
APPENDIX C: PERFORMANCE RATINGS FOR PENSION PROJECTS

This appendix reviews the development outcome ratings of completed pension reform projects, compares them to other Bank projects, and describes the rationale for the ratings. The loans and credits have been divided into three groups: (1) those that are 80 to 100 percent devoted to pension reform, (2) those that are between 30 and 80 percent devoted to pension reform, and (3) those in which pension issues account for less than 30 percent of the loan.¹ The rationale for the division is to investigate whether loans that primarily focused on pension reform performed better than those in which pension reform was only a small component of the loan.

The development outcome of the pension component was scored by IEG using a two-part rating system (satisfactory or unsatisfactory) based on a review of Implementation Completion Reports (ICRs),² IEG ICR reviews and Project Performance Assessment Reports (PPARs).³ The development outcome for the overall project is from the ICR reviews and the PPARs. The ratings for the overall project are based on the IEG six-part rating scheme, which was condensed to a two-part system, equivalent to that used in the pension component analysis.⁴

On average, overall ratings for projects including a pension component were higher than all Bank projects for outcome, sustainability, and institutional development (table C.1). On a disaggregated basis, this finding was true for projects entirely devoted to pensions and for those with a small (30 percent or less) pension component. The ratings for the middle group were largely influenced by a large loan to Russia that was rated moderately unsatisfactory.⁵ Among all pension projects, the group of pension projects with pension reform comprising 80 to 100 percent of the loan's objectives was rated the highest in development outcome (see also table C.2).⁶

Analysis of Pension Performance Rating

Loans made primarily for pension reform

Pensions accounted for over 80 percent of the loan in 7 percent of the loans evaluated. By Region, they accounted for 24 percent of pension lending in Europe and Central Asia and 11 percent in Latin America and the Caribbean. The loans included seven adjustment loans, two investment loans, and one technical assistance project. These 10 projects all had very high development outcome ratings (table C.3).⁷

Loans issued to Argentina, FYR Macedonia, and Uruguay were all rated highly satisfactory. The large adjustment loan made to Argentina helped consolidate Argentina's pension systems and quickly led to significant savings. A 1998 Uruguay loan improved the regulation and operations of the funded system's pension plans, in particular through the diversification of assets.⁸ Another highly satisfactory pension loan was the small technical assistance loan to FYR Macedonia, which successfully assisted the legal reform for the PAYG system and a framework law for a multi-pillar system.⁹

The other loans were rated satisfactory because some aspects of loan performance could have been improved. The reform of the social security system in Brazil was advanced but not completed in the 1999 loan; the conditions of the 2000 loan were fully complied with, but did not reduce special privileges. The Kazakhstan reform was successful in improving contributions, although the third loan tranche was not completed. The Latvian loan was exemplary in achieving a full reform of the pension system, but the information technology component was unsatisfactory. The Mexican project implemented a new private pension system, but the complementary reforms for the housing fund proved dif-

Table C.1: Performance Ratings for the Project Overall

Project	Total evaluated projects		Outcome satisfactory		Sustainability likely		Institutional development impact substantial	
	No. of projects	Commitments (\$mm)	No. of projects (%)	Commitments (%)	No. of projects (%)	Commitments (%)	No. of projects (%)	Commitments (%)
	All pension projects	140	29,697	87	82	77	75	57
Pension component >80%	10	2,506	100	100	70	68	80	54
Pension component 30%–80%	10	1,859	70	49	80	78	50	11
Pension component <30%	120	25,332	88	83	78	76	55	44
Total World Bank projects	3,391	259,968	70	76	56	66	38	43

Note: Two pension projects were not rated for institutional development impact and were excluded from the calculations. Outcome satisfactory = highly satisfactory, satisfactory, moderately satisfactory. Sustainability likely = highly likely, likely. Institutional development impact substantial = high, substantial. Pension projects from approval fiscal year 1984 to 2005. World Bank projects from approval fiscal year 1984 to 2003.

Table C.2: Performance Ratings for the Pension Component

Project	Total evaluated projects			Outcome satisfactory		
	Number of projects	Commitments (mm)	Pension component (mm)	Number of projects (%)	Commitments (%)	Pension component (%)
All pension projects	134	28,262	4,784	75	77	89
Pension component >80%	10	2,506	2,503	100	100	100
Pension component 30%–80%	10	1,859	736	80	50	64
Pension component <30%	114	23,898	1,544	73	77	82

Note: Six projects were rated “non-evaluable” and excluded from calculations. Outcome satisfactory = highly satisfactory, satisfactory, moderately satisfactory. Pension projects from approval fiscal year 1984 to 2005.

difficult to achieve because of political constraints. In Peru, a pension reform was instituted, but the public systems continue to lack adequate records or controls.

Loans made largely for pension reform

Seven percent of all completed loans and credits had pension components that made up 30 to 80 percent of the loan. This includes 12 adjustment loans and 7 investment loans, with development outcomes for the project overall ranging from highly satisfactory to unsatisfactory (table C.4). These ratings generally correlated with the rating of the pension component.

