

EXECUTIVE SUMMARY

At the start of the 21st century, while many people around the world benefit from increased flows of goods, capital and information, too many others confront seemingly intractable challenges. To reduce poverty and reach the Millennium Development Goals, the World Bank adopts a comprehensive approach that promotes economic growth, improves services and strengthens institutions. Social development is a crucial component of this approach. With the goal of empowering poor and marginalized women and men, social development is a process of transforming institutions for greater inclusion, cohesion and accountability.

Empirical evidence and operational experience show that social development promotes better growth, better projects and better quality of life. The global community has affirmed its commitment to social development in several forums, from the World Summit on Social Development to the Millennium Summit. Further, many regional bodies, such as the South Asia Association for Regional Cooperation and the Africa Development Forum, have confirmed their support for social development as essential to reducing poverty. World Bank policies, strategies and operational documents reflect a similar commitment.

The World Bank has successfully incorporated key social development principles into the preparation of many projects. Based on an Operations Evaluation Department (OED) review of more than 4000 World Bank-funded projects in the last thirty years, attention to social development has improved project impact and sustainability. Over these years, the Bank has increased the proportion of projects that pay attention to social development, reaching about one half in the last decade. However, in its project-by-project approach, the Bank has not been sufficiently systematic in its attention to social development processes, analysis and content. Given recent initiatives to increase lending for infrastructure and agriculture and concerns about high transaction costs, the Bank realizes that it needs to revise its approach to social development.

To enhance impact and improve efficiency, the Bank proposes a new business model for how it will promote social development in its operations. The new model implies a shift towards an integrated, multi-sectoral, upstream approach, which is reflected in three strategic priorities:

- **Strategic Priority 1 - More Macro:** Improve macro-level processes, analysis and content by better supporting countries to incorporate social development into their poverty reduction or development strategies. Enhance policy dialogue, Bank country assistance strategies and Bank-financed policy lending by building on these country-led strategies.
- **Strategic Priority 2 - Better Projects:** Improve development effectiveness of investment lending through more comprehensive and efficient mainstreaming of social development into project-level processes and analyses as well as strengthening the social development thematic portfolio.
- **Strategic Priority 3 - Better Grounding:** Improve research, capacity building and partnerships to solidify the grounding for better operations.

Under **Strategic Priority 1** the Bank will increase support for countries to bring social development processes, analysis and content into their overall poverty reduction or development strategies. This shift implies building government capacity for more effective and representative stakeholder participation while countries prepare and implement their country strategies. Further, the Bank will base its country assistance strategies on the outcome of these processes. It will also build into its country-wide analytic work analyses of social opportunities, constraints and risks. Finally, requiring no additional Bank-imposed conditionality, development policy lending will support government efforts to improve inclusion, cohesion and accountability using countries' own systems. For example, it will support policies that promote greater budget transparency or enable communities to manage public funds.

Under **Strategic Priority 2** the Bank will enhance the impact and reduce the cost of how it approaches social development processes, analysis and content in each of its projects. In project preparation, it will seek to build on the country-level participation that Strategic Priority 1 promotes. The Bank can then allocate some of the resources previously used for participation during project preparation to enhance stakeholder involvement in monitoring and evaluation. Similarly, building on the upstream country-level social analysis, project-level social analysis can be more focused and less costly. Given the Bank's emphasis on more and better agriculture and infrastructure lending, it will increase support for community involvement, participation and understanding of the social context in such projects.

Under **Strategic Priority 3** the Bank will strengthen the grounding for its social development work by enhancing research, capacity building and partnerships. Bank-supported research will build upon existing context-specific analysis to improve understanding of the complex relationship between social development and economic growth with a special emphasis on supporting local research in developing countries. The Bank will also strengthen evaluations of social development impacts of its activities. Similarly, in an effort to collaborate more effectively with local experts, it will scale up efforts to build the capacity of developing country social development practitioners and support networks among them. Finally, the Bank will strengthen its social development partnerships to assure sustained, harmonized support for developing countries in their social development efforts.

The Bank can implement these strategic priorities by better coordination among units that address social development objectives, reallocating resources towards upstream work for key clients, greater involvement of in-country expertise and adjusting its staff's skills. Overall, as the new business model delivers returns to scale, borrowers will enjoy significant savings and improved effectiveness. The Bank will also save resources by working on social development at the country level. It can reallocate those savings for better monitoring and evaluation, as per OED's recommendations. The Bank will measure country outcomes using existing proxy indicators for inclusion, cohesion and accountability. Similarly, it will also track intermediate World Bank and country process improvements using existing indicators.

Given the importance of inclusive, cohesive and accountable institutions in empowering people, the World Bank will transform how it promotes social development to better support the Millennium Development Goals and realize its goal of a “world free of poverty.”