
ENDNOTES

Chapter 1

1. Some of the differences between *Strategy* and *Averting* arose as a result of the experiences the Bank gained through its involvement with countries that underwent multi-pillar and parametric reforms.

2. *Strategy* provides a considerable discussion of the types of risks and risk management. Pensions are risk-coping (poverty alleviation) and risk-mitigation (a drop in income after retirement) mechanisms (World Bank 2001a).

3. This work was cited in *Perspective* (World Bank 2005). For additional discussion, see Chapter 3.

4. The sustainability of a pension system is at risk when the proportion of active workers to retirees is low, particularly in PAYG contribution-based systems. This is easy to demonstrate based on a simple formula, as the revenues from contributions must equal the wage bill times the contribution rate, while pension expenditures equal the number of pensioners times the average pension. When pensions are high relative to wages, the contribution rate will need to be higher. When there are fewer workers for each retiree, the contribution rate will also need to be higher. While countries may also have accumulated additional assets to cushion the shortfall, if demographic factors are important, this is only a temporary solution to fiscal insolvency. If there is a limit on affordable contribution rates, benefits will have to be reduced.

5. See Appendix E for projected coverage rates for a set of World Bank client countries. The projections are based on an equation regressing actual coverage rates (Palacios and Pallares-Mirrales 2000) on GDP per capita in terms of purchasing power parity, the percentage of the population over age 65, and Regional dummies. The adjusted R-squared statistic was 0.90, indicating a statistically close fit.

6. This volume explains the Bank's perspective on pension reforms but, as also noted in the Preface, it has

not undergone the review accorded to official World Bank publications.

7. The IEG case studies include six countries in the Latin America and Caribbean (LAC) Region, eight countries in Europe and Central Asia (ECA), and two countries in East Asia and the Pacific. The selection of countries was determined by the Bank's involvement in pension reform in each country, the Regional implementation of multi-pillar systems, exclusively in ECA and LAC, and the fact that most pension activities have taken place in ECA and LAC. Specific countries selected for in-depth appraisals of the Bank's assistance to pension reform comprised a substantial share of the value of the pension portfolio in each region (more than 75 percent of the value of the pension component) and constituted a representative sample (the selection criteria included the subregion, size of the population, level of per capita income, level of financial sector development, and other factors). Activities in other Regions are assessed through desk reviews and interviews with Bank staff.

Chapter 2

1. See Appendix G for a listing of publicly available World Bank pension ESW.

2. Written AAA includes core ESW, LAC Regional studies, and FSAP reports done in conjunction with the IMF. This evaluation does not focus on the FSAP reports, which are the topic of another IEG study. However, evidence from those reports is used to support indicator analysis in Chapters 3 and 4.

3. Over 350 publications have addressed some aspect of pension reform. One hundred and thirty-one ESW studies have a Regional or issue-specific focus; a number are discussed in Chapter 1 because they provide an extension of the outline described in *Strategy*. Some studies were conducted as part of a country assistance strategy, while others were undertaken as research funded outside the operational process.

4. The categories were selected based on prior knowledge of important pension issues and post-review categories that were found to be important.

5. The most ambitious study of income of the elderly is by Edward Whitehouse (2002) who uses 11 international studies to assess poverty among the aged. He notes the importance of this type of analysis by stating that “looking at pension replacement rates alone ignores other resources on which the elderly can draw.” Whitehouse confirms IEG conclusions about the lack of studies assessing the income of the aged by indicating “We have also examined the World Bank’s poverty assessments. Few, however, provide empirical evidence on the economic status of the elderly.” This paper is the first in a series on poverty and income distribution issues in the design of old-age pension systems, but the series has not been completed. While the study covers 44 countries, the bulk of the analysis is for the OECD. Data for ECA are from Grootaert and Braithwaite (1998) and from the Luxemburg Income Survey. Data for LAC are from the IDB.

6. The ECSSD Working Paper No. 12, “Older People in Transition Economies: An Overview of their Plight in the ECA Region” (1999), is the perhaps most thematically comprehensive study of living conditions. Yet, even this report does not provide satisfactory data on poverty and near poverty, or an assessment of sources of income. These shortcomings reflect those of the poverty assessments that are the statistical basis of the inquiry. The Bank is addressing this deficiency in Latin America and the Caribbean in a recent draft (see Bourguignon and others 2005) and in Africa (see Kakwani and Subbarao 2005).

