



<b>1. Project Data:</b>		<b>Date Posted :</b> 01/28/2003	
<b>PROJ ID:</b> P058056		<b>Appraisal</b>	<b>Actual</b>
<b>Project Name:</b> Pension Reform Technical Assistance	<b>Project Costs (US\$M)</b>	1.4	1.24
<b>Country:</b> Macedonia	<b>Loan/Credit (US\$M)</b>	1.0	1.0
<b>Sector(s):</b> Board: SP - Compulsory pension and unemployment insurance (91%), Central government administration (9%)	<b>Cofinancing (US\$M)</b>	0.4	0.24
<b>L/C Number:</b> C3116			
	<b>Board Approval (FY)</b>		98
<b>Partners involved :</b>	<b>Closing Date</b>	03/31/2001	03/31/2002
<b>Prepared by :</b>	<b>Reviewed by :</b>	<b>Group Manager :</b>	<b>Group:</b>
S. Ramachandran	John H. Johnson	Kyle Peters	OEDCR
<b>2. Project Objectives and Components</b>			
<b>a. Objectives</b>			
<p>The PERTAP's objective was to help reform Macedonia's pension policy under the Social Sector Adjustment Credit . The PERTAP financed the (a) design of the pension reforms, including actuarial forecasting and drafting the necessary laws and (b) building capacity in the Ministry of Labor and Social Protection, in the Pension Fund and in establishing the Pension Supervisory Agency .</p> <p>The PERTAP augmented the accompanying adjustment credit (that is separately evaluated) to improve the pension system by bringing the government's implicit liabilities more in line with its financial capabilities . It also encouraged the development of a private pension system .</p>			
<b>b. Components</b>			
<p>The PERTAP provided technical assistance in three main areas :</p> <p>(1) the pension reform design including the (a) identification and evaluation of alternatives to the unfunded public pension scheme and a new, private, funded pension scheme; (b) training of the Pension Reform Steering Committee and the actuarial unit in forecasting costs; (c) development of the financial plan; and (d) development of a public information campaign.</p> <p>(2) the legal framework, including the draft law, and help in its passage and</p> <p>(3) project management.</p>			
<b>c. Comments on Project Cost, Financing and Dates</b>			
<p>The pension system was fiscally expensive and poorly structured and administered; so the Government wanted to reform the public system and also introduce a funded private pension scheme in parallel . About half the project's cost was on designing the pension reform (\$0.62m) and about a quarter (\$0.37m) on the legislative framework. The bulk of the staff time was on supervision (77 staff weeks of a total of 95 staff weeks), and this greatly helped ensure good results .</p>			
<b>3. Achievement of Relevant Objectives:</b>			
<p>The project achieved its objectives despite the delays caused by the Kosovo crisis in 1999, and the instability within Macedonia in spring 2001. The overall pension system was improved without raising the contribution rate by, inter alia, increasing the retirement age, indexing the benefits</p> <p>(1) The Ministry's capacity to analyze the system, design the reforms and report to the Government were improved .</p> <p>(2) Parliament passed the pension law (Framework Law) in March 2000 for the public pension. The law for the mandatory private pension (the "second pillar") was passed in April 2002 after the project closed.</p> <p>(3) The project was well managed, with the procurement, disbursement and financial status satisfactory .</p>			
<b>4. Significant Outcomes/Impacts:</b>			
<p>The PERTAP helped bring the government pension payments closer in line with what it could finance thereby</p>			

benefiting the fiscal position. It also helped bring about private sector involvement through the amended laws .

**5. Significant Shortcomings (including non-compliance with safeguard policies):**

<b>6. Ratings :</b>	<b>ICR</b>	<b>OED Review</b>	<b>Reason for Disagreement /Comments</b>
<b>Outcome :</b>	Highly Satisfactory	Highly Satisfactory	This evaluation of the technical assistance credit does not examine the policy reforms supported by the adjustment credit.
<b>Institutional Dev .:</b>	Substantial	Substantial	
<b>Sustainability :</b>	Likely	Likely	
<b>Bank Performance :</b>	Satisfactory	Satisfactory	
<b>Borrower Perf .:</b>	Satisfactory	Satisfactory	
<b>Quality of ICR :</b>		Satisfactory	

**NOTE:** ICR rating values flagged with '\*' don't comply with OP/BP 13.55, but are listed for completeness.

**7. Lessons of Broad Applicability:**

1. The PERTAP was adequately supervised thereby ensuring that the hurdles and delays that arose could be overcome. Even so, Parliamentary delays in approving the laws could not be avoided; so a more realistic timetable is necessary.

2. Staff continuity, both in the Bank and in the counterpart agency, helped in its implementation .

**8. Assessment Recommended?**  Yes  No

**9. Comments on Quality of ICR:**