

Growth should follow social justice



Paraguay's current Government has set three priority focus areas: social and human development, a productive economy and institutional policy. Thanks to increased income from taxation and plans for development assistance, there are now more resources to meet the needs of the people, invest in infrastructure and still comply with debt commitments. The Government should also revise the existing development model in order to bring about a fairer distribution of wealth and provide better protection for vulnerable population sectors. To do this, the State will have to coordinate its efforts with organizations from all sectors of society.

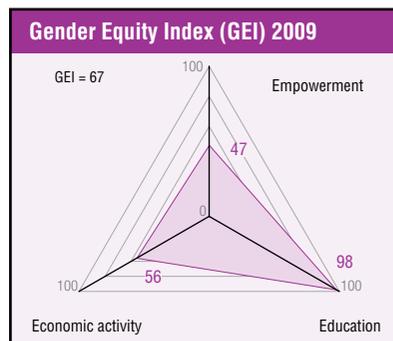
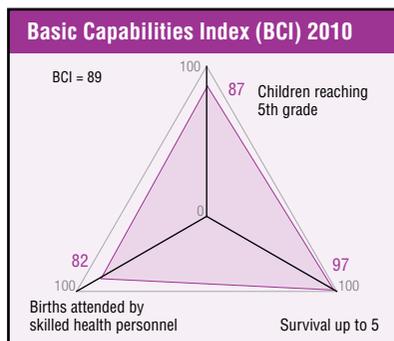
DECIDAMOS, Campaña por la Expresión Ciudadana
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At the end of 2000, the Government of Paraguay started to formulate a national strategy to combat poverty, which by the end of 2003 had become concrete document with plans and programs for the period 2003-2008, although the time frame for some of its goals extends to 2015. The main aim is to cut extreme poverty by half by 2015, and the plan establishes public policy to bring this about. It consists of nine programmes to generate economic opportunity and social protection and improve the situation as regards clean water, universal education, maternal mortality and under-five child mortality. It also aims at reducing illiteracy by 50%, providing more options for primary education, and making reproductive health services accessible to the whole population.³

Economic recovery

The first 10 years of the 21st century has been a period of steady economic recovery for Paraguay. After decades of stagnation and negative variations in gross domestic product (GDP), the country's real product has increased consistently since 2000. The average growth rate in 2003-2008 was 4.8% per year, far above the annual rate of 0.85% in the period 1995-2002.⁴

However, according to Minister of Public Finance Dionisio Borda, this growth has not been enough to generate decent jobs, and this is clear, for example, from the fact that under-employment increased from 24.2% to 26.5% in the period 2004-2008. These inconsistencies reflect the dual nature of the economy – part formal, part informal, part mechanized and part artisan – and in times of prosperity economic growth



does not generate sufficient employment or reduce under-employment.⁵

The country's economic recovery was based on increased production of its main crops (e.g. soybeans), growth in the construction sector (public and private), higher production in the livestock sector, a greater volume of trade and an expansion in transport. All these activities were stimulated by a high level of domestic financial liquidity, competitive international prices, the recovery of foreign markets and, above all, the fact that the main nominal variables have been predictable, thanks to macroeconomic stability in recent years, which is vitally important for enterprises to be able to calculate their costs.⁶

Alongside this economic recovery, the tax yield has also been increasing steadily, providing the State with greater resources to address the population's social needs, invest in economic infrastructure and meet debt service commitments.

However, the country has serious problems in that the economy is rather uncompetitive due to poor road infrastructure, technological backwardness and low levels of education among the workforce.

- Only 6,700 of the 60,000 kilometres of roads can be used all the year round, and each year only 100 kilometres are provided with all-weather surfaces.

