Report Number: ICRR13892

IEG ICR Review

Independent Evaluation Group

1. Project Data:			Date Posted: 08/03/2012	
Country:	Macedonia			
Project ID:	P074358		Appraisal	Actual
Project Name:	Social Protection Project	Project Costs (US$M):	11.18	10.44
L/C Number:	L4732	Loan/Credit (US$M):	9.80	9.45
Sector Board:	Social Protection	Cofinancing (US$M):		
Cofinanciers:		Board Approval Date:		05/13/2004
		Closing Date:	06/30/2009	05/31/2011
Sector(s):	Compulsory pension and unemployment insurance (80%); Other social services (20%)			
Theme(s):	Social risk mitigation (33% - P); Other social protection and risk management (33% - P); Other public sector governance (17% - S); Public expenditure; financial management and procurement (17% - S)			

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2. Project Objectives and Components:

a. Objectives:

According to the Loan Agreement (LA, p. 12), the project's objectives were "to assist the Borrower in improving the effectiveness and efficiency of its social protection system through improved administration and long-term sustainability of the pension system and improved administration of cash benefits and social welfare services."

The Project Appraisal Document (PAD, p. 6) states the objectives slightly differently: "to improve the effectiveness and efficiency of the social protection system through improved administration and long-term sustainability of the pension system and improved targeting and administration of cash benefits."

The ICR (p. 3) notes that targeting of benefits is referred to in the PAD but not in the LA, and that the Sector Manager documented the discrepancy in December of 2008. This Review will include an assessment of improvements in both targeting and administration of benefits and services.

b.Were the project objectives/key associated outcome targets revised during implementation?

No

c. Components:

The project contained three components:

1. **Pension System Administration** (appraisal, US$ 7.22 million; actual, US$ 6.50 million). This component was intended to improve the long-term sustainability of the pension system through improving the administration and efficiency of existing pension system institutions; increasing the efficiency and effectiveness of collection of pension contributions through the introduction of monthly pension contribution record-keeping on an individual basis; building regulatory and supervisory capacities in the newly-formed Capitally Funded Pension Insurance (MAPAS) agency and custodial capacities in the National Bank of the Republic of Macedonia (NBRM); and improving public knowledge of the pension system through an extensive public education campaign. It contained tour subcomponents:

a. Governance and management reform in the Pension and Disability Insurance Fund (PDIF) through implementation of sound business plans/processes and improved financial management practices, improved human resource management, development and implementation of internal and external communication strategies for the PDIF, and strengthening policy and actuarial analysis capacities in the PDIF.

b. Development of the regulatory framework needed for proper functioning of the funded pension system, the design and implementation of business processes and other capacity building for the MAPAS, and enhancement of public understanding of the funded pension system.

c. Capacity building at the Ministry of Labor and Social Policy (MLSP) for pension system analysis, policy development, and public education, including: (i) identification of policy options and preparation of draft pension legislation; (ii) capacity building for pension system analysis and the development of future policy options; and (iii) the preparation and implementation of an integrated pension reform public education campaign.

d. Capacity development at the NBRM, through: (i) identification of business processes and adequate organizational structures for the development of the Custodial Department; (ii) preparation of rules and regulations related to custody over the second pillar pension assets, their evaluation, record-keeping, and other custody-related activities; and (iii) provision of specialized training for the Custody Department staff.

2. **Social Protection Program Support** (appraisal, US$ 2.35 million; actual, US$ 3.15 million). This component supported the implementation of social assistance reforms and the development of technical and organizational capacities for policy formulation and mechanisms to improve resource management and service delivery in the MLSP and its strategy departments. It contained two subcomponents:

a. Development of a policy framework for streamlined, cost-effective, and better-targeted cash benefits, implementation of local social planning and deinstitutionalization of social work services, and establishment of inspection, supervision, and quality assurance functions.

b. Information management systems and information technology (IT) capacity strengthening of the institutions and departments in charge of administration of cash benefits, the delivery of social services, and the interface between cash benefits managed by Social Welfare Centers (SWCs) and active employment measures managed by the National Employment Bureau (NEB).

