




*Santa Fe Provincial Reform Loan  
Social Impact Assessment*

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## *Provincial Reform Loans in Argentina*

- Provinces in Argentina provide most of the public services, infrastructure and safety thus, they play a major role in the effort of Argentina to reach macro-economic stability.
  - Provincial reform loans (PRL) are the instrument to improve efficiency in public spending, secure and maintain fiscal balance and enhance quality.
  - The Bank has supported five such operations and it is now completing Santa Fe PRL VI
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# *Santa Fe PRL VI and Social Impact Assessment*

- Its main purpose is to ensure that Santa Fe PRL contributes to poverty alleviation within the framework of sound financial policies
  - Through this effort social risks and challenges have been identified and specific tools designed to address social impacts, promote participation and improve responsiveness of social programs.
  - The proposed Social Development Program seeks economic recovery and promotes equity.
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# *Social Impact Assessment*


Social impact assessment main contributions are:

- Identifying factors that might hinder the success of the reforms;
  - Pointing out social risks and new challenges
  - Analyzing effectiveness of ongoing social programs;
  - Assessing the impact of the proposed reforms
  - Designing a comprehensive Social Development Program
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## *The changes of the 1990's*


Economic reforms, external shocks, and sluggish economic growth have resulted in a explosive social situation characterized by high rates of unemployment, social unrest and increasing violence.