- Average schooling among people over 25 years old is a paltry 7.5 years.
- Some 90% of people aged 19 to 25 in the poorest quintile do not receive any training (567,000 people).
- In 2007, the illiteracy rate was still very high at 5.4%.⁷

Debt and growth

According to the Central Bank, as a result of the international crisis the country's GDP at the end of 2009 showed a negative growth rate (-3.8%) compared to the previous year, but the forecast for 2010 is favourable (up to 6% growth). Per capita GDP also went down, the rate was -5.5%, and in real terms this amounted to USD 1,471 in 2009 as against USD 1,557 in 2008. This negative change in 2009 was partly the result of a fall of around 20%, in constant terms, in external demand, and the value of the country's exports in dollars has decreased considerably because prices for its main export products have fallen.

In 2009, the agriculture sector's share of GDP decreased from 20.2% to 16%, and commerce, with an 18.1% share, now ranks higher than agriculture or industry and is the country's most important economic activity.

In September 2009, Paraguay's external debt stood at USD 2,270 million.⁸ For the sixth year in succession, foreign public debt, as a percentage of GDP, has decreased: in 2005 the rate was 52.1% and in 2009 it was estimated at 20.5%. This was made

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3 UNICEF-Paraguay, *Inversión en la Infancia en Paraguay y análisis de su impacto en algunos indicadores relacionados con la niñez*. Asunción, September 2007. Available from: <files.consejonya.webnode.com/200000031-eb36cec30d/Plan%20Estrat%C3%A9gico%20SNNA%202009-2013.pdf>.

4 Government of the Republic of Paraguay. *Informe de Gestión de Gobierno 2003-2008*. July 2008, 16.

5 Dionisio Borda, "Paraguay: Efectos macroeconómicos e impacto social de la crisis global," study presented at the seminar Social Policies in Times of Crisis, Asunción, 6 August 2009). Available from: <www.segib.org/upload/File/Dionisio_Borda.pdf>.

6 Central Bank of Paraguay. *2010 GDP Estimations*. Asunción, March 2010. Available from: <www.bcp.gov.py>.

7 Dionisio Borda, *op. cit.*

8 Central Bank of Paraguay. *2008 Preliminary Economic Report*. Available from: <www.bcp.gov.py>.

possible thanks to amortizations, which have been steadily reducing the balance of the debt.⁹

Social investment

The current Fernando Lugo administration (2008-2013) has undertaken to work in three broad areas: social and human development, a more productive economy and institutional policy. This plan is structured in three phases: the period of crisis (which means starting from a low position), national adjustment to cope with the crisis, and the 2013 legacy, and it is made up of projects that will mostly be consolidated in 2011, which is also the bicentennial of the country's independence.

Programs already in place include: the maintenance and expansion of the social protection network, the introduction of primary health care as a priority model to reach the sectors most in need, the Programme of Integrated Attention for Children living on the streets with no family links, the National Plan for Food and Nutritional Sovereignty and Security, the Emergency Action Plan for indigenous populations, an agriculture reform policy that will give peasants access to land and the establishment by the Presidency of a human rights network.

Various studies of the budget by UN agencies in Paraguay show that in recent years social investment in areas connected to the MDGs has increased. For example, according to data from the Organization for Economic Cooperation and Development, social investment in 2008 amounted to 7,089 million Paraguayan guarani (some USD 1,470 million), which was around 48% of the budget for general expenditure. This was much higher than the figure for social investment in 2003, which was just over USD 550 million and accounted for 36% of the budget that year.

Financing for development

Cooperation and aid for development is provided by a range of public and private actors in higher income countries, and its purpose is to promote sustainable economic and social progress to bring the countries of the South into a more balanced relation with those of the North.

In Paraguay, information about the forms development aid takes is not systematized or published, but according to European Union documents in the period 2000-2006 the EU contributed funds for the following:

- To modernize the State and develop its institutions (11.6%).
- To develop production, increase competitiveness and promote integration into the Southern Common Market (Mercosur) (42%).

- For social development and to reduce poverty (46.4%).

Between 2007 and 2013 the EU will provide funds of just under USD 149 million, which will go mainly to the following areas:

- Education (primary, secondary and vocational) 81.2%.
- Regional and international integration 18.8%.