7. Theoretical arguments have been made that coverage will increase if contributions are tied more closely to benefits, but empirical follow-up has not evolved.

8. See Chapter 6 for a discussion of a lost opportunity to conduct ESW on this issue. The Pension Primer series (a compendium of Bank-commissioned papers on pension reform issues) does contain some research on these topics.

9. See Chapter 3 for details.

10. In Azerbaijan, the Kyrgyz Republic, and Moldova, the thrust of Bank dialogue has been to discourage multi-pillar reforms in view of economic and financial market constraints. Similarly, informal discussions between the Bank and the Russian authorities helped halt a premature multi-pillar reform, even though the Bank had provided considerable funding to encourage

the development of the reform. In contrast, the Bank was enthusiastic about multi-pillar reforms in Armenia, Georgia, and Ukraine, and recommended them before economic and financial sector preconditions were in place. The Bank carried on an extensive policy dialogue with Poland and the Slovak Republic and both enacted multi-pillar reforms. However, discussions in the Czech Republic and Slovenia did not lead to any lending activity, and did not alter the path of locally developed pension programs.

11. In Uruguay, the Bank advised against the country’s own pension reform in favor of one more in keeping with *Averting*; as a result, the government turned to the Inter-American Development Bank (IDB) for assistance. The Bank supported the reform only after it was enacted. El Salvador and Ecuador eventually used other advisors as well.

12. Despite a successful policy dialogue and initial Bank support, Mauritius has not implemented a multi-pillar system. In contrast, the Bank was unsuccessful in discouraging a multi-pillar system in Nigeria, where conditions are not favorable. However, the Bank made premature efforts to move Zambia toward a multi-pillar reform despite its unfavorable conditions.

13. See Appendix B for a more detailed discussion of specific country reforms.

14. There were some obvious exceptions, such as Brazil and Korea.

15. Over 70 percent of the Bank’s pension lending was approved before the 2001 publication of the Bank’s official strategy on pensions.

16. IEG identified only 18 operations that were 100 percent devoted to pension reform. These projects spanned all types of lending operations and were in East Asia and the Pacific (China), Europe and Central Asia, and Latin America and the Caribbean.

17. See Chapter 4 for analysis on the initial quality of Bank projects.

18. These are Argentina, Hungary, Kazakhstan, Korea, Mexico, Peru, Russia, Turkey, Ukraine, and Uruguay.

19. Brazil, Korea, and Turkey did not. In fact, Brazil received the greatest total amount of pension support with Bank funding totaling \$1.3 billion.

20. These figures excluded two outliers, Brazil and Korea. They included amounts spent on both pillars.

21. The studies upon which this review is based are IEG Latin America and the Caribbean case studies by Rofman, San Martino, and Valdes-Prieto (forthcoming).

22. The World Bank also provided technical assistance to multi-pillar reforms in a number of other countries, including Costa Rica, the Dominican Republic, and Nicaragua, but funding was relatively minor.

23. See Appendix B for greater detail on reforms in specific countries.

24. Older participants can choose between the existing or old PAYG system and the funded tier, but their resulting placement in the funded tier is binding.

25. Pension reforms in IEG case study countries generally also had the participation of other international actors. Performance outcomes for this sample of countries were not related to the number or type of international actors involved.

26. See Appendix F for IEG ratings of pension loans overall and for IEG case study countries.

27. The development outcome of the pension component was identified by IEG using a two-part rating of satisfactory or unsatisfactory. The development outcome for the project overall was taken from ICRs (self-evaluations by Bank teams) IEG ICR reviews, and PPARs. The rating for the project overall is based on a six-part rating scheme, which was condensed to the two-part equivalent used in the pension component analysis. (The six-part project-rating scheme is: highly satisfactory, satisfactory, moderately satisfactory, moderately unsatisfactory, unsatisfactory, and highly unsatisfactory. The two-part equivalent scheme categorizes highly satisfactory, satisfactory and moderately satisfactory ratings as satisfactory; and moderately unsatisfactory, unsatisfactory, highly unsatisfactory ratings as unsatisfactory.)

28. Overall performance outcome is the subject of Chapter 4.

29. The management of projects containing pension components was spread across sector networks and boards, most frequently: Poverty Reduction and Economic Management (Economic Policy and Public Sector); Human Development Network (Social Protection); and Financial Sector. Five other sectors account for the remaining projects: Human Development (Education and Health, Nutrition and Population); Transportation; Urban Development; Transport; and Energy and Mining. The latter two were more likely to be focused on pensions in the context of creating retirement packages in downsized industries. Pension components were included in three types of operations: adjustment lending, investment projects, and technical assistance.