3. **Project Management, Monitoring, and Evaluation** (appraisal, US$ 0.46 million; actual, US$ 0.74 million). This component was to ensure effective administration and implementation of the project by supporting the operation of a Project Management Unit (PMU) that would report to the Minister of Labor, and that was responsible for all day-to-day project implementation activities, including procurement, disbursement, and accounting functions. The Policy Unit in the MLSP and the PMU were to take joint responsibility for monitoring and evaluation of project activities, achievements, and outcomes.

d. Comments on Project Cost, Financing, Borrower Contribution, and Dates:

Project Cost: The project spent more than planned on the second and third components, and less than planned on the first. The ICR does not explain the reasons for these changes in expenditures. The project team explained that pension reform was the Government's first priority, and therefore it was agreed to sequence project activities, with pension reform first, and safety net reform later. With this in mind, budgets at appraisal were set with the idea that adjustments would possibly/probably be required later.

The difference between the sum of the actual component costs (US$ 10.39 million) and the total actual project costs (US$ 10.44 million) is a US$ 0.05 million front-end fee.

Financing: On June 15, 2010, an amendment to the LA increased the disbursement percentage of eligible expenditures to 100%, due to difficulties encountered by the Ministry of Finance in providing timely counterpart funds contributions for some activities. However, the disbursement percentage for incremental operating costs was not changed, remaining 25% from loan proceeds and 75% from the Government contribution.

Financing through the project was intended to complement a planned series of programmatic public sector management adjustment credits/loans (PSMAC, 2002-2003, US$ 15 million; PSMAL 2, 2004-2005, US$ 30 million) and associated assistance being financed by Dutch Trust Funds. The ICR does not provide information about the amount or use of the Dutch Trust Funds. The project team explained that the Dutch contributed to the parts of the adjustment operations that supported overall pension reform -- building custodial capacity at the National Bank, and supervisory capacity at MAPAS.

Borrower Contribution: The Borrower made US$ 1.00 million of a planned US$ 1.38 million contribution. The ICR does not give a reason for the contribution being less than planned. The project team explained that the Borrower's contribution was, in fact, not less than planned. The planned Borrower's contribution, which was difficult to value but fully contributed, was in two areas. One was discounted or free access to time on state radio and television for a campaign about the pension reform. The other was contribution to salaries, as follows: every time the project hired an international consultant, it also hired a young Macedonian person, generally fresh out of college. This young person helped the consultant with language and coordination issues, and also received training and experience working with the consultant. If the young person turned out to be a solid employee, then the Government hired him/her after a few years. Many of these people are still working in the Ministry.

Dates: The project's closing date was extended twice. The first extension, approved on January 26, 2009, extended the closing date by one year, to June 30, 2010, to allow for completion of software development for the Pension Payout, the Financial Management Information System and Document Management System for the PDIF, the core business functions of the MAPAS, and the Cash Benefit Management Information System (MIS). This extension also allowed for procurement of IT hardware and networking equipment. The second extension, approved on June 15, 2010, extended the closing date by a further eleven months to May 31, 2011, to allow completion of two software packages, the Pension Payout software, and the Cash Benefit MIS.

3. Relevance of Objectives & Design:

a. Relevance of Objectives:

Substantial. At the time of appraisal, economic growth was slow and investment was sluggish. Social assistance was characterized by weak administrative capacity and a complex and fragmented system of social cash benefits. The system had developed in a piecemeal fashion, with little consideration given to linkages between programs or to administrative efficiency. Programs were not well targeted, and inclusion and exclusion errors were high. A 2005 Poverty Assessment found that social transfers were responsible for reducing the poverty headcount from 53% to 22% of the population in 2003, but it also found that social assistance programs provided greater coverage to the non-poor than to the poor. The pension system was also in need of reform, with a structural deficit expected to grow as a result of worsening system dependency ratios, generous benefit assessments and indexation rules, and relatively easy access to occupational early retirement and disability status. Legislation had been passed in in 2000 to implement a structural reform, including a mandatory funded ("second") pension pillar designed to be mandatory for new entrants to the labor market and voluntary for persons already in the workforce. The implementation of a two-pillar system faced a number of challenges, including creating the fiscal space necessary to accommodate the transitional deficit, creating adequate financial instruments for investment of accumulated assets, and ensuring an adequate institutional framework.