For the period 2007-2011 the UNDP in Paraguay is concentrating on three spheres of services, and its strategy is based on consultancy support for the formulation of public policies and the provision of development services.¹⁰

The German Agency for Technical Cooperation (GTZ) has more than 30 years of experience in development cooperation and is one of the oldest agencies in Paraguay. In the most recent bilateral negotiations, in October 2006, GTZ agreed to provide assistance until 2010 for the modernization and decentralization of the State, including poverty reduction.

The US Agency for International Development (USAID) is also active in Paraguay. Its assistance comes through a number of channels including private US and Paraguayan institutions and local and international NGOs. Its strategic plan for 2001-2006 focused on the following:

- Democracy – to institute key democratic practices for improved governance.
- The environment – to improve the sustainable management of globally important eco-regions.
- Health – to increase the voluntary use of reproductive health services.
- Economic growth – to raise poor people's incomes in selected areas.

In cooperation with the Millennium Challenge Corporation, USAID is promoting the Threshold Programme, an attempt to tackle corruption by attacking impunity along with informality in the economy. The program was approved by the Corporation's directing council in February 2006 and has approximately USD 35 million in funding.

In November 2009 Spain and the Inter-American Development Bank (IDB) allocated USD 52 million to help expand access to potable water and sanitation services in small rural and indigenous communities. The funds include a donation of USD 40 million from the Spanish Cooperation Fund for Water and Sanitation in Latin America and the Caribbean and a loan of USD 12 million from the ordinary capital of the IDB. The IDB has programmed global

cooperation amounting to some USD 1,000 million during the Lugo administration. These loans will be used to build roads and infrastructure and to provide social assistance.

MDGs: analysis and challenges

According to the Statistics, Surveys and Census Office, in 2008 some 37.9% of the total population of the country were living in poverty – some 19% in extreme poverty.¹¹ To make matters worse, the 2009 world economic crisis resulted in an additional 300,000 people living below the poverty line. This makes it unlikely that Goal 1, to reduce the proportion of people in extreme poverty by half will be attained.

With regard to Goals 2 and 3 (achieving universal primary education and promoting gender equality and empower women), gender parity in primary and secondary education, girls are nearly on an equal footing with boys, but there are still problems of a lack of schools in some areas, poor infrastructure and children dropping out of school.

In addition, Paraguay needs policies and programmes to empower women by enabling them to fully exercise citizenship and be equally represented in public decision-making arenas. It is urgent to bring a gender perspective into the mainstream and make it effective in the policies the State designs and implements, and there should be a budget to finance action to institutionalize gender equality.

With regard to Goals 4 and 5, to reduce maternal and infant mortality, policies are needed in order to improve access to health services, widen coverage, and provide better attention during pregnancy, at birth and in the post-natal care period. It is important to strengthen the design, collection, processing and opportune publication of data in this area.

As regards Goal 6, although a big effort has been made to reduce the spread of HIV and AIDS, there is still discrimination against people living with HIV and not all those affected have access to antiretroviral medicines. Other MDGs that seem nearly as far away as ever are Goal 7, environmental sustainability and Goal 8, the global alliance for development.

To sum up, it is clear from the way the present Government has put concrete plans and programs onto practice that their intentions are to make every effort to improve the social situation of the people and work towards achieving the MDGs. However, this is itself is not enough, and there will have to be greater and more effective coordination not only between government and donors, but also and particularly between government and civil society actors. ■

9 Government of the Republic. Secretariat for Social Action and UNDP, *National Strategy to Reduce Poverty and Inequality*. "Jahapo'o Teko Asy". Asunción, 2003.

10 UNDP-Paraguay, *Document of Programme for Paraguay 2007-2011*.

11 Dirección General de Estadística, Encuestas y Censos. *Estadísticas Recientes sobre Pobreza. Encuesta Permanente de Hogares 2007*, Asunción, August 2008 and *Mejora de la metodología de medición de pobreza en Paraguay. Resultados 1997-2008*. Asunción, 2009.