30. Africa, East Asia and the Pacific, the Middle East and North Africa, and South Asia were not included in the comparison because of small sample size.

Chapter 3

1. Implementation readiness is addressed further in Chapter 5. The sample of countries included in this chapter's evaluation includes all countries that have undertaken systemic reforms or are prospective reformers, and that have sufficient documentation for analysis. For instance, some countries, such as India, with which the Bank has had a substantial policy dialogue, are not included, because no formal project has gone to Board. Other countries, identified in IEG interviews, are not included due because there is a lack of documentation. As noted in Chapter 2, it is difficult to assess the impact of the Bank's policy dialogue in these circumstances.

2. See Appendix B for a summary of Bank operations and Appendix E for indicators of economic and financial sector conditions.

3. Low coverage is defined as coverage of less than 30 percent of the working population.

4. The Bonosol provides a benefit for all those who were 21 years old as of 1995, so it is comprehensive for all elderly over the age of 65 until 2039.

5. In Argentina, the case study notes that the decrease in coverage had been visible for several years, but the Bank only recently started to consider it, and Bank documents have not yet recommended relevant policy. The national noncontributory scheme was relatively ineffective in reducing poverty among the aged, and the schemes developed by provinces also had a limited scope, since they were arbitrarily assigned, given budgetary restrictions, and candidates accumulated on long waiting lists. Bank assistance helped reduce some laxity and heterogeneity between provincial schemes, but it did not help reduce inequities in the system.

6. In Brazil, the case study finds that the proportion of the rural old with no income from work or pensions is lower than both the urban old and rural young in 1998. ESW in 1995 found that the level of the rural pension was above the poverty line, and it proposed that the rural pension be scaled back, but this recommendation was not adopted. ESW also proposed some modest targeting in the rural sector, but the objectives relating to the old poor were excluded from the five proposed priority goals in the Structural Adjustment Loans even though they would have greatly increased the

fiscal efficiency of the program. The exclusion of improvements to the rural poor was a reflection of the mentality that bringing up fiscal issues would lead to a cut in benefits for the old poor.

7. In the medium term, post-reform, Argentina and Uruguay suffered economic crises.

8. These were Hungary, Kazakhstan, Latvia, Mexico, Peru, Russia, and Uruguay.

9. The development outcomes according to the IEG case studies were satisfactory for both Latvia and Kazakhstan.

10. See Appendix D for a discussion of the fiscal and debt implications of funded pension reform.

11. The IEG case study rating of FYR Macedonia is based on the decision to place the multi-pillar reform on hold; it is critical of the initial attempt to implement the reform.

12. While Nicaragua's reform was put on hold, the decision to proceed in the first place was not well advised given its significant reliance on donor assistance.

13. The framework for measuring financial sector quality is based on EBRD ratings, Bank assessments, and a more comprehensive analysis of the financial conditions of each country from the FSAP assessments. The latter two are confidential; as a result, only the EBRD ratings are discussed in this section.

14. These EBRD measures of financial sector strength roughly parallel the Bank's own measures of the financial sector with the exception of Kazakhstan, in which the Bank assessed the country's banking system more favorably than the EBRD.

15. This is confirmed by the Bank's analysis.

16. In Costa Rica, while the banking system continues to be dominated by public banks and a Bank assessment of the financial sector was less than satisfactory, the FSAP analysis of the financial sector indicates that it is reasonably well-developed. In the Dominican Republic, a Bank-Fund assessment pointed to significant issues surrounding the soundness of the financial system.

17. In Cameroon, banks remain vulnerable to fundamental liquidity risk and credit risk as a result of large movements in the trade balance. While the banking system in Senegal is generally well regulated, it is still vulnerable to government pricing policies, although the government is no longer managing the day-to-day affairs of banks in which it holds a stake. The banking sector in Uganda has improved, but on-site examinations continue to identify significant under-provisioning, and indicate that capital is understated.

18. However, Korea already has a high level of national savings, which may deter the government from adopting a multi-pillar system.

19. Poorly defined property rights and reports of corruption and misappropriation suggest that the central government may find it difficult to distinguish between what it owns and what is owed to it. If so, the banks' nonperforming loans could jeopardize central government finances (China Country Assistance Evaluation, OED [IEG] 2005).