The objectives were substantially relevant to the Bank's Country Partnership Strategy (CPS, 2011-2014, current at project closure), which lists as Priority I faster growth through competitiveness, with pension reform a key milestone toward fiscal, macroeconomic, and financial sector stability (p. 35). The CPS (p. 14) also states that reform of the social protection system will continue to yield benefits. The objectives are also substantially relevant to the current Government's National Strategy on Alleviation of Poverty and Social Exclusion (2010-2020), which calls for rationalization of social benefit eligibility requirements and measures to ensure that social transfers are directed toward the most vulnerable.

b. Relevance of Design:

Substantial. The PAD (pp. 33-38) contains a comprehensive and convincing results chain plausibly linking the project's anticipated activities and outputs with its expected outcomes, and therefore with progress toward achievement of its development objectives. For example, the strengthening of policy and actuarial analysis capacities in the Pension and Disability Insurance Fund, supported through training and hardware /software development under Component 1, would be expected to contribute to increased efficiency of the pension system through enhanced capacity to identify pension policy options and improvements in pension contribution collection.

4. Achievement of Objectives (Efficacy):

Improve the effectiveness of the social protection system is rated Substantial.

Outputs:

A new Law on Social Protection was enacted in 2009, covering regulations governing the definition of countable income for purposes of eligibility for social cash benefits; the harmonization and introduction of common means tests for a number of social benefits; the simplification of calculation of social benefits through introduction of nominal

benefit amounts in place of percentage of average salary; redefinition of disability benefits; and reduced frequency of on-site visits. The Law on Child Protection was also amended to simplify means testing and strengthen legal frameworks.

Technical assistance, network equipment, and communication capacity were provided for the MLSP and the Social Welfare Centers. Business processes for all cash benefits were mapped and developed, including business processes for financial management and security. A Cash Benefits management information system (MIS) was developed, though some functionalities were not complete at project closing. Staff and local consultants were hired and trained to support the functioning of the IT hardware and software.

Unspecified inputs were provided to the development of the government Strategy for Development of Social Protection for the period 2011-2021.

New processes and procedures were put in place for the PDIF. New hardware and software were procured and made functional, and staff in central and regional offices were trained in their use. A new pension collection system was made functional, with a monthly individualized records system put in place. Free contribution reporting software was distributed to enterprises. Actuarial models were developed and put in place, with seven staff trained (exceeding the target of six) and staff now regularly using the models. Privileged pension (occupational early retirement) policies were legislated or updated, with eligibility control now rule-based.

A regulatory framework was put in place for second and third pillar pension sectors, covering regulation and licensing, investments and custodianship, accounting and assets valuation, recordkeeping and reporting, communications, and marketing practices. Supervisors were trained.

A public information campaign was conducted to garner support for pension reform.

A custody unit was established at the NBRM in 2006. Hardware and software to enable investment and cash account management for private pension funds was procured and made operational.

Outcomes:

In 2006, the mandatory fully funded pension system (second pillar) became operational, and the voluntary pension insurance system (third pillar) was introduced and became fully functional in 2009. The rate of collection of pension contributions increased from 76.3% in 2004 to 92% in 2011, exceeding the target of 85%.

Improve the efficiency of the social protection system is rated Substantial.

Outputs:

The payment process for cash benefits was redesigned, for both the MLSP and SWCs, to incorporate simplified procedures and administrative structures. Administration of child protection benefits previously carried out by local child protection units was transferred to SCWs.

Outcomes:

The time necessary to process pension and disability benefit applications and verify eligibility decreased from an average of 60 days in 2004 to 15 days in 2011. At project closing, the percentage of pension benefit requests processed within 30 days was 98.5%, exceeding the target of 90% (no baseline was available).

The overall administration costs of the disability pension assessment procedure decreased from MKD 5.3 million in 2004 to MKD 2.5 million in 2011, exceeding the target of MKD 2.6 million.Overall administration and operating costs of the PDIF were 5% lower in 2010 than in 2004 (ICR, p. 37), largely due to more efficient payment procedures.

The percent of social assistance expenditure reaching the bottom income quintile of the population increased by 5.4% between 2004 and 2011, exceeding the target of 3%. However, the number of households in the two bottom income deciles receiving any social assistance benefits decreased by 1.47% for the lowest decile, and 3.81% for the second-lowest decile, not reaching the target of a 5% increase for the bottom quintile. The ICR does not provide actual values for either of these indicators. The project team explained that the baselines were estimated (rather than actual) values for some of these indicators, because there were so many problems with the data on beneficiaries early in the project implementation period. Before the project, there had been no network to prevent people from going to different offices to claim the same benefit multiple times.