The pension component of the Peruvian Financial Sector Adjustment Loan was rated satisfactory, as the social security reforms were expected to improve the longer-term resiliency of the system. The pension component of the Mexican Contractual Savings Development Program was also rated satisfactory, although the ICR indicated that no progress had been made in the reform of pension assets invested in (subsidized) housing loans or for the reform of the public pension system.

By contrast, the pension component in the Russian Social Protection Adjustment Loan was rated unsatisfactory because the financial crisis

Table C.3: Performance Ratings: Loans 80–100 Percent Devoted to Pension Reform Activities

Country	Loan	Year	Loan outcome	Sustainability	Pension component (\$mm)
Argentina	Provincial Pension Reform Adjustment Project	1997	Highly satisfactory	Likely	620
Brazil	Social Security Special Sector Adjustment Loan	1999	Satisfactory	Likely	758
Brazil	Second Social Security Special Sector Adjustment Loan	2000	Satisfactory	Likely	505
Bulgaria	Social Insurance Administration Project	1997	Satisfactory	Highly likely	24
Kazakhstan	Pension Reform Structural Adjustment Loan Project	1998	Satisfactory	Not rated	300
Latvia	Welfare Reform Project	1997	Satisfactory	Likely	15
FYR Macedonia	Pension Reform Technical Assistance Project	1999	Highly satisfactory	Likely	1
Mexico	Second Contractual Savings Development Project	1998	Moderately satisfactory	Uncertain	400
Peru	Pension Reform Adjustment Loan	1997	Satisfactory	Likely	100
Uruguay	Contractual Savings Structural Adjustment Loan	1998	Highly satisfactory	Uncertain	100

Table C.4: Performance Ratings: Loans 30%–80% Devoted to Pension Reform Activities

Country	Loan	Year	Loan outcome	Pension component outcome	Pension component (\$mm)
Albania	Technical Assistance for Social Safety Net Project	1994	Satisfactory	Satisfactory	3
Argentina	Capital Market Development Technical Assistance Project	1994	Satisfactory	Satisfactory	3
Bolivia	Financial Markets & Pension Reform Technical Assistance Project	1996	Satisfactory	Satisfactory	3
Hungary	Public Sector Adjustment Loan	1998	Satisfactory	Satisfactory	93
Hungary	Pension Administration & Health Insurance Project	1993	Unsatisfactory	Unsatisfactory	15
Kyrgyz Republic	Social Sector Adjustment Credit	1999	Satisfactory	Satisfactory	26
Kyrgyz Republic	Social Safety Net Project	1995	Moderately unsatisfactory	Satisfactory	7
Mexico	Contractual Savings Development Program	1997	Highly satisfactory	Satisfactory	200
Peru	Second Financial Sector Adjustment Loan	1999	Moderately satisfactory	Satisfactory	136
Russia	Social Protection Adjustment Loan	1997	Moderately unsatisfactory	Unsatisfactory	249

had significant negative effects on the prospects for adopting and implementing pension reform. Similarly, the 1993 Hungarian investment loan did not help support pension reform or implementation well even though the reform was successful overall.

Large pension component expenditures, small pension component shares

Of the 114 evaluated loans, 37 of the loans and credits contained a pension component amounting to \$10 million or more, although the median pension component share was less than 10 percent of the full loan (table C.5). The development outcome rating for the project overall often did not correlate with the rating for the pension component.

The Argentinean Special Structural Adjustment Loan was rated unsatisfactory but the pension component was satisfactory because new pension eligibility criteria were instituted the legislative and executive branches to improve the program's efficiency and curb abuses. Similarly, while the PPAR rated the 1996 Zambian loan

moderately unsatisfactory, the pension component was satisfactory because pension reforms were eventually implemented, even though they were delayed.¹⁰

By contrast, the pension components for Hungary, Kazakhstan, and Uruguay were deemed unsatisfactory even though the overall loans were satisfactory. According to the PPAR for the 1987 Uruguay loan, the Bank and government did not work well together. In Kazakhstan, pension arrears were not cleared—a key condition the loan. Similarly, in Hungary the financial stability in the pension system was increased, also a key objective of the loan. In addition, the reform of the social safety net was brought to a standstill and implementation was postponed indefinitely.

The pension components of loans to Bosnia-Herzegovina, Romania, Tunisia, and Ukraine also were unsatisfactory, although the overall loan was satisfactory. In Tunisia, the preparation of the social security reform was delayed because studies took longer than anticipated at the time the second tranche was released. Similarly, the pension component of the Romanian loan was

Table C.5: Performance Ratings: Loans Less Than 30 Percent Devoted to Pension Activities with a Pension Component of at Least \$10 million