20. *Strategy* did not investigate the relationship between a culture of corruption and effective regulation of the private sector in its discussion of political risk and power.

21. However, this could simply be due to a lack of documentation, as countries with low incidences of corruption have well-documented instances of fraud and abuse.

22. Since the World Bank's governance database provides information for 1996, 1998, 2000, 2002, and 2004, the data used are for the year closest to the reform. For earlier reformers, 1996 is used and for later reformers, 2002 is used.

23. *Strategy* states "funded systems hold some advantages over traditional systems. The second pillar would be able to provide better income replacement for a given contribution rate . . . enhance national savings, promote capital market development, and reduce labor market distortions by linking contributions to benefits." *Perspective* states, under a multi-pillar system, "The *saving rate* and consequently the level of capital accumulated and output produced may be higher . . . Higher savings rates are associated with technological changes of the capital dependent type leading also to a higher growth path." In addition, *Perspective* cites Feldstein (1996) in arguing that consequently "the marginal product of capital exceeds the market rate of interest—as capital markets are never fully integrated—creating another gain for the national economy from a funded scheme."

24. The rate of return in a PAYG system is equal to the rate of growth of covered average wages plus the rate of growth of the labor force.

Chapter 4

1. Very little research has been conducted on the direct impact of pensions on economic growth. One recent study (Davis and Hu 2004) found a positive relationship between pension assets, growth, and capital

for emerging market economies. However, the countries with the highest pension assets as a proportion of GDP were Malaysia, Fiji and Chile, two of which do not have a multi-pillar system and the last, Chile, exhibits more satisfactory performance in many areas compared to other multi-pillar countries in Latin America. These issues will need to be addressed further in the future as multi-pillar reforms continue to grow and asset holdings expand.

2. While investing abroad will help diversify the portfolio and decrease investment risk, especially when the domestic capital market is undeveloped, it exposes the portfolio to exchange rate volatility and currency risk.

3. Some countries, such as Estonia, have invested in government bonds of different countries. The risk profile of such an investment strategy would be quite different from undiversified investments in a country's own sovereign debt.

4. During times of economic crisis, pension fund portfolios may naturally shift toward government debt when other assets lose value or become more risky.

5. Nonetheless, diversification to highly risky private equity or debt instruments would not improve the risk profile of participants. Investment in assets below investment grade should be precluded by effective regulatory controls.

6. A number of proponents of funding, however, would say that participants may receive a stronger guarantee if their pensions are funded through bonds than if they are funded on a PAYG basis.

7. In most countries with funded pension systems, portfolio ceilings are set by regulation rather than applying the prudent investor rule. Peru is the only country in which government securities can be a maximum of 30 percent of a pension fund's portfolio. In other countries, funds can invest from 50 percent to 100 percent of their assets in government issues. In most countries, there are very low limits on the percentage of assets that can be invested in foreign securities. Only Bolivia permits up to 50 percent of assets abroad.

8. The absence of a well-developed domestic market for government debt also weakened bank risk management.

9. The share of government bonds in Estonia was quite low at 34 percent of the portfolio, but Estonia's reform was not among those supported by the Bank through loans or credits.

10. The International Labor Organization estimates that the rate of return in Poland was less than inflation from December 1999 to 2004 and that the situation is similar in Hungary.

11. This difference could decline over time if economies of scale in pension management are achieved and regulatory agencies are effective in reducing costs of management and marketing. See Dobronogov and Murthi 2005.

12. The year 1999 is an intermediate marker for the progress of the various pension reforms.

13. There are many other ways to reduce investment risk, including the use of relatively sophisticated approaches such as hedge funds.

14. See Thompson (1998) for simulation analysis.

15. According to Ramachandran and Kessides (2005), Argentina's government default on its bonds essentially destroyed the second pillar.

16. *Promise* (2005).

17. See Appendix D for additional detail on this topic.

18. In Peru, the pension costs for civil service retirees remain high. In Argentina, the PAYG system includes a multiplicity of plans with high replacement rates and low retirement ages. Uruguay's PAYG system faces fiscal problems, and actuarial modeling is not being used to inform policymakers. In Bolivia, the Bank overlooked critical reforms in the old system while the multi-pillar system was being established. Argentina and Uruguay also suffered significant financial crises in the late 1990s, which caused their economies to contract, despite their strong fiscal profile.