The customer satisfaction survey of the Public Revenues Office found that the percentage of companies finding

"completing and filing tax records" to be a problem fell from 10% in 2009 to 5% in 2007, which the ICR (p. 22) considers can be at least partially attributed to the project-supported reform of collection of contributions.

The project had an outcome indicator for reduction of social worker time spent on social benefit administration, but this indicator was not tracked.

5. Efficiency:

Efficiency is rated Modest .

The ICR provides information on the extent to which the project contributed to increased efficiency of the pension and social protection systems, which was one of the development objectives assessed in Section 4 (above). It provides limited information, however, on the efficiency or cost-effectiveness of the Bank-financed interventions under the project (the cost-effectiveness of interventions that the Bank financed, compared to available alternatives). The ICR (pp. 22-23) states that the development of software solutions for the Cash Benefits MIS, aimed at cutting administrative time and costs, was an important use of project resources, but that these benefits were not optimally realized due to delays in the development of software and a protracted procurement process that required two extensions of the project's closing date. The MIS is still not complete, with its final stages transferred to a follow-up operation, the Conditional Cash Transfers Project (CCTP, 2009-2014, US$ 26.2 million), where "the anticipated results are expected to materialize in the near future." The project team confirmed that this database is now complete and functioning.

a. If available, enter the Economic Rate of Return (ERR)/Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation :

	Rate Available?	Point Value	Coverage/Scope*
Appraisal	No		
ICR estimate	No		

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome:

Based on substantial relevance of objectives and design, substantial achievement of both development objectives, and modest efficiency, the project's outcome is Moderately Satisfactory. The project's objectives were substantially relevant to country conditions at the time of appraisal and remain relevant to current Government and Bank strategy . Project design was based on a substantially relevant results chain, where planned activities were plausibly linked to expected outputs, outcomes, and achievement of objectives . The effectiveness of the social protection system was substantially improved through the introduction of new policies and procedures for social assistance and pension benefits. Substantially improved efficiency was evidenced by decreases in processing times and administrative costs. However, limited evidence is presented on the efficiency with which Bank resources were invested to achieve observed outcomes, and delays in procurement and software development for the Cash Transfers MIS prevented full realization of the benefits of the newly enacted policies and procedures despite extensions of the closing date .

a. Outcome Rating : Moderately Satisfactory

7. Rationale for Risk to Development Outcome Rating:

The Government continues to refine pension policy based on the framework introduced by the project . According to the ICR (p. 16), continued policy dialogue will be necessary to prevent policy reversals and to convey emerging best practices, particularly with regard to private pension products . There is no follow-up pension reform investment operation, but dialogue has continued through a Development Policy Loan (2009-2010, US$ 30 million) and a 2011 Policy-Based Guarantee (US$ 134.9 million). The capitally funded pension insurance agency (MAPAS), which was largely rendered operational by the project, continues to function, and PDIF is able to perform its core functions faster, more reliably, and more transparently than before the project's interventions. Analytical capacities at the PDIF, MAPAS, and MLSP continue to be maintained and used by policymakers .

The project also laid the groundwork for continued efforts toward strengthening of the social safety net, supported by a new investment operation, the Conditional Cash Transfer Project (CCTP, 2009-2014, US$ 26.2 million), which supports investments for further strengthening the effectiveness and efficiency of the social safety net through introduction of conditional cash transfers, and further improvements in the administration, oversight, monitoring, and evaluation of social assistance transfers and their linkages to building human capital .

There are, however, risks that the Government will need to monitor and mitigate. The Public Records Office will have to ensure that all information necessary to maintain up-to-date eligibility records is received by PDIF to ensure contribution compliance. The Government's current desire to increase competitiveness by lowering labor taxes will have to be balanced with the pension system's need for financial sustainability. Reducing contribution rates also creates risks for pension fund members through lower net returns on contributions made, placing the decisions of those members who opted into the second pillar system in a new context, as second pillar savings may no longer be sufficient to compensate for pension rights forgone at the time of joining the new system. This dynamic may alter the pension policy dialogue and contribute to future policy reversals. Additional risks to the second pillar arise from the lack of domestic securities other than public debt, and the absence of other financial services companies competing for provider and advisory services. Finally, MAPAS and the PDIF may experience challenges retaining skilled staff; they will need to institute a training schedule enabling the relatively raid training of new staff to avoid loss of analytical capacity. MLSP does not currently have actuaries of its own, relying on the PDIF to analyze policy options, which compromises its own policymaking functions (especially in cases where the Ministry's interests do not coincide with those of the Pension Fund).

