

ASIAN DEVELOPMENT BANK

TAR: KGZ 31535

TECHNICAL ASSISTANCE

TO THE

KYRGYZ REPUBLIC

FOR

PENSION REFORM

December 1997

CURRENCY EQUIVALENTS

(as of 15 December 1997)

Currency Unit	—	Som
Som1	=	\$0.0574
\$1.00	=	Som17.406

ABBREVIATIONS

GDP	-	Gross Domestic Product
OECD	-	Organization of Economic Cooperation and Development
PAYG	-	Pay-as-you-go
PPTA	-	Project Preparatory Technical Assistance
SOSAC	-	Social Sector Adjustment Credit
TA	-	Technical Assistance

NOTES

- (i) The fiscal year of the Government ends on 31 December.
- (ii) In this Report, "\$" refers to US dollars.

I. INTRODUCTION

1. The Government of the Kyrgyz Republic requested Bank support for a Pension Reform Program during the visit of the Vice President (East) to the Kyrgyz Republic in May 1997. Concept clearance for a project preparatory technical assistance (PPTA) was obtained on 13 August 1997 and the TA was included in the 1997 Country Program. A provision was also made for a Pension Reform Program in the amount of \$20 million for approval in 1998. Fact-finding for the TA was carried out during 12-19 September 1997.¹ Understanding has been reached with the Government regarding the TA's objective, scope, cost estimates, and implementation arrangements.

II. BACKGROUND AND RATIONALE

2. While the fundamental objective of a pension system is achieving equity in the provision of old-age income, the ultimate concern is economic, namely, enhancing efficiency through the removal of distortions that raise the cost of labor and discourage savings. Thus, a social security or pension system is evaluated by how it serves two objectives: protection of the old, and promotion of economic growth. To protect the elderly, they must be provided with an adequate wage replacement upon retirement, one that is appropriately indexed for inflation and is financially sustainable. To promote growth, the social security system must not lead to excessive distortions, including labor market distortions; it must promote contractual savings, a major factor in the development of capital markets.

3. The pension system in the Kyrgyz Republic is of the pay-as-you-go (PAYG) type and has universal coverage. The system is not designed to contribute to economic growth. The system is in a crisis, as demonstrated by unsustainable deficits and its inability to provide adequate retirement incomes to the elderly. The crisis has emerged against the background of a steadily improving macroeconomic performance achieved through a series of programs supported by the International Monetary Fund. The budget deficit has been reduced to about 4.4 percent of gross domestic product (GDP) in 1997; after a cumulative contraction in output of about 50 percent during 1991-1995, a positive real growth rate of 5.6 percent was experienced in 1996. It is expected that in 1997 the growth rate of GDP will be about 7 percent. The inflation rate has been sharply reduced and is expected to be about 25 percent during 1997. While these are encouraging developments, macroeconomic recovery is extremely fragile. The pension fund deficit is expected to grow in 1998. The size and cost of the pension program in coming years, in particular the size of the system's implicit liabilities, are unknown and vital data are not readily accessible. The Government does not have the capability to develop actuarially based long-term projections of the fiscal implications of changes to pension entitlements or of the long-term financial liabilities of the system. The absence of a capability to estimate the costs of alternative reform proposals has constrained the ability to analyze pension reform issues in an informed way. Taken together, these developments are a cause for concern as the pension system's crisis exacerbates the national fiscal crisis and thereby threatens the sustainability of macroeconomic recovery.

4. International comparisons indicate that the Kyrgyz pension system is highly skewed. Despite a relatively small elderly population, expenditure levels are high compared with GDP or total government spending. This is because while average pensions are small—indeed,

¹ The TA first appeared in *ADB Business Opportunities* in September 1997.

these payments have failed to stem the growing incidence of poverty among the elderly—generous entitlement criteria involving low retirement ages for numerous special categories of people have greatly expanded the number of people receiving pensions. Out of a population of 4.5 million, there are 550,000 people drawing pensions; of these, 140,000 are individuals below the normal retirement age. Total expenditures on pensions amount to about 8 percent of GDP, which is more than what is observed in Asian and Latin American countries (6 percent and 2 percent, respectively), and are only slightly less than that in the Organization of Economic Cooperation and Development (OECD) countries (about 9 percent). The ratio of annual pension expenditures to total government expenditures in the Kyrgyz Republic is one of the highest in the world, 23 percent, and is exceeded only in the OECD countries where, on average, it is about 25 percent. The annual subsidy from the budget required to pay current pensions has been in the order of about 2 percent of GDP and is unsustainable.