19. Econometric studies continue to be inconclusive about the impact of pension reform on saving. For example, Walker and Lefort (2002) report that a number of studies have found the direct impact of pension reform on savings to be ambiguous. Samwick (1999) using data for a panel of countries found that only Chile experienced an increase in gross national savings rates after pension reform. While Riesen and Bailliu (1997) found that the impact of pension reform on personal saving was eight times greater for emerging market economies than for advanced economies based on data for 11 countries from 1982–93, aside from Chile, the report did not include any countries assisted by the World Bank. Davis (2005) concludes that a rise in saving is not a guaranteed outcome of a pension reform.

20. See Appendix D for an explanation of the interaction between funded pensions, savings, and fiscal policy.

21. Econometric studies have also tried to assess these impacts. For example, Catalan and others (2000) used econometric analysis to look at the impact of contractual savings instruments on capital market development, but their study also included countries with provident funds or voluntary pension systems and not countries in which the World Bank supported the development of multi-pillar systems. Other researchers have assessed a more complicated set of indicators to determine the impact of pension reform on capital markets. Walker and Lefort (2002) found that transaction costs decreased in Chile as a side effect of pension reform, but not necessarily in Peru and Argentina, possibly due to the short duration of the time series data. When they looked at seven Latin American countries, they found no significant effects of pension funds on dividend yields, although they did increase price to bond ratios. They also did not find any significant effect of pension fund reforms on stock market volatility.

22. By way of comparison, this is below the 85 percent share of equities relative to GDP in Chile, or even the 35 percent share in Brazil, where funded pensions are voluntary (based on data for 2000).

23. The term “participation” as used in this instance represents current contributors, as opposed to all workers who have ever contributed.

24. This is also noted by Ramachandran and Kessides (2005).

25. The case study evaluations do not assess the development outcome of the reform but, rather, the Bank’s assistance in promoting a satisfactory development outcome. Thus, the case studies take into consideration the multitude of uncontrolled factors that may affect the reform during the reform process. The assessment of the impact of World Bank assistance followed IEG methodology for project evaluation. It judged the outcomes, institutional development impact, and the sustainability of the results of the assistance. The outcome rating was derived as a result of three sub-criteria: relevance, efficacy, and efficiency.

Chapter 5

1. The chapter’s findings on institutional development impact are based on IEG case studies, ICR Reviews, and interviews with Bank staff.

2. Of those, 19 borrowed only for investments or technical assistance, while another 6 borrowed only for adjustment support.

3. The countries are Cameroon, Cape Verde, Ghana, Mali, Mauritius, Mozambique, Niger, Senegal, and Tanzania.

4. Even fewer countries have received formal support from the Bank to institute offices for strategic planning, operational planning, policy development, program monitoring, and policy evaluation.

5. The Mexican government requires annual actuarial reviews of all its pension systems, which are carried out by Mexican actuarial firms that use internationally accredited actuaries. But without in-house actuarial capacity, the independence and accuracy of these calculations can be politically compromised.

6. There is one licensed actuary in Cape Verde who received PROST training and is fully involved in the reform work.

7. The limited disbursement was due in large part to the government’s subsequent decision not to borrow for technical assistance.

8. The IEG Russia case study also raised substantive issues about the Russian government’s current reform, which was developed without Bank assistance.

9. Also see Chapter 3.

10. In addition, clients need another budgeting tool other than PROST to develop short-term budget estimates and minor benefit adjustments.

Chapter 6

1. This has posed a problem in Africa and the Middle East, and also in Bolivia, Korea, the Kyrgyz Republic, and Uruguay. For Korea, its earlier graduation from the IBRD was a proximate cause of the lack of continuity in the Bank’s dialogue.

2. After the 1997 Bank reorganization, organizational units involved in pension reform issues included the Development Economics vice presidency, country units, sector units, and networks. Similar structural units took part in a dynamic pension dialogue before the reorganization.

3. For example, intersector disagreements have been of concern in pension operations in Bosnia & Herzegovina, Georgia, India, and Ukraine. In Ukraine, it was a lengthy process before the World Bank could come to any agreement on the direction of reform, and even now, the current reform may be too early.

4. The analysis was based on the number of operations or the total amount of loan funds under management.

5. For instance, Mauritius, which had met the pre-conditions for a multi-pillar pension reform, received

too little funding and Zambia, where performance was poor, received a significant amount for pension reform.

