

Social Contracts and World Bank Country Engagements: Lessons from Emerging Practices

Social contracts can be understood as the implicit, mutual bargaining over what citizens expect from the state, and what the state can legitimately demand of citizens in return. The World Bank has identified broken social contracts as causing development challenges in client countries and proposed solutions to help societies reshape their social contracts. Yet while some countries with dysfunctional social contracts are undergoing social contract transitions, other countries' social contracts remain unmovable.

Well-executed social contract diagnostics share similar features:



They are conducted by multidisciplinary teams;



They rely on innovative analytics of nontraditional data sources, including barometer surveys, perception-based data, social media analysis;



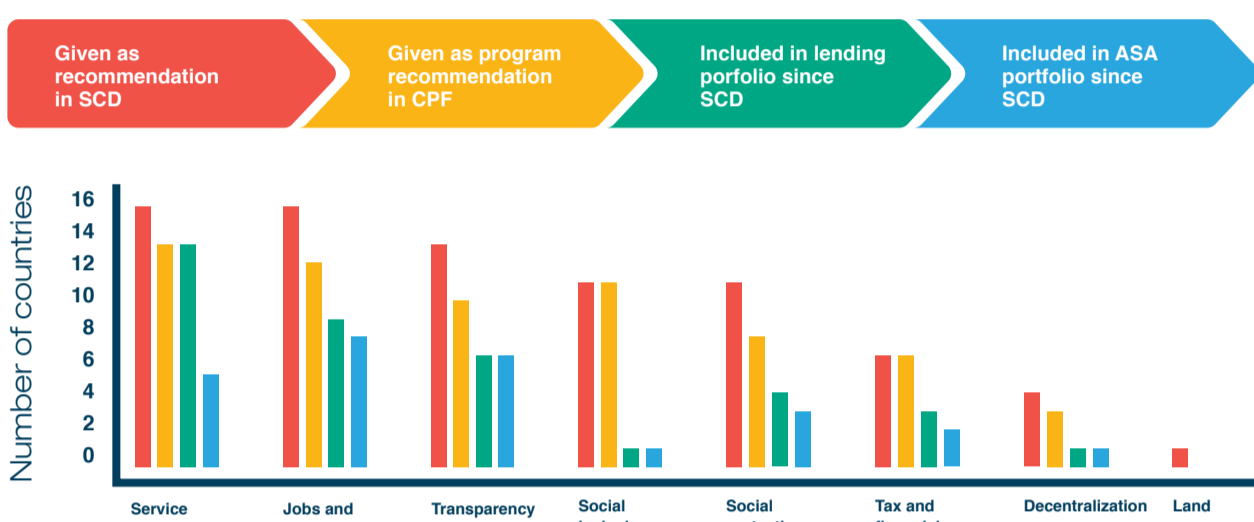
They analyze the trajectory of social contracts changes in the country, rooted in historical analysis;



They identify social contract stakeholders involved in the bargaining processes and power imbalances that lead to dysfunctional social contracts.



They are broadly and strategically disseminated.



The World Bank's coherence varies significantly depending on the type of reform. Social contract issues that pertain to the state's side of the contract, such as improving service delivery and enhancing the enabling environment for jobs, are systematically part of the World Bank's CPF and translated into operations. By contrast, social contract issues that reinforce society's capacity to honor its side of the contract, such as citizen engagement or government accountability mechanisms, are less frequently translated into operations, despite SCDs calling for this.

Overcoming Operational Challenges

Defining the World Bank's role in social contract renewal, specific to each country's social contract dynamics, can improve the World Bank's coherence. The evaluation identified three sets of conditions that the World Bank could take into account to gain traction on social contract issues:

- 01** The presence within the country of a social contract renegotiation.
- 02** The nature of the country's social contract bargaining. This includes whether the social contract benefits the few or the many, whether it relies on corruption and clientelism, whether citizens and civil society can participate in the bargaining, whether the state is responsive to citizens' social contract demands, and whether the state has the capacity and legitimacy to fulfill these demands.
- 03** The World Bank's comparative advantages depend on the local contextual conditions, such as the World Bank's positioning compared with other development partners on social contract issues and its reputation and social capital among citizens and civil society.