a. Risk to Development Outcome Rating : Moderate

8. Assessment of Bank Performance:

a. Quality at entry:

Project design was based on research, studies, and policy discussions between the Bank and the Government that took place over several years prior to approval. Lessons learned from previous operations were incorporated into project design, including the need for: strong Government ownership to ensure success and sustainability; a public education component; a realistic and flexible implementation timetable; and adherence to the parametric reforms in the pension system preceding the project -- and development and application of subsequent pension modeling tools used for identification of the next generation of reform. A full social assessment addressing pensions, and a rapid social assessment addressing social assistance and child allowance benefits, were completed and informed project design. Most risks were well identified, and mitigation measures adequately specified; risks rated substantial included lack of counterpart funds, a continued Government hiring freeze, the potential disruption of changes in Government personnel, the possibility that the National Bureau of Statistics would fail to release necessary survey data to the MLSP, and the possibility that the MLSP would fail to recognize the need for effective design and development of IT capacity before software development and equipment installation could begin.

Despite the extensive preparatory work, however, the design of the social assistance component was overly ambitious. The capacity of the MLSP social assistance team was modest, and it could not have been realistically expected that capacity constraints could be easily overcome given the scarcity of trained specialists and financial constraints that limited government agencies' ability to attract experts. Related to this shortcoming is the underestimation of the risk related to the IT capacities of the client agencies to effectively design, procure, and implement IT software within the planned time frame.

Quality-at-Entry Rating: Moderately Satisfactory

b. Quality of supervision:

The supervision team was stable, with very few changes in composition over the life of the project, and had a proper skill mix. The Bank team developed a strong partnership with Government counterparts, creating the basis for open dialogue about policy, technical, and implementation issues affecting both project implementation and development outcomes. Procurement and financial management oversight were an integral part of supervision missions. However, some of the Implementation Status Reports were insufficiently candid and realistic in capturing capacity constraints that led to weaknesses in implementation, particularly the likely impact of protracted procurement processes.

Quality of Supervision Rating : Moderately Satisfactory

Overall Bank Performance Rating : Moderately Satisfactory

9. Assessment of Borrower Performance:

a. Government Performance:

There was continuously strong commitment to the project at the top level of successive governments. The various participating government agencies communicated and cooperated well with one another. Government worked effectively with the Bank team to develop optimal policy options and their translation into legislative action within a reasonable time frame. According to the ICR (p. 27), "whenever Government legislative, regulative, personnel, or other types of actions/decisions were required, the Government would move rapidly to create conditions for resolution of the practical problems in the project's implementation." The Ministry of Finance played an effective leadership, oversight, and advisory role.

Government Performance Rating Satisfactory

b. Implementing Agency Performance:

The MSLP, through its pension and social protection departments, demonstrated "unquestionable commitment" to the project and the overall reform agenda supported by the project (ICR, p. 28). The PMU, housed in the Ministry, was headed by an experienced and skilled Project Director (a senior official of the MSLP), and the PMU was instrumental in helping the various agencies involved in implementation to work together effectively. In addition, the Project Director and the PMU successfully coordinated expert-based working groups responsible for managing the project's technical work, resolved implementation issues in a timely manner, and monitored overall implementation progress. The PMU carried out its fiduciary responsibilities professionally, with knowledge and integrity. Documents for the procurement of goods and services for the first year of the project were prepared early, so that project implementation began without delay. However, the procurement-related challenges with the Cash Benefits MIS were an important shortcoming, resulting in failure to complete and test the MIS system prior to the project's closing date and the need to transfer software completion to a follow-on operation (see Section 11).

Implementing Agency Performance Rating : Moderately Satisfactory

Overall Borrower Performance Rating : Moderately Satisfactory

10. M&E Design, Implementation, & Utilization:

a. M&E Design:

The project's outcome indicators were, in general, relevant and measurable. However, there were exceptions. The indicator "reduced overall administrative cost of the disability assessment procedure," for example, provided little information about the main efficiency problem with the disability assessment system, which was fraudulent uptake. Also, the output indicators related to staff training were not matched with outcome indicators measuring the extent to which that training was effectively put to use. The PAD (pp. 33-38) clearly specifies data collection instruments, assigns responsibility for data collection, and specifies frequency of data collection and reporting. Some baseline data were missing, and some baseline data values were estimated rather than actual.

b. M&E Implementation:

Project monitoring was carried out by the PMU staff, with assistance and guidance provided by the Policy Unit of the MLSP. In general, indicators were monitored as planned. However, some qualitative indicators related to the social assistance component were not tracked, due to both their initial unavailability and to the lower priority initially placed on that component in comparison to the pension reform component.

