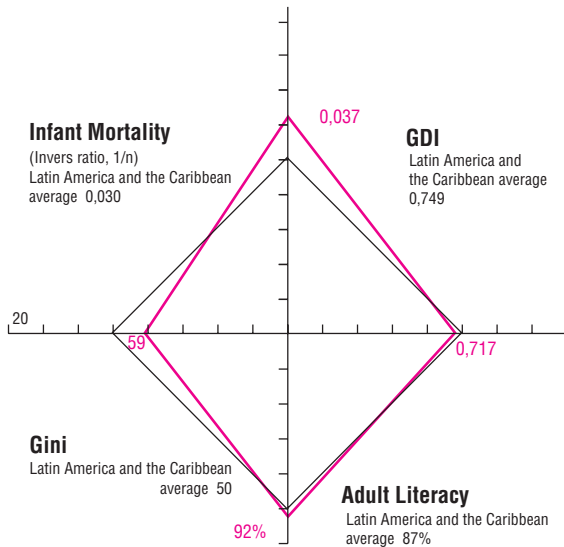


DANIA PILZ
SUSANA ALDANA



The Equity Diamond: National values in terracotta compared to regional ones in blue.
 Source: **Infant mortality:** UNICEF, *The State of the World's Children, 1998*, **Adult literacy:** UNICEF, *The State of the World's Children, 1998*, **GDI** (Gender Development index): UNDP, *Human Development Report 1998*, **GINI:** World Bank, *World Development indicators 1998*. (The regional average for this indicator was calculated by *Social Watch*).

Paraguay is among those countries with the worst distribution of wealth. The richest 20% of the population controls 62.4% of income and the poorest 10% controls just 0.7%. The difference in income between the high st and lowest deciles is 33 to 1, while the difference in consumption levels is 5 to 1 (DGEEC-FNUAP, 1999). From 1995 to 1997/1998, national poverty levels rose from 30% to 32% and absolute poverty rose from 14% to

33% WITHOUT BASIC SERVICES

17%. Approximately 1.7 million people live in poverty, as their income does not cover the basic goods basket. In addition, some 933,000 people received incomes lower than the value of a basic food basket (DGEEC-FNUAP, 1999).

According to the index of unsatisfied basic needs (UBN), in 1992 two-thirds (64.2%) of Paraguayan homes lacked at least one basic need. When the data are disaggregated, the index shows greater shortages in quality of housing and sanitation infrastructure (53.4% and 34.8% respectively), followed in decreasing order by access to education (22.9%) and subsistence capability (15.0%). Paraguay occupies position 84 in the Human Development Index (HDI), according to data presented by the UNDP.

Paraguay has an average GDP growth rate of approximately three per cent and an annual population growth rate of 2.6%. Its *per capita* GDP of US\$1,641 is among the lowest in the Mercosur, and the rate of economic growth is one of the slowest. In 1996 and 1997, the economy expanded by 1.35% and 2.6% of GDP respectively, dropping to 0.5% in 1998.¹ On October 31st 1999, foreign public debt had risen to US\$2,061.3 million (BCP-Banco Central del Paraguay).

Large estates dedicated to extensive cattle-farming occupy 79% of productive land belonging to 1.5% of farmers. At the other extreme, around 88% of the country's farmers occupy just eight per cent of the land. Paraguay has one of the highest and most unequal concentrations of property in the region, a situation exacerbated by the fact that Paraguay is the Latin American country with the highest proportion of rural population (49.5% is rural).

Unemployment and under-employment is a principal concern. Open unemployment affects 5.4% of the economically active

1 Gladys Benegas. Análisis de la Coyuntura Económica, en Derechos Humanos en Paraguay 1999. Asunción, CODEHUPY.

population (EAP), impacting on men and women differently. The highest rates of unemployment are found in urban areas and principally affect women (DGEEC-FNUAP, 1999).

Total unemployment comprises 14.3% of the labour force. Of the total working population, not all are employed full-time. Open under-employment affects 6.5% of the workforce. Those who receive a salary below the legal minimum (hidden under-employment) comprise 12.7% of the labour force. Thirty-six per cent of the total EAP are women, 40% of whom are engaged in informal sector activities. In addition, 4.1% of the active population has no formal education.

The official minimum salary for waged workers—the ceiling for many employees who are not highly specialised—stands at 591,450 Guaraníes (approximately US\$179). Several studies show that this amount is insufficient to satisfy the minimum needs of workers and their families.

