers in the informal sector where the proportion of women workers is higher compared with the formal sector. Thus, project outcomes will have a positive impact on women.</p>
<p><b>Has an output been prepared?</b>      <input type="checkbox"/> Yes      <input checked="" type="checkbox"/> No</p>

**E. Social Safeguards and Other Social Risks**

<b>Item</b>	<b>Significant/ Not Significant/ None</b>	<b>Strategy to Address Issues</b>	<b>Plan Required</b>
<b>Resettlement</b>	<input type="checkbox"/> Significant <input type="checkbox"/> Not significant <input checked="" type="checkbox"/> None	Other adverse issues are not anticipated.	<input type="checkbox"/> Full <input type="checkbox"/> Short <input checked="" type="checkbox"/> None
<b>Affordability</b>	<input type="checkbox"/> Significant <input type="checkbox"/> Not significant <input checked="" type="checkbox"/> None	In conducting the pilot testing at the district level, attitude and willingness to save will be covered under the proposed TA.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Labor</b>	<input type="checkbox"/> Significant <input type="checkbox"/> Not significant <input checked="" type="checkbox"/> None	Positive labor impact is expected.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Indigenous Peoples</b>	<input type="checkbox"/> Significant <input type="checkbox"/> Not significant <input checked="" type="checkbox"/> None	Other adverse issues are not anticipated.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Other Risks and/or Vulnerabilities</b>	<input type="checkbox"/> Significant <input type="checkbox"/> Not significant <input checked="" type="checkbox"/> None	Other adverse issues are not anticipated.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No