5. The pension system is based on a payroll tax of 33 percent, of which employers' contribution is 31 percent and employees' contribution is 2 percent. The payroll contribution is well above the international average of about 20 percent; in the absence of a close linkage with benefits, the payroll contribution acts as a tax that creates major labor market distortions while encouraging growing informality in employment. The wage replacement rate can be as high as 70 percent of a pensioner's highest level of earnings (the international average is around 50 percent). To maintain the current level of benefits, the contribution rate required for the system's financial viability—assuming almost complete compliance in payments—would be prohibitively high (about 80 percent of payroll). Collections of contributions and payment of benefits are now centralized in the Social Fund, but accounting procedures are rudimentary and manual. In 1997 the Social Fund expects a shortfall of about \$25 million between its collections and its payment of pension benefits. However, the true shortfall is estimated to be twice this.

6. With the exception of some OECD countries, most countries in the world are currently giving serious consideration to overhauling their pension systems. In the OECD countries, the aging of the population has exacerbated the problem of financial viability, while disinclining policymakers to make fundamental reforms in view of the high cost of transition. These countries have sufficient resources to meet the deficits of their pension systems from general revenues and are thus in a position to postpone reform. In the Kyrgyz Republic, the situation is different. Faced with the growing threat of insolvency and distortions of incentives, the country needs to reform its pension system now while its population is still young. The alternative of maintaining the existing structure of the publicly managed PAYG system threatens to divert resources from investments in health, education, and infrastructure, and to reduce savings. Delaying reforms poses no advantages to the Kyrgyz Republic. The current pension system needs to be reformed in two major ways: first, through a restructuring and downsizing of the publicly managed system with a view to containing the growth of costs and tightening the administration of benefits; and second, through the promotion of a capitalized scheme that offers a tighter link between contributions and benefits and reduces labor market distortions.

7. Against this backdrop, the Government is improving the policy framework and administrative capacities for providing pensions both through the public sector and through the promotion of non-state pensions. Parliament passed a new law on state pensions in July 1997 and a draft law has been prepared for non-state pension funds. There is a clear need for further policy and institutional reforms that would assist in establishing a sound financial basis for the pension system. At the same time, the operational and management efficiency of the system

needs to be improved. The PAYG pillar of the state pension system—the key element of the country's provision for retirement income—needs to be evaluated to determine the extent to which it is affordable and sustainable for future generations.

8. At the same time, it is expected that a comprehensive set of measures would be needed to lay the foundations of a non-state, fully funded, defined-contribution system of pensions that would promote contractual savings and the development of capital markets. Among institutions for contractual savings, pension funds play potentially the most important role in mobilizing private savings. With their ability to mobilize long-term funds, pension funds and other institutional investors broaden the demand base, especially for long-term debt instruments. Moreover, permitting pension funds to invest in financial instruments other than low-income government bonds can greatly enhance the supply of long-term finance to the private sector. Measures to promote non-state pensions require concomitant measures targeted to explicit objectives to develop the legal and regulatory framework for non-state pensions, strengthen governance of financial and nonfinancial institutions, and enhance supporting financial markets and instruments.

9. Currently, financial markets in the Kyrgyz Republic are limited in the range of both financial intermediaries available, and financial instruments. Non-state pension funds and insurance companies play only a marginal role in the economy. Additionally, while a functioning stock exchange exists, financial markets are still relatively underdeveloped. As the example of Chile makes clear, pension reform can play a decisive role in promoting an active stock exchange that can be the linchpin for the growth of capital markets. The development of a greater range of financial institutions such as asset management and insurance companies will be an important step toward developing broad markets for financial securities. While a more diverse financial structure can be expected, in turn, to lead to a deepening of capital markets, this outcome is likely to be closely linked to the implementation of a transparent and stable legal and regulatory regime for the financial sector. It will also be linked to the development of investor confidence in the legal and regulatory regime based on practical experience. In this connection, a strategy that provides the appropriate mix of government regulation and incentives for the development of financial institutions and instruments will need to be formulated.