Opportunities to Maneuver

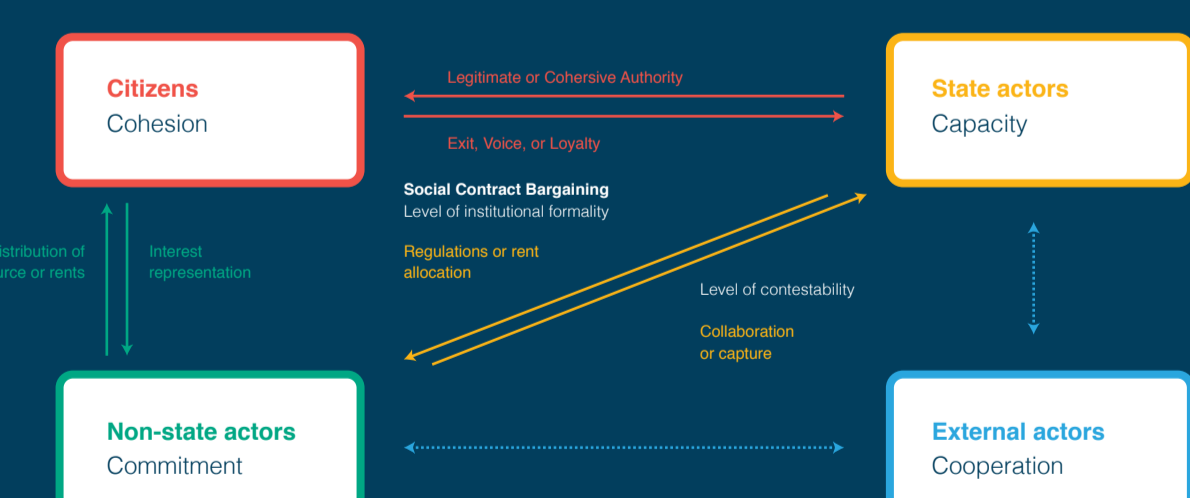
Redefining what success looks like: World Bank senior management and Board should ensure coherence between the Bank's portfolio of operations and its social contract diagnostics. At times, being effective on social contract issues may warrant introducing some flexibility with some aspects of the business model that preclude effectively delivering on social contract transformation. This may include flexibility on the length of loans and CPF periods, performance targets, and engagement processes.

Role of lending vs. other instruments: The World Bank management could develop an approach to safeguard against lending that prolongs or exacerbates broken social contracts. Outside of lending, World Bank GPs jointly with CMUs can more proactively and deliberately exploit its other channels of influence—such as convening power, citizen engagement, and research and analytics—to address social contract issues.

Partnerships: Better relying on partnerships can help achieve civic mobilization and political transformation. To do so, World Bank CMUs could convene broad country-level coalitions beyond government actors and across election cycles. This is necessary because the World Bank does not have a mandate nor a comparative advantage to manage the political dimensions of social contract renewals.

Citizen engagement: Building social capital with citizens beyond the citizen engagement mechanisms embedded in projects can help mobilize support for reforms.

Staff Skills: Better mobilizing staff specialized in social contract issues and strong leadership by country directors can help improve the World Bank's capacity to renew social contracts.



Social Contracts Conceptual Framework

To understand how social contracts are shaped, how they change, and how external development actors, such as the World Bank, contribute to this change, a more elaborate conceptual framework is necessary. The figure, shows that the conceptual framework consists of four elements:

- (i)** the main players that shape social contracts (corners of the rectangle);
- (ii)** the types of influence or power these players exert on each other in the bargaining process (arrows);
- (iii)** the nature of the institutional space where social contract bargaining takes place (center of the rectangle); and
- (iv)** the ways each actor engages with existing social contracts at a given point in time.