Recent increases in unemployment have been caused in part by the lack of an employment policy and temporary or definitive closure of several industries and businesses. These closures are the result of an economic crisis that has affected the country since 1995 when the first banks and finance companies collapsed. Unemployment increases are also caused by the crisis in the rural sector resulting from the lack of an agrarian policy that benefits small and medium-sized producers.

Seventeen per cent of boys and girls show some symptom of malnutrition and 33% of the population does not have access to basic health services. The total fertility rate in Paraguay for women between the ages of 14 and 44 is 4.1 children per woman, placing the country in third place in Latin America in proportion to the number of maternal deaths.

Public expenditure as a proportion of GDP has been increasing, reaching 8.3% in 1990 and 16.9% in 1996. In 1999, it stood at 23.1%. Spending on education rose from 40.1% of public expenditure in 1990–1994 to 47.1% in the period 1995–1998. Spending on health increased from 14.3% to 15.4% in the same periods. Expenditure for social security, however, has undergone a gradual reduction since the second half of the 1980s, dropping from 42% in 1985–1989 to 34% in 1990–1994 and 31.4% in 1995–1998.²

Congress approved a General Expenditure Budget for the year 2000 of US\$4,644 million. State revenue rose by almost US\$530 million, a figure equivalent to 5.5% of all the revenue generated by the country in one year. The consequences will be low investment and the non-implementation of budgets, with the greatest proportion of the budget once again assigned to current spending.

Transfers (mainly for social security) comprised 29.75% of outlay, while consumer goods (foodstuffs, clothing, fuel) represented just 3.54%. Physical investment (construction and purchases) amounted to 10.79% of the total, while financial investment (shares, private sector loans, *etc.*) was equivalent to 2.54%.³

State institutions have also had trouble implementing their budgets. In 1999, the Ministry of Defence achieved the greatest degree of budget implementation (81%). By contrast, the Ministry of Public Health spent 44% of its total budget. The Ministry of Education and Culture completed 78% of its planned spending. The Agriculture and Livestock Ministry fulfilled just 49% of its spending plans.

Paraguay continues to be a highly militarised country, with high levels of spending to maintain this structure. Money spent on the military could be invested in construction of roads, schools, hospitals, *etc.* The country has 51 military personnel per 1,000 square kilometres, which is double the figure for Argentina, 1.3 times that of Brazil and 1.7 times that of Bolivia. Paraguay has 39 serving military personnel per 10,000 inhabitants (compared with 20 in Argentina, 36 in Bolivia and 19 in Brazil).⁴

Poverty increases in the last decade result from a variety of factors: the drop in agricultural production; the lack of technical assistance; the drop in prices of the principal export products (cotton and soya); and unfavourable weather conditions. Political instability in the country since 1998 has focused the attention of political leaders on this area, revealing the lack of strategies to reduce poverty and increase social development. But authorities have not prioritised problems in the agricultural sector or employment policies. This situation is reflected in the increased number of mobilisations and demonstrations by peasant farmers and urban workers, and in the greater presence of children and adults working on the streets. For more than a decade, but intensifying over the last five years, the economy has been characterised by lack of dynamism in a context of structural poverty, lack of revenue, and pronounced social inequity.

SHORT-TERM AND WELFARIST ACTIONS

The creation of a Social Action Secretariat (1996) to develop programmes and co-ordinate social action has not been enough to reduce poverty and improve the living conditions of the most disadvantaged sectors by providing greater access to formal

² Gladys Benegas. *Op. cit.*

³ Diario ABC Color. Economic Supplement, December 19th 1999, pp. 4–5.

⁴ Desarmemos el presupuesto. National Defense Campaign against Military Spending. AFAVISEM/DECIDAMOS/FORO CIUDADANO/MOC/SERPAPJ-PY. October 1999.

education and public health services. A main reason for this failure is the lack of transparency in the management and spending of funds for social action.

The plans and programmes approved by the government are often no more than dead letters. Constant violation of the laws, principally of the National Constitution and the Labour Code, and an ineffectual and excessively bureaucratic judiciary, help to maintain a structure that does not favour social justice.

Paraguay has received various credits from multilateral companies to invest in social improvements. Corruption in state institutions, political instability, the lack of real commitment by current political leaders, and the lack of long-term strategies, translate into greater economic recession and impoverishment for the country. State intervention on social welfare issues is weak and markedly welfarist. Decentralisation and reform of the government continue to be postponed.

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