10. The Kyrgyz Republic has been a pacesetter in the transition to a market-oriented economy. The current focus on reform of its pension system offers the potential for further deepening and consolidating the wide-ranging reforms that were initiated following independence. It also offers the opportunity to benefit from intersector linkages arising from the ongoing reform of the financial sector and from privatization of large State-owned enterprises. In addition to financial sustainability, three main benefits may be expected from pension reform: (i) the establishment of a closer link between contributions and benefits, thus reducing the labor market distortions characteristic of PAYG unfunded pension schemes; (ii) the promotion of contractual savings and hence growth; and (iii) the acceleration of financial market development, thus improving the efficiency of resource allocation.

11. Under a grant of ECU3.8 million from the European Union, the Government has developed a legal framework for state pensions, reorganized and strengthened the organization and financial management of the Social Fund, and installed electronic data processing systems required to implement a system of individual accounts. The completion of this work is being supported by the World Bank.

12. The World Bank is funding consultants under a \$480,000 grant provided by the Japanese Government to develop the policy framework for the proposed Social Sector Adjustment Credit (SOSAC) in the amount of about \$45 million, which is scheduled for approval in late 1998. It is expected that the Pension Reform Program will need to be closely coordinated with SOSAC, especially as the World Bank also intends to support pension reform. Meetings between the Bank and the World Bank have been held to coordinate the respective TAs, with the latter focusing on social sector (health, delivery of targeted assistance to groups disadvantaged by the transition) and labor market issues. On the basis of the studies undertaken under this PPTA, and in the light of further coordination with the World Bank and other funding agencies, it is expected that a set of reforms that provides additionality to the efforts of other funding agencies, and which can be supported by the Bank, will be identified.

13. Pension reform affects everyone, but distinct groups will be affected differently depending on the precise formulas used for determining benefits and payments, as well as on the nature of the systems being set in place. A key issue is that reform measures will need to be sensitive to the differential working patterns and life expectancies of women relative to men. An additional set of issues relates to the adequacy of the social security system in mitigating poverty. The analysis of these issues, an assessment of the economic and social impact of the proposed program, and a series of workshops and consultations with affected groups have been built into the design of the TA.

III. THE TECHNICAL ASSISTANCE

A. Objective

14. The TA aims to formulate a program of policy and institutional reform that will promote the development of a financially sustainable and equitable pension system and which can be supported through the proposed program loan. The outputs will be (i) an analysis of the financial viability of the existing pension system; (ii) recommendations for reform, including the phasing in of a fully funded, defined-contribution pillar and associated measures to minimize, and ensure the transparency of, the related fiscal cost; (iii) recommendations relative to the development of non-state pension funds and drafts of required regulatory standards; and (iv) proposals to enhance financial market development through promotion of greater financial intermediation and a wider range of financial instruments. A logical framework is given in Appendix 1.

B. Scope

15. The TA involves (i) the development of an actuarially based pension computer model; (ii) the formulation of reform proposals, evaluation of associated fiscal costs, and preparation of recommendations for financing plans; (iii) an evaluation of the legal and regulatory framework for non-state pensions and assistance in drafting the relevant regulations and amendments to laws; (iv) an evaluation of the system of pension administration with a view to determining its capacity to meet its objectives and identifying the need, if any, for further assistance; (v) an examination of measures required to promote capital and insurance markets to support pension reform; (vi) the provision of computers/equipment; and (vii) workshops to disseminate the TA's findings to Government officials, members of Parliament, and affected groups with a view to generating support for the Government's strategy of pension reform.

C. Cost Estimates and Financing Plan

16. The total cost of the TA is estimated at \$820,000 equivalent, \$585,000 of which is in foreign exchange and \$235,000 equivalent in local currency. The Bank will finance the entire foreign exchange cost and \$95,000 equivalent of the local currency cost, amounting to \$680,000 equivalent.¹ The TA will be financed by the Bank on a grant basis from the Bank-funded TA program. The Government has agreed to provide the equivalent of \$140,000 in kind, relating to the cost of counterpart staff, the provision of office space, workshops, translation services, and contingencies. The Government has been informed that provision of the TA does not commit the Bank to finance any ensuing development project or program. The cost estimates and financing plan are in Appendix 2.

D. Implementation Arrangements

17. The Executing Agency for the TA will be the Ministry of Labor and Social Protection. An Interministerial Steering Group called Pension Working Group has been formed to facilitate policy deliberations in the Government and to oversee the work of the consultants. The Working Group will be chaired by the First Vice Prime Minister.