The ICR does not discuss whether planned increases in M&E capacity within the MLSP (particularly the Policy Unit) were carried out (PAD, p. 13). The project team explained that these planned capacity increases were not sustained, due to difficulties attracting and retaining qualified staff.

c. M&E Utilization:

The ICR does not discuss the use of M&E data and analysis to inform project implementation and policy development. The project team explained that M&E data and analysis were used to inform the preparation of the

follow-on Conditional Cash Transfers Project.

M&E Quality Rating : Modest

11. Other Issues

a. Safeguards:

No safeguard policies were triggered by this Category "C" project.

b. Fiduciary Compliance:

Financial Management: Quarterly financial reports were submitted to the Bank in a timely manner, and the reports were assessed to be reliable. In general, the accounting system was adequate, although it required some fine-tuning in the early phases of implementation. Appropriate internal controls and procedures were instituted for the project and applied in practice. The financial management function was properly staffed throughout implementation by a qualified and experienced specialist. Disbursements took place according to plan. Audit opinions on annual project financial statements were timely and clean, identifying no issues.

Procurement: In general, goods and services were procured in accordance with Bank policies. Toward the latter period of implementation, however, the Bank noted "deteriorating quality of bid evaluation reports and clear attempts of the bid evaluation committee to manipulate the evaluation process for a number of packages under the project" (ICR, p. 16). The situation was particularly aggravated by the situation with the contract with the first supplier for the Cash Benefits MIS, which, after two extensions, was terminated in March of 2010, in spite of the original contract completion date having been November 15, 2009. The contract was terminated due to incapacity of the contractor to finish the work. A second attempt to select a system developer, in May 2010, also failed, due to an attempt at misrepresentation of information in the process of bid evaluation. A third selection, after the Bank team advised the Government on steps to avoid repeated problems, was successful. The delays caused by the first two failed procurement attempts meant that the MIS software could be neither completed nor tested prior to the project's closing date, and the remaining contractual obligations for software completion were transferred to a follow-on operation (CCTP). Despite these problems, all other packages were procured and contracts completed, and there were no cases of misprocurement under the project.

c. Unintended Impacts (positive or negative):

None.

d. Other:

None.

12. Ratings:	ICR	IEG Review	Reason for Disagreement /Comments
Outcome:	Moderately Satisfactory	Moderately Satisfactory	
Risk to Development Outcome:	Moderate	Moderate	
Bank Performance :	Moderately Satisfactory	Moderately Satisfactory	
Borrower Performance :	Moderately Satisfactory	Moderately Satisfactory	
Quality of ICR :		Satisfactory	

NOTES:
- When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
- The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR

Review, as appropriate.

13. Lessons:

These lessons are derived from the ICR:

- The time required for successful completion of projects involving significant scope and complexity should be conservatively assessed. This is particularly true for comprehensive information technology system development, where delays are frequent. In this case, procurement challenges related to the Cash Benefits MIS prevented completion of the system prior to project closing. It is also critical that the assigned team has the technical knowledge and authority to make decisions about the details of IT software.

- Projects combining pension reform and social assistance reform should be cautious not to prioritize one aspect over the other. In this case, the priority given to the pension administration part of the project led to delays in the social assistance part, largely because the Government was focused on the launching of the second pension pillar and the massive preparatory activities leading to this task.

- Staff continuity is not a necessary condition for a project's success, but it can be tremendously beneficial. In this case, continuity in PMU staff and in the Bank team contributed to smooth institutional relationships throughout implementation.

14. Assessment Recommended? ○ Yes ● No

15. Comments on Quality of ICR:

The ICR provides a clear description of the implementation progress of the project throughout its lifetime, with candid assessments of challenges (particularly those related to procurement of the Cash Benefits MIS). It provides sufficient background and analysis for a clear understanding of the challenges Macedonia faced in reforming its pension and social benefits systems. However, the ICR does not present the project's activities and outputs in a systematic and straightforward way, making it difficult to determine and assess what the project actually did. The Summary of the Borrower's ICR is much more useful in this area.

a.Quality of ICR Rating : Satisfactory