



World Bank Coordination

The Bank's internal and external relationships affect the outcomes of Bank activities and the success of reforms. This chapter investigates the Bank's coordination of pension reform activities, specifically with (1) Bank units and teams, (2) other donors and international organizations, and (3) client countries.

The Bank continues to struggle to establish an informed decision-making process, partly because of a lack of internal Bank coordination. Because pension reform encompasses a number of disciplines, the current sector-based resource allocation does not facilitate funding for potential pension projects. Thus, the Bank has not always allocated its resources consistently and efficiently in accordance with the need for, and client interest in, reform. In addition, the Bank lacks detailed guidelines for the design of country-specific pension strategies.

Cooperation with other international agencies and bilateral donors is also a factor in establishing stronger pension reforms. Coordination with other international organizations is impeded by differences in perspective on pension reform and implementation. In addition, while the Bank has worked successfully with many governments, it needs to work harder to gain the support of all the ministries and stakeholders involved in pension reform.

Coordination among World Bank Groups

Internal Bank coordination is important, given the multi-sector nature of pension reform, which affects fiscal policy, the financial sector, and social protection of the population. The Bank's matrix management requires carefully planned coordination. Unfortunately, a lack of internal cooperation sometimes slows Bank assistance. In addition, pension reform is an ongoing process that needs constant monitoring. In some situations, Bank assistance lacked such necessary continuity on a Regional and/or country-specific basis.¹

A lack of coordination among Bank sectors has led to inconsistent country policy.

A large number of sector boards have prepared and supervised loans and credits that included pension reform components (table 6.1). On the one hand, social protection has taken the lead by inaugurating the Pension Primer series (a compendium of Bank-commissioned papers on pension reform issues), developing the

Table 6.1: Economic Policy and Social Protection Sectors Had a Greater Role in Pension Reform Activities Than Did Other Sectors

Sector	Africa	East Asia & Pacific	Europe & Central Asia	Latin America & Caribbean	Middle East & N. Africa	South Asia	Total
Number of projects							
Economic policy	5	1	34	10	4	4	58
Financial	10	3	6	14	1	0	34
Public sector governance	2	0	14	13	2	5	36
Social protection ^a	0	1	30	9	1	1	42
Other	9	2	9	11	1	2	34
Total	26	7	93	57	9	12	204
Amount allocated to the pension component (US\$ millions)							
Economic policy	78.4	200.00	477.1	278.10	32.2	22.4	1,088.2
Financial	10.6	302.72	32.6	433.8	4.9	0.0	784.6
Public sector governance	5.9	0.0	168.2	409.3	4.5	19.6	607.6
Social protection	0.0	5.0	808.5	1,913.0	25.0	9.4	2,760.9
Other	27.3	10.7	51.7	33.2	9.4	7.5	139.9
Total	122.2	518.4	1,538.1	3,067.5	76.0	59.0	5,381.2

Source: IEG Pension Database.

a. The share of pension projects managed by Social Protection increased after the Bank's 1997 reorganization.

The Bank also lacks consistent guidelines on how and when to support pension reform.

PROST model, and providing pension experts to work on operations in many Regions where sector expertise was not available. On the other hand, other sectors also have strong interests in pension reform, particularly in macroeconomic and financial sector issues.² Differences in perspective across units have led to inconsistent strategies in the preparation and supervision of a number of country operations.³ However, no sector has had a monopoly on operational effectiveness, because sector management and country outcomes are statistically uncorrelated.⁴

Inconsistency in the Bank's pension assistance can also be attributed to the lack of specific guidelines on how and when to support pension reform. As a result, Bank country assistance afforded too little support to some countries, and too much to others.⁵ In addition, turnover in Regional Bank leadership can exacerbate inconsistency and lack of continuity, especially as Country Assistance

Strategy priorities change. Further, when conflicts arise between the sector and country units, there is no agreed-upon method of resolution.⁶

Even when Regional sector units have been interested in coordinating pension activities, funding has not always been forthcoming. For example, in Africa, implementation of a Regional pension reform program has been difficult to achieve. Moreover, when Bank clients ask for assistance, funding is not always available. For instance, Because of the high cost of the World Bank's major conferences, those who are able to attend do not necessarily have the greatest interest or need to learn about pension reform. The Bank has been addressing this issue, however, through the greater use of distance learning.