Region/country	Loan	Year	Loan outcome	Pension component outcome	Pension component (\$mm) Africa
Africa					
Zambia	Fiscal Sustainability Credit	2000	Moderately satisfactory	Satisfactory	44
Zambia	Economic Recovery & Investment Credit	1996	Moderately unsatisfactory	Satisfactory	22
East Asia and the Pacific					
Korea, Republic	Structural Adjustment Loan Project	1998	Satisfactory	Satisfactory	225
Korea, Republic	Second Structural Adjustment Loan	1999	Satisfactory	Satisfactory	200
Korea, Republic	Economic Reconstruction Loan	1998	Satisfactory	Satisfactory	77
Europe and Central Asia					
Bosnia-Herzegovina	Public Finance Structural Adjustment Credit	1998	Satisfactory	Satisfactory	11
Bosnia-Herzegovina	Second Public Finance Structural Adjustment Credit	1999	Satisfactory	Satisfactory	11
Bosnia-Herzegovina	Transition Assistance Project	1997	Satisfactory	Unsatisfactory	10
Bulgaria	Social Protection Adjustment Loan	1999	Satisfactory	Satisfactory	16

Table C.5: Performance Ratings: Loans Less Than 30 Percent Devoted to Pension Activities with a Pension Component of at Least \$10 million

Country	Loan	Year	Loan outcome	Pension component outcome	Pension component (\$mm)
Croatia	Structural Adjustment Loan	2002	Satisfactory	Unsatisfactory	24
Hungary	Second Structural Adjustment Loan	1991	Moderately satisfactory	Unsatisfactory	10
Kazakhstan	Finance & Enterprise Development Project	1995	Satisfactory	Unsatisfactory	13
Lithuania	Structural Adjustment Project	1997	Satisfactory	Satisfactory	13
Lithuania	Second Structural Adjustment Loan	2001	Satisfactory	Satisfactory	13
Moldova	Second Structural Adjustment Loan	1998	Moderately satisfactory	Satisfactory	20
Romania	Structural Adjustment Loan	1992	Satisfactory	Unsatisfactory	17
Russia	First Rehabilitation Loan	1995	Moderately satisfactory	Satisfactory	20
Russia	Employment Services & Social Protection Project	1993	Moderately satisfactory	Satisfactory	12
Ukraine	Rehabilitation Loan	1995	Moderately satisfactory	Unsatisfactory	83
Ukraine	Coal Sector Adjustment Loan	1997	Satisfactory	Satisfactory	20
Ukraine	Programmatic Adjustment Loan	2002	Satisfactory	Non-evaluable	20
Uzbekistan	Rehabilitation Loan	1995	Unsatisfactory	Satisfactory	10
Latin America & Caribbean					
Argentina	Special Structural Adjustment Loan	1999	Unsatisfactory	Satisfactory	101
Argentina	Special Repurchase Facility Support Loan	1999	Highly unsatisfactory	Unsatisfactory	19
Brazil	Rio de Janeiro State Reform-Privatization Project	1998	Satisfactory	Satisfactory	21
Brazil	Social Protection Special Sector Adjustment Loan	2000	Highly satisfactory	Satisfactory	16
Brazil	Programmatic Financial Sector Adjustment Loan	2001	Satisfactory	Satisfactory	12
Colombia	Structural Fiscal Adjustment Loan	2002	Moderately satisfactory	Satisfactory	50
Colombia	CO Programmatic FSAL I	2003	Satisfactory	Satisfactory	10
Ecuador	Programmatic Human Development Reform Loan	2003	Moderately satisfactory	Unsatisfactory	10
Panama	Economic Recovery Loan	1992	Highly satisfactory	Satisfactory	18
Peru	Structural Adjustment Loan	1992	Highly satisfactory	Satisfactory	56
Peru	Financial Sector Adjustment Loan	1992	Highly satisfactory	Satisfactory	42
Uruguay	Second Structural Adjustment Loan	1989	Satisfactory	Satisfactory	12
Uruguay	First Structural Adjustment Loan	1987	Satisfactory	Unsatisfactory	11
Middle East and North Africa					
Morocco	Contractual Savings Development Loan	1998	Moderately satisfactory	Satisfactory	25
Tunisia	Economic & Financial Reforms Support Loan	1992	Satisfactory	Unsatisfactory	25

unsatisfactory because studies addressing the long-term issue of financial viability of the PAYG schemes were not carried out.

In Bosnia, the earliest loan, the 1997 Transition Assistance Project, was satisfactory, but the pension component was unsatisfactory because the Bank remained unconvinced that programs proposed would be either fiscally sustainable or provide improved targeting. By contrast, two subsequent 1998 and 1999 loans had satisfactory pension components and were satisfactory overall. Ukraine's 1995 loan was moderately satisfactory, while the pension component was unsatisfactory because measures had not been introduced to strengthen the social safety net, in contrast to the loan objectives. While the Bank

and the government agreed on the principals of the reform by third tranche release, implementation was delayed.

In Korea, three very large pension components of loans undertaken in 1998 and 1999 were rated satisfactory. These loans started a national pension scheme that was to pay out full pensions starting in 1998. In addition, a "Compensation Fund" was started to finance an immediate means-tested, noncontributory social pension for the elderly. Measures were instituted to pave the way for opening up pension fund investments in securities other than government bonds or directed investments. The second structural adjustment loan laid groundwork for additional reforms of the pension system.