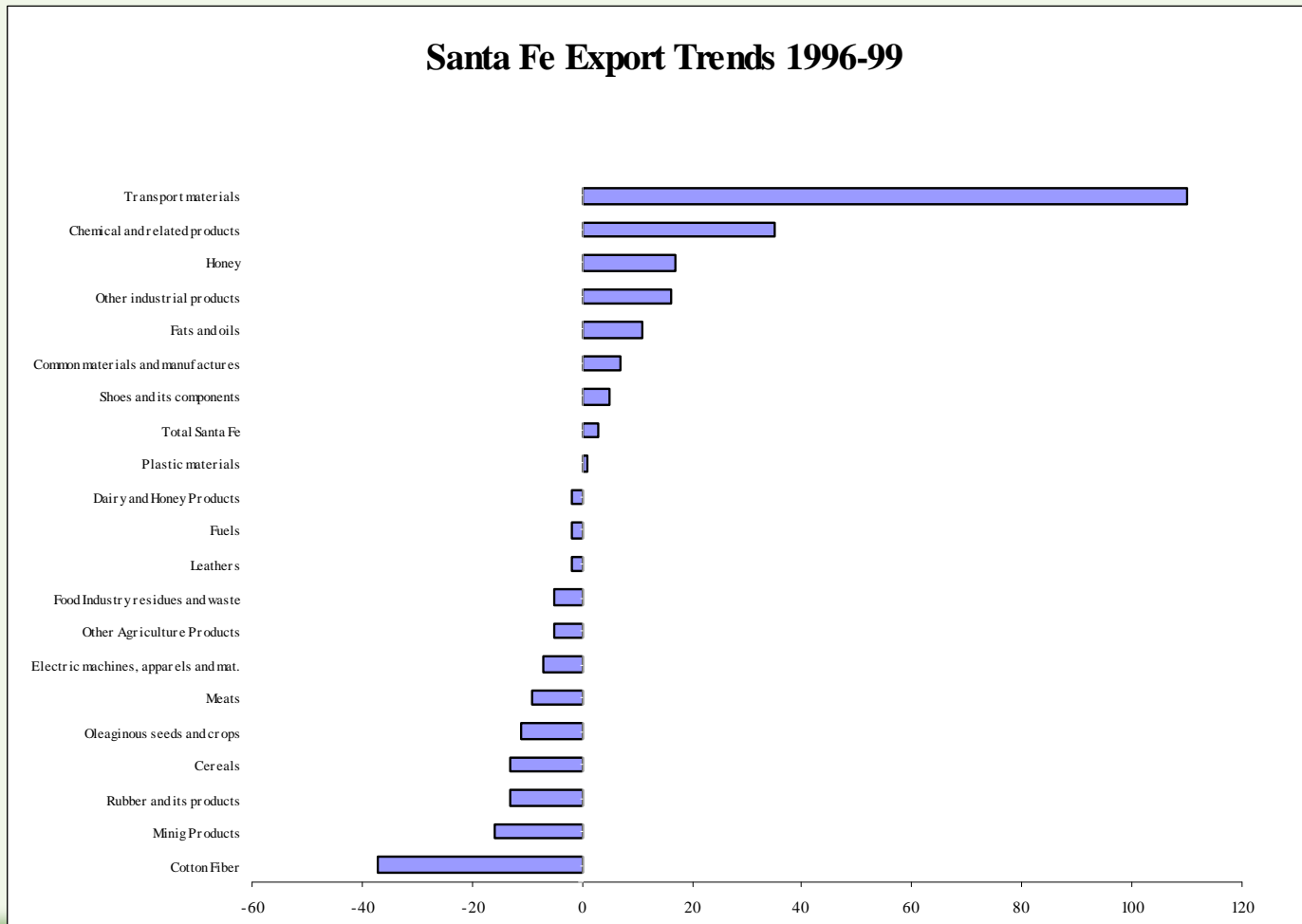
# *Santa Fe Socioeconomic Profile*

## *2000*

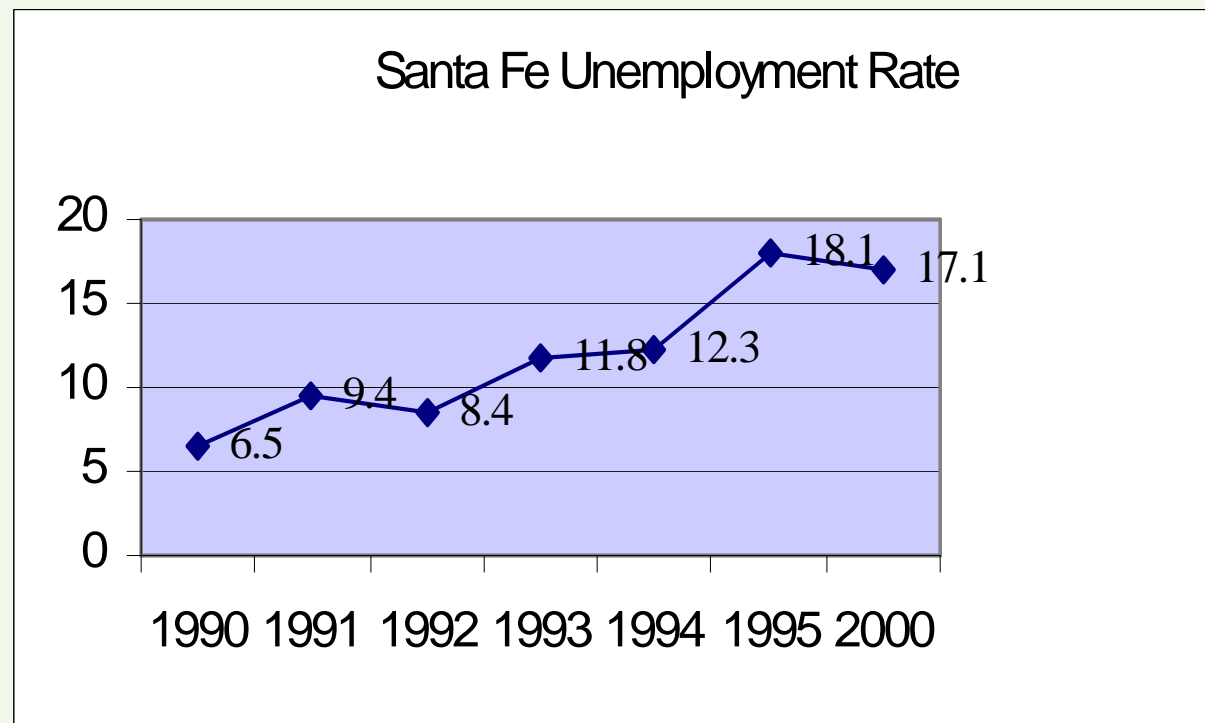
- Decline of traditional activities and rising of new capital intensive industries
  - Sustained unemployment despite economic growth
  - Increasing informal sector thus more population without social protection
  - Growing conditions for social exclusion
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# *Santa Fe Economic Re-structuring*