Another disconnect in Bank coordination has been between assessments conducted by the Financial Sector Advisory Program (FSAP) and pension reform projects. In FYR Macedonia, although the Financial System Stability Assessment (FSSA) indicated that the preconditions for reform were not in place, the Bank was already assisting FYR

Macedonia in pension reform. In many countries, access to FSAP documents has been limited because of confidentiality requirements. While country-team access to FSAP findings has improved, this has been achieved primarily through individual agreements rather than a formal, collaborative Bank policy.⁷

Cooperation with Other Donors and International Organizations

The World Bank regularly collaborates with multilateral institutions and bilateral donors on pension reform regionally and worldwide (table 6.2). Effective cooperation with other international agencies and bilateral donors has resulted in stronger pension reforms, particularly by extending grant funding to countries that were unwilling to use World Bank funding for technical assistance.

Unfortunately, it is not always easy to ensure coordination, as many donors have predetermined work programs.⁸ Few discussions have taken place in the field with the European Commission on pension reform, despite the accession of eight Central and Eastern European countries and basic agreement with the Bank on the direction of reform. Similarly, relations with the Organization for Economic Cooperation and Development (OECD) have been limited to formal meetings.⁹ Cooperation is also hindered by differences in perspective on pension reform and implementation.

The Bank and the IMF have had extensive, ongoing discussions on pension issues, particularly concentrating on the fiscal framework. And there has been successful collaboration on assessments by the FSAP. The Bank and the IMF have failed to reach consensus on revenue collection issues in Europe and Central Asia, however, where the Bank's inability to fund a collaborative study has been an obstacle to better coordination. On the whole, however, the Bank-Fund relationship is satisfactory.

The Bank's relationships with the Inter-American Development Bank (IDB) and Asian Development Bank (ADB) have a history of independent activity intermingled with collaboration. The IDB and ADB have been as likely to work separately as together on the same countries. At the start of the 1990s, the IDB deferred to the Bank, which had a comparative technical advantage on pension reform issues. Since then, the IDB has developed greater financial expertise and has become more independent. Until recently, the ADB approached pension reform primarily from a financial perspective, but a more recent ADB report from its independent evaluation department suggests that the ADB is revisiting its underlying assumptions for social policy.¹⁰

Restricted access to FSAPs is an additional obstacle to good policy formulation.

Effective cooperation with outside donors has resulted in stronger pension reform.

Table 6.2: Many Organizations Work with the World Bank on Pension Reform

Category	Organization/donor
Key bilateral partners	U.S. Agency for International Development (USAID), U.K. Department for International Development (DFID), ^a Japanese Trust Fund, ^b Swedish International Development Agency (SIDA), Asian Development Bank (ADB), Inter-American Development Bank (IDB), German, Dutch, Danish, and Japanese governments
Key multilateral partners	International Monetary Fund (IMF), International Labor Organization (ILO), International Social Security Association (ISSA), United Nations Development Program (UNDP), European Union (EU)

Note: EU assistance has also been through PHARE and TACIS programs.

a. Formerly the KnowHow Fund.

b. Through the PHRD grant.

Bank relations with other donors have been complex, with some clear successes, and limited coordination in other instances.

The Bank has had successful and unsuccessful experiences working with USAID, ranging from disagreements about basic strategies to well-coordinated collaboration. Differences in strategy were evident in Montenegro and Ukraine at specific times. Yet in Bulgaria and Kazakhstan, USAID collaboration was instrumental in ensuring that reforms were effective. The most successful Bank-USAID collaboration has been for reforms supported by adjustment lending on the part of the World Bank and implemented by USAID consultants.

Relationships with Clients

The Bank's relationships with clients have varied across projects and countries. In some cases, such as FYR Macedonia, Kazakhstan, Mexico, and Peru,¹¹ the Bank supported government policies without addressing their deficiencies sufficiently when these policies deviated from best practice. As a result, this acquiescence may have compromised the long-term goals of pension policy in these countries.

The Bank needs to be more receptive to signals given by governments.

In other situations, the Bank either did not communicate well with its clients or failed to gain the support of all of the government. For example, in Uruguay and Hungary, the Bank had a good relationship with the Ministry of Economy/Budget and Planning Office and Ministry of Finance, respectively, but was unable to influence the country's social security agency.¹² In Thailand, Bank communication with both government and other donors¹³ was unsuccessful, and a PAYG reform was instituted despite the Bank's objections.

The Bank needs to balance the concerns of all stakeholders involved in pension reform.

Although it may be advantageous for the Bank to maintain a dialogue with client countries in the absence of a Bank loan or credit, the Bank also needs to respond appropriately to signals given by the governments. In the Philippines, the Bank should have lowered the intensity of the dialogue due to government

disinterest in effectively pursuing pension issues. Instead, the Bank tried to prepare a loan for ten years without success. Similarly, loan preparation activities lasted seven years in Slovakia before a technical assistance and capacity building loan was signed with the Ministry of Labor, but only after the Ministry of Finance finally committed itself to borrowing from the Bank. In these cases, the Bank lacked flexibility and spent considerable time unsuccessfully trying to negotiate with a reluctant client.