18. The TA will be implemented over a six-month period commencing in January 1998 and will require 17 person-months of international consulting services and 20 person-months of domestic consulting services. The international consultants will consist of an economist (team leader), pension modeler, a legal expert, a pension administration/management information systems expert, a capital markets expert, and an insurance industry expert. The domestic consultants will consist of a statistician, an economist, a legal expert, and a full-time secretary who will also act as the workshop organizer. The consultants will be recruited by the Bank in accordance with its *Guidelines on the Use of Consultants* and other arrangements for the engagement of domestic consultants. A simplified technical proposal format will be used in the recruitment of consultants. Detailed terms of reference are in Appendix 3. Computers and other equipment will be procured in accordance with arrangements acceptable to the Bank.

IV. THE PRESIDENT'S DECISION

19. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance to the Government of the Kyrgyz Republic, in an amount not exceeding the equivalent of \$680,000 for Pension Reform, and hereby reports such action to the Board. This technical assistance will be financed initially as a grant, but will be subject to the reimbursement arrangements set forth in the Board papers on *Technical Assistance Cooperation* (Doc. R51-77, dated 20 May 1977) and *Streamlining of Technical Assistance Operations* (Doc. R44-88, dated 21 March 1988) including the provision that, in the event of technical assistance resulting in a loan from the Bank, the Bank may charge against such loan, and recover from it, the portion of the initial grant that exceeds \$250,000 equivalent.

¹ The TA has been proposed for financing from the Japan Special Fund (JSF). If such funding is approved, the Bank will shift the source of funding from the Bank-funded TA Program to JSF.

LOGICAL FRAMEWORK

Narrative Summary	Measurable Indicators	Means of Verification	Risk/Assumptions
A. Goals			
To promote old age security in a viable manner	Pensions that provide adequate wage replacement rates that are protected from inflation	Actuarial evaluation of reform proposals	Macroeconomic stability Sound banking system
Economic growth and efficiency in resource allocation through the promotion of institutions for contractual savings	Growth of private pension funds	Government statistics on share of pension fund assets relative to gross domestic product	Government commitment to pension reform
B. Objective			
To assist the Government in preparing a Pension Reform Program that can be supported by the Bank	A reform program incorporating a time-bound action plan to be discussed with the Government in the third quarter of 1998	Government approval for processing of program loan	Government commitment to pension reform Continued macroeconomic stability, and progress in banking sector reforms
C. Outputs			
An agenda for policy and institutional reforms	Development and calibration of an Excel-based pension computer model for modeling of reform options and estimation of pension liabilities and transition costs	Monitoring of consultant activities through Review Mission and submission of reports	Adequacy of data, quality of actuarial support provided by consultant
	Development of system reform options including recommendation to minimize fiscal costs	Monitoring of consultant activities through Review Mission and submission of reports	
	A time-bound action plan for reforms to strengthen the legal and regulatory framework for state and non-state pensions	Monitoring of consultant activities through Review Mission and submission of reports	Quality of consultants Success of workshops in dissemination of results
	An action plan to promote capital and insurance markets	Monitoring of consultant activities through Review Mission and submission of reports	Quality of consultants Success of workshops in dissemination of results
	An action plan to strengthen the system of pension administration	Monitoring of consultant activities through Review Mission and submission of reports	Quality of consultants Success of workshops in dissemination of results
	Assessment of gender and poverty issues	Consultants' reports	Quality of consultants
	Workshops to disseminate PPTA results	Bank participation	Quality of consultants Interest of stakeholders

(Reference in text: page 4, para. 14)

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

Item	Foreign Exchange	Local Currency	Total Cost
A. Bank Financing			
1. Consultants			
a. Remuneration			
i. International Consultants	340,000	—	340,000
ii. Domestic Consultants	—	25,000	25,000
b. Per Diem			
i. International Consultants	80,000	—	80,000
c. Travel			
i. International Consultants	30,000	—	30,000
2. Report Preparation	5,000	—	5,000
3. Contract Negotiations	10,000	—	10,000
4. Communications	5,000	—	5,000
5. Domestic Transport for International Consultants	—	20,000	20,000
6. Office Equipment (Computers, Software, Printers, Fax)	30,000	—	30,000
7. Translation	—	20,000	20,000
8. Workshops/Seminars	—	20,000	20,000
9. Contingencies	85,000	10,000	95,000
Subtotal (A)	585,000	95,000	680,000
B. Government Financing			
1. Office Support	—	60,000	60,000
2. Counterpart Staff	—	30,000	30,000
3. Workshops	—	20,000	20,000
4. Translation	—	10,000	10,000
5. Contingency	—	20,000	20,000
Subtotal (B)	—	140,000	140,000
Total	585,000	235,000	820,000

— = magnitude zero.