**Santa Fe Export Trends 1996-99**



# *Santa Fe Unemployment Trends*



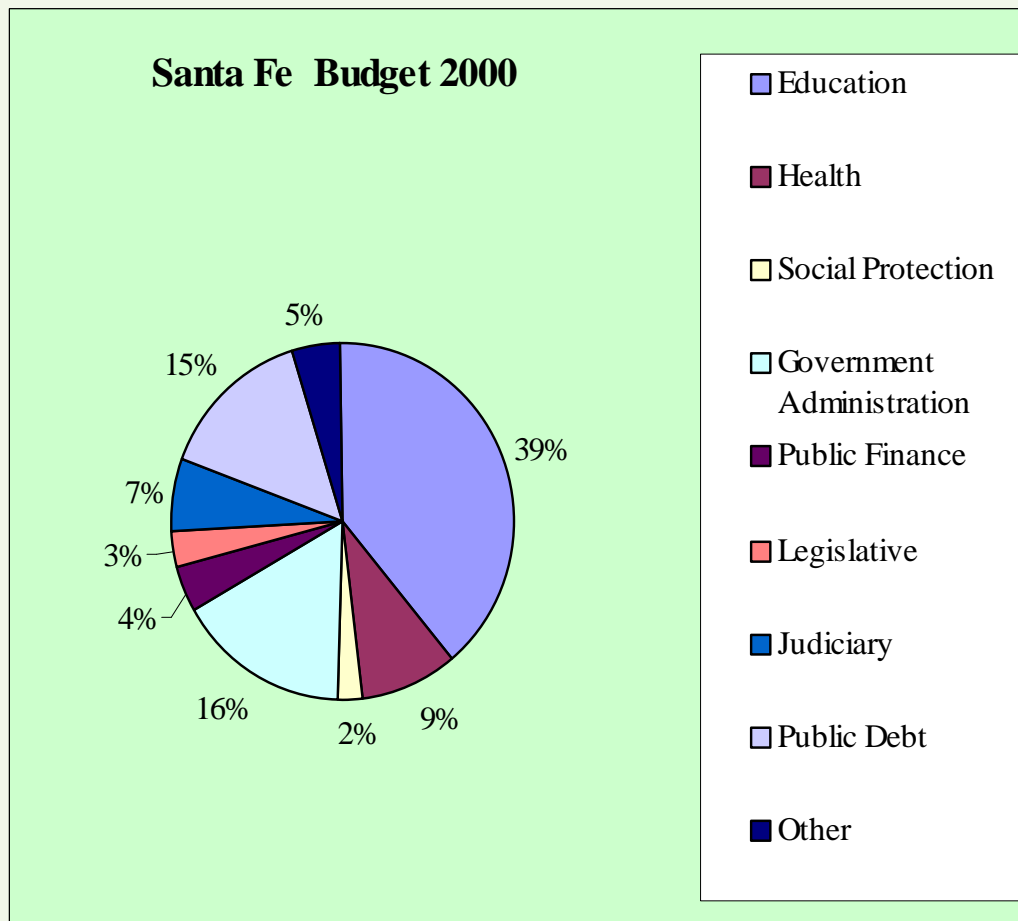
# *Social Risks and Challenges*

- The new poor comprising formerly employed population out of job mostly head of households.
  - 62.45 have no income
  - 58% have primary education or less
  - 52% were between 40-60 years old
- Vulnerability of youth, women and the elderly
- Rural Poverty spurred by unemployment and migration of the better skilled
- Social disintegration of the families and violence

# *Inequity and social exclusion*

- Empirical evidence of skewed income distribution. For Argentina top quintile increased its share to 54% while the poorest it reduced to 4%.
- 28% of the labor force works in the informal sector therefore lacking any kind of social protection.
- 29% of the teenagers in NBI households neither study nor work.
- Women represent 60% of the demand for social protection programs and come from men headed households.
- 60% of the elderly in NBI household are at risk

# Public Sector Response



# *Public Sector Response*

Santa Fe enjoys good social indicators however quality of services have declined and might not be responding to new risks and challenges