Aside from the government, other institutions may also influence pension policy. The Bank needs to address the concerns of all stakeholders as well as the interests of the government to formulate effective policy and assess the level of support for its policies, which can be difficult to gauge, especially in a democracy. For example, in some countries, such as Hungary and Poland, independent social security institutions had little desire to implement funded systems, while in other countries in Europe and Central Asia and Latin America and the Caribbean, private financial institutions, including asset managers and insurance companies, have had a vested interest in promoting funded pensions. Some of these institutions have the power to influence political decisions, and the Bank needs to better manage such diverse interests and take them into account more effectively when allocating resources.

Finally, exogenous economic and demographic factors affect the outcome of a country's pension reform. Some of these have led to the expansion of Bank assistance. For instance, the Asian crisis prompted Korea to request Bank assistance, which helped strengthen the pension system. By contrast, other factors have reversed progress on pension reform. For example, economic crises, as in Russia and Argentina, have slowed systemic reform, weakened financial markets, and left private pension portfolios less diversified because of a higher concentration in government debt. Conversely, the oil boom in Kazakhstan eased the fiscal position, allowing the government to end prematurely discussions on outstanding pension issues.¹⁴ In Sub-Saharan Africa, the HIV epidemic altered the demographic structure, creating pressure on the elderly to care for an ever-expanding number of orphaned grandchild-

Table 6.3: What Do IEG Case Studies Show about World Bank Performance?

Country	Quality at entry	Supervision	Summary of performance
China	Satisfactory	Highly satisfactory	Highly satisfactory
Bulgaria	Highly satisfactory	Highly satisfactory	Highly satisfactory
Korea	Satisfactory	Highly satisfactory	Satisfactory
Latvia	Highly satisfactory	Satisfactory	Satisfactory
FYR Macedonia	Satisfactory	Satisfactory	Satisfactory
Kazakhstan	Satisfactory	Satisfactory	Satisfactory
Hungary	Satisfactory	Satisfactory	Satisfactory
Albania	Satisfactory	Satisfactory	Satisfactory
Brazil	Satisfactory	Highly satisfactory	Satisfactory
Mexico	Satisfactory	Satisfactory	Satisfactory
Argentina	Unsatisfactory	Satisfactory	Satisfactory
Russia	Unsatisfactory	Unsatisfactory	Unsatisfactory
Peru	Unsatisfactory	Satisfactory	Unsatisfactory
Uruguay	Unsatisfactory	Satisfactory	Unsatisfactory
Bolivia	Unsatisfactory	Unsatisfactory	Unsatisfactory
Kyrgyz Republic	Unsatisfactory	Unsatisfactory	Unsatisfactory

Source: IEG Case Study Reports.

Note: The indicators cited in this table were specified in the terms of reference for the consultants conducting the case studies (Appendix A in the approach paper, OED 2004b).

dren, with important ramifications for poverty among the aged (Kakwani and Subbarao 2004).

Case Study Evaluation of World Bank Performance

Because pension reform is an ongoing process with long-term benefits, the effectiveness of the Bank's performance—as opposed to development outcome—needs to be considered over time. The IEG case studies evaluated the full portfolio of bank efforts, from AAA to loans and credits, and found that Bank performance varied widely across countries (table 6.3). Three factors made the most important contributions to an unsatisfactory rating of Bank performance: (1) inconsistency in the Bank's approach, (2) lack of attention to a particular issue, such as coverage, and (3) insufficient analysis. In contrast, IEG case studies in which the Bank's performance was rated highly satisfactory stressed (1) good sequencing of assistance, (2) consistency with the country's conditions, and (3) good analysis.

Summary and Conclusions

The World Bank's pension reform activities have lacked consistency for several reasons:

- First, the Bank has not provided detailed guidelines to assess the priority of and need for multi-pillar pension reform.
- Second, the Bank could take greater care in allocating resources according to client interest in pension reform.
- Third, the sector-based resource allocation for Bank activities has led to cross-sector rivalries to secure access to budgetary resources for the development of pension projects that may have resulted in a lack of balance in how the Bank's assistance is structured.

These problems are exacerbated by staff turnover, inconsistencies across Bank networks, and shifting government priorities. In sum, the

Bank performance is related to the consistency of its approach and the depth of its analysis.

lack of coordination within the Bank has prevented it from establishing a transparent decision-making process.

The Bank can strengthen its pension reform activities by more frequent and substantial coordination with other international agencies and bilateral donors. Despite improvements in co-

operation, there are still a number of unresolved issues on pension reform. The Bank would also find it easier to engage countries to implement pension reforms by working with a broader group of ministries and considering the positions of all stakeholders involved in the country's reform process.