(Reference in text: page 5, para. 16)

TERMS OF REFERENCE FOR CONSULTANTS

A. International Consultants

1. Actuary/Pension Computer Modeler (5 person-months)

- (i) Relative to an existing actuarially based Excel-driven model for the analysis of pension reform options, and in close consultation with relevant Government officials:
 - (a) identify data needs of the model, and assist the Government and the Bank in extracting the relevant data through sampling or other methods;
 - (b) calibrate the model to demographic, economic, and other statistical data of the Kyrgyz Republic;
 - (c) in coordination with the pension economist and relevant Government officials, develop and model the fiscal implications of alternative transition paths to fuller funding of the State pension system; and
 - (d) assess the implicit long-term debt of the existing State pension system under a range of assumptions regarding economic and demographic realities.
- (ii) Direct the domestic consultants in the design and implementation of sampling and other surveys required to establish a database for the pension computer model.
- (iii) Provide training to Government officials in the use of the model.
- (iv) Participate in workshops designed for wider dissemination of the PPTA's results.
- (v) Contribute to the preparation of a draft final report for consideration at a tripartite meeting in Bishkek.

2. Pension Economist (5 person-months)

- (i) Coordinate the work of all international and domestic consultants.
- (ii) Describe and evaluate the policy and institutional framework, evaluate recent reforms, and provide an assessment of the structure of the existing system of pensions in the Kyrgyz Republic.
- (iii) Identify constraints in the policy and institutional framework, and, in consultation with the Government, develop options for policy and institutional reform.

- (iv) Evaluate the prospects for the development of non-state pension funds and develop recommendations for policy and institutional reform for their promotion.
- (v) In coordination with the pension modeler, model alternative reform options with a view to assessing the fiscal implications of different policy options.
- (vi) Analyze the implications of various reform options for wider economic aggregates including employment, macroeconomic balances, etc.
- (vii) Identify and analyze technical assistance requirements for capacity building and institutional strengthening.
- (viii) Coordinate and liaise with bilateral and multilateral funding agencies.
- (ix) Develop and implement a series of workshops to disseminate results of the PPTA to Government officials, members of Parliament, affected groups, etc.
- (x) Direct domestic consultants and participate in the analysis of the social impact of the Government's pension reform strategy.
- (xi) Synthesize the work of international and domestic consultants and prepare a final report—which will include recommendations for an action plan of phased policy and institutional reform—for discussion with the Government at a tripartite meeting in Bishkek.

3. Legal Expert (2 person-months)

- (i) Review the regulatory standards included in existing and draft pension legislation; in particular, review the regulatory standards in the draft law on non-state pensions.
- (ii) Assist the Government in drafting the detailed regulatory frameworks for non-state pension funds, which will involve the following: development of pension contract formats, fiduciary standards, reporting and disclosure requirements, auditing standards, mechanisms for transferring assets among funds, and licensing requirements for funds.
- (iii) Provide recommendations defining the rationale and scope of pension regulations and supervisory arrangements.
- (iv) Together with the capital markets expert, review the regulatory and human resource environment for developing the investment fund industry, including money management and custodial activities.
- (v) Contribute to the preparation of a draft final report to be discussed at a tripartite meeting in Bishkek.

4. Capital Markets Expert (2 person-months)

- (i) Evaluate the structure of capital markets and provide a qualitative and quantitative analysis of its development. The analysis will include, but will not be limited to, an evaluation of
 - (a) diversity of financial institutions,
 - (b) range of available financial instruments, and
 - (c) liquidity and depth of financial markets.
- (ii) Identify potential sources of finance and investible funds that might play a role in further development of capital markets in the Kyrgyz Republic.
- (iii) Review and evaluate the legal and regulatory framework as it affects the development of capital markets, particularly as it affects the development of long-term markets.
- (iv) Identify the constraints to the development of long-term capital markets.
- (v) Assist the Government in formulating a strategy of legal, regulatory, and institutional reforms to promote the development of long-term capital markets.
- (vi) Contribute to the preparation of a draft final report to be discussed at a tripartite meeting in Bishkek.
- (vii) Participate in workshops under the direction of the team leader.