- **Education** standards behind income level and not fully providing the skills to compete in a global economy
- **Health** neglecting primary care and rural areas and facing infectious diseases
- **Social protection** with a reduced budget dispersed among numerous programs focused on social assistance
- **Pension** system under financial crisis and lacking coverage

# *Inequity bias in social sectors*

- **Education** does not target poor students and youth outside the system; 98% of resources are to pay teachers and managerial personnel; lack of transparency in transfers to private schools.
- **Health** 95% of the budget concentrated on third level hospitals; 45% of rural population without formal service; spread of epidemic diseases.
- **Social protection** has a reduced budget and dispersed efforts
- **Pension system** covers 96% of public employees while 35% lacks this protection in the private sector.

## *Proposed Reforms*

- **Education**, better management actions would improve quality and generate savings. However a more pro-active equity approach is required
- **Health**, focuses on primary care and a pilot in rural areas thus addressing poverty and equity.
- **Social Protection**, more focus through PASS and PMSP however strategy is yet to be defined and institutional strengthening of SEPC is critical. It might use resources from privatization.


## *Proposed Reforms (cont'd)*

- **Pensions**, an agreement with the Federal government would reduce deficit though harmonization might result on social impact
- **Privatization of EPESF**, would improve quality and reduce costs that might result on lower tariffs. However high employment severance is expected (around 1000 positions would be lost)




# *Social Development Strategy*

Comprises three complementary action lines:

- **Economic Recovery**, seeks building the climate for investment and growth through selective public investments and new policies.
  - **Promoting Equity** by improving targeting and responsiveness of social protection, health and education
  - **Impact mitigation** of pension reform and EPESF privatization
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## *Economic Recovery*

- Selective infrastructure development
  - Investments in rural development
  - Support to small and medium enterprises
  - Economic re-structuring protecting employment and reducing impact
  - Deregulation and better coordination
  - Incentives to move into the formal sector
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# *Promoting Equity*

- **Social Protection**
  - Balancing social assistance and productivity enhancement
  - Better targeting vulnerable population specially the youth
  - Social capital development
  - Gender approach



# *Promoting Equity*

- Education
  - Targeting poor students
  - Providing options to increase opportunities for employment and better competitiveness
  - Assess transfers to private school.
  - Promoting ownership
  - Participatory M&E



# *Promoting Equity*

- Health
  - Increasing coverage particularly in rural areas
  - Special programs addressing infectious diseases
  - Gender approach including a program on reproductive health
  - Promoting ownership
  - Participatory M&E



# *Impact Mitigation*

- Pension Reform
  - Impact assessment
  - Harmonization increasing coverage and a gender approach
- EPESF privatization
  - Ensuring that productivity gains benefit consumers
  - Minimizing employment severance impact

# *Social impact assessment main contributions*

- To identify social risks that are jeopardizing economic development and poverty alleviation efforts.
- To justify a pro-active public sector participation in economic recovery.
- To incorporate an equity approach in social sector reforms and promote participation.
- To balance social assistance and productivity enhancement efforts within social protection programs.
- To propose and integrated social development strategy promoting economic recovery and equity.

# *Social Impact Value Added*

- Santa Fe is a rich province why a PRL
  - Equity issues and social risks hindering poverty alleviation efforts and economic development.
- Investment or payment of public debt
  - Selective investment on infrastructure, joint ventures and rural development is justified to regain growth
- Social assistance or productivity enhancement
  - Better targeting social assistance and more focus on productivity enhancement effort that develop social capital.

# *Social Impact Value Added*

- Micro-credit or subsidies
  - Three-fold strategy to better respond to beneficiaries needs reducing need for subsidies
- Improved management or Responsiveness
  - Social sectors reforms should promote equity as a mechanism towards poverty alleviation
- Financial balance only versus Mitigation Efforts
  - ME reduce social impacts, reduce political resistance and ensures accountability.

## *Conclusions and Recommendations*

- Social assessment enhances quality by identifying social risks and impacts
- It ensures that PRL contributes to poverty alleviation by building specific tools to promote economic recovery and equity
- Social impact assessment should be a standard process in designing PRL and similar adjustment operations