6. A problem that affected FYR Macedonia, Nicaragua, and Nigeria

7. Issues related to FSAP assessments will be examined in IEG's forthcoming FSAP evaluation.

8. These include TACIS, UNDP, and USAID.

9. However, the OECD has had a number of staffing overlaps with the Bank, resulting in an informal transfer of knowledge.

10. See Asian Development Bank 2003.

11. However, Kazakhstan cancelled the last tranche of a pension adjustment loan because there was little government ownership of the later conditions, and Kazakhstan no longer needed adjustment lending.

12. Other international organizations, particularly labor ministries and social security administrations, occasionally provide different interpretations than the Bank on Bank interactions with the government.

13. These include ADB, IMF, and USAID.

14. This includes coverage, annuity provision, and women's pensions.

Chapter 7

1. In addition, there remains considerable controversy among economists about the impact of pensions on saving and the impact of saving on growth.

2. The initiative would share expertise with pension funds through seminars and technical assistance in conjunction with portfolio management. The Treasury already provides this type of assistance to central banks.

Appendix B

1. This review is based on the Latin America and the Caribbean Region country case studies by Rofman, San Martino, and Valdes-Prieto.

2. All except Colombia are represented in the IEG case studies.

3. The government also provides a subsidy for lower-earners in the first pillar if they join the funded system.

4. The pre-reform PAYG system has been dismantled, but workers that choose the old system's benefit package will have their entire accumulation paid in a lump sum to Treasury, which issues an annuity through the new system. The government then assumes partial investment risk for the individual account.

5. Management notes that there are no longer any separate schemes for civil servants in Europe and Central Asia, except in Turkey. However, according to the

U.S. Social Security Administration's website on the pension systems of other countries, Albania and Russia still have special schemes for civil servants and Azerbaijan has special schemes for certain categories of civil servants.

6. A recent reform of the state civil service plan in India creates a funded pillar, which the government hopes to augment with reformed provincial plans and contributions from the self-employed.

Appendix C

1. These divisions were made based on the likelihood that the strength of supervision would depend on the level of Bank resources, that is, thorough pension supervision would be more likely when the proportion of the loan devoted to pensions was higher.

2. These are self-evaluations by Bank teams.

3. A simple satisfactory/unsatisfactory scale was used because in many ICRs where the pension component was not prominent, a more detailed verbal evaluation of the pension component was not available to make a nuanced judgment. In addition, six projects were deemed "non-evaluable."

4. The six-part project-rating scheme is: highly satisfactory, satisfactory, moderately satisfactory, moderately unsatisfactory, unsatisfactory, highly unsatisfactory. The two-part equivalent scheme categorizes highly satisfactory, satisfactory and moderately satisfactory ratings as satisfactory; and moderately unsatisfactory, unsatisfactory, highly unsatisfactory ratings as unsatisfactory.

5. In particular, the outcome rating and institutional development ratings weighted by commitments are particularly low. The low ratings in outcome and institutional development are the result of the \$800 million Russian Social Protection Adjustment Loan, which received respective ratings of moderately unsatisfactory, and modest. This project makes up 46 percent of total commitments for the 9 pension projects in this category. The rating for institutional development impact was also influenced by a modest rating for a 1997 Mexican adjustment loan.

6. Only two projects, for Latvia and FYR Macedonia, were less than 100 percent devoted to pension reform. The other components in these projects were related to social assistance.

7. The development outcome for the pension component was satisfactory for all 10 projects. Because the rating for the project overall shows more delineation among ratings, only those ratings are shown. The de-

velopment outcome ratings are uncorrelated with sustainability or size of the pension component.

8. However, development outcome of these two pension reforms as they stand today were adversely affected by the collapse of the Argentinean and Uruguayan economies.

9. The loan was evaluated on its performance in supporting an associated adjustment loan rather than for the success of the pension reform. A further assessment by FSAP indicated that FYR Macdonia's financial sector and the regulatory structure were not ready for the pension reform, and progress on the reform had to be slowed down.

10. However, the Bank's 1997 ESW study indicated that the pension system remained deficient in design, financing, and administration.

Appendix H

1. For example, the report in some cases uses the drafting of legislation as an indication that a country has undertaken a reform program. Nicaragua, for example, is cited as having undertaken a reform even though the reform was put on hold, as indicated in Chapter 3 of the report.