5. Insurance Industry Expert (2 person-months)

- (i) Evaluate the structure of the existing insurance industry, develop measures of its performance and efficiency, and identify the major policy and regulatory constraints to its effective development.
- (ii) Review current and pending legislation affecting the insurance industry. The evaluation should include, but will not be limited to, the adequacy and appropriateness of regulations governing ownership, market entry and conduct, the structure of tariffs, fees and commissions, control of reserves and investments, policy toward reinsurance, and access to local markets by foreign insurance companies.
- (iii) In consultation with the Government and the Bank, prepare recommendations for regulations and amendments to legislation with a view to developing along competitive lines a sound and efficient insurance industry that is able to provide both general and life insurance products.
- (iv) Focusing specifically on the need to support the Government's Pension Reform Program, develop recommendations for policy and regulatory

reform of the insurance industry with a view to facilitating the development of disability, survivorship, and annuity products.

- (v) Contribute to the preparation of a draft final report to be discussed at a tripartite meeting in Bishkek.
- (vi) Participate in workshops under the direction of the team leader.

6. Pension Administration Expert/Management Information Systems Expert (1 person-month)

- (i) Evaluate the system of pension administration, including its organizational structure, financial management systems, and supporting electronic database with a view to determining its capacity to meet its objectives.
- (ii) Identify technical assistance needs, if any, for additional equipment.
- (iii) Identify technical assistance needs for human resource development and training.

B. Domestic Consultants—Broad Terms of Reference

1. About 20 person-months of domestic consulting services will be recruited under the PPTA. The domestic consultants will consist of the following experts: economist, statistical design/sampling techniques, legal expert, and a full-time secretary/workshop organizer.

1. Economist

- (i) Will work under the direction of the international team leader.
- (ii) Will assist the team leader in evaluating the social impact of various reform options.
- (iii) Will assist the team leader in analyzing the implications of pension reform on employment and on macroeconomic balances.
- (iv) Will assist the team leader in organizing and implementing workshops.

2. Statistical Design/Sampling Expert

- (i) Under the direction of the pension modeler and the international economist, will assist in the design and implementation of sampling methods required to extract demographic and other data required for modeling pension reform.
- (ii) Will assist the pension modeler in maintaining and updating all databases.

- (iii) Will participate, as necessary, in workshops.

3. Legal Expert

- (i) Will assist the international legal expert in the collection and evaluation of all legislation, including relevant laws, the Civil Code, and government and ministerial decrees affecting the regulation and operation of the system of pensions.
- (ii) Will assist the international legal expert in ensuring that legislative proposals are drafted according to local terminology and usage.
- (iii) Will assist the team leader in the design and implementation of the workshops for pension reform.

4. Secretary/Workshop Organizer

- (i) Will provide full-time secretarial services to the international and domestic consultants.
- (ii) Under the direction of the team leader, will take primary responsibility for organizing the workshops on pension reform.

C. Reporting Requirements

2. The team leader will prepare an inception report within 6 weeks of commencement of services, a midterm report within 12 weeks of commencement, and a draft final report 4 months after fielding of services. A final report will be produced within two weeks of the tripartite meeting to review the draft final report. Three copies each of the draft final report will be provided to the Bank, the Ministry of Labor and Social Protection, the Ministry of Finance, the Social Fund, and the Prime Minister's Office. The team leader will submit monthly status reports to the Bank.

3. The pension modeler will submit monthly reports to the team leader and to the Bank. The modeler will provide an inception report within 6 weeks of commencement of services, a midterm report within 12 weeks of commencement, and a draft final report 4 months after fielding of services. One copy each of this report will be provided to the Bank, the Ministry of Labor and Social Protection, the Ministry of Finance, the Social Fund, and the Prime Minister's Office.

4. The legal expert and the insurance experts will provide the Bank with an inception report within three weeks of commencement and a draft final report one week from the end of their services.

5. On completion of field services, the management information systems expert will present a report to the Bank outlining his/her findings.

6. The domestic consultants' work schedules and their reporting requirements will be determined by the team leader in consultation with the Bank and the Government.