

■ PARAGUAY

State inefficiency and inaction



In Paraguay one third of the rural population are extremely poor and urban poverty doubled in five years. The State is plagued by cronyism and corruption, and little has been done to reduce inequality or achieve economic growth. The implementation of proposals from citizen organizations to redistribute wealth depends on the politicians and on bureaucrats accepting that democratic life requires considerable civil society participation in government decisions.

DECIDAMOS - Campaña por la Expresión Ciudadana

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More rural and urban poverty

There has been a steady increase in poverty measured by income (national poverty line) in the last ten years. The incidence of poverty is higher in rural areas, where half the people are poor and a third live in extreme poverty, that is to say their income is lower than the cost of the basic food basket. Urban poverty has also increased - it doubled in less than five years.

In absolute terms, it is estimated that currently there are 2.3 million poor people in the country (41.4% of the population),¹ half of whom live in extreme poverty. This constitutes a crucial obstacle to raising people's capacities because poor nutritional levels affect their ability to learn, to make rational decisions, to defend themselves against violations of their security, to access health services and to be productive at work, in short, to lead a life with reasonable prospects for the future.

Inequality with many causes

One of the factors which affects poverty levels is the polarization in the distribution of income. This inequality means that the education and health level of the population who cannot meet the cost of these services is lowered, creating a vicious cycle. To make matters worse, in fostering a climate of violence and political instability it deters investment and restricts possibilities for economic growth.

The concentration of land tenure

The fact that poverty is highest in the rural sector is linked to the pattern of economic growth and to the unequal distribution of land. Agricultural growth in the last ten years has been low, and this, along with a fall in international prices for the main products in this sector, has led to a serious crisis that has been aggravated by the progressive reduction in the land available to extend and develop agriculture.²

1 General Statistics, Surveys and Census Board (DGEEC). www.dgeec.gov.py

2 Morley, Samuel and Rob Vos. "Pobreza y crecimiento dual en Paraguay", in Enrique Ganuza, Lance Taylor and Samuel Morley, Eds. *Política macroeconómica y pobreza en América Latina y el Caribe*. United Nations Development Programme (UNDP), Economic Commission for Latin America and the Caribbean (ECLAC), International Development Bank (IDB), Madrid: Ediciones Mundi-Prensa, 1998, pp. 669-712; Morley, Samuel. *Rural poverty in Paraguay*. Mimeo, Washington DC: World Bank, 2001.

TABLE 1

The evolution of poverty in Paraguay (%)							
	1994	1995	1996	1997/9	1999	2000/0	2003
Total	n/d	30.3	n/d	32.1	33.7	33.9	41.4
Extremely poor	n/d	13.9	n/d	17.3	15.5	15.6	20.1
Non-extremely poor	n/d	16.4	n/d	14.8	18.2	18.33	21.3
Urban areas	26.9	23.7	21.2	23.2	26.7	27.6	39.8
Extremely poor	7.8	6.8	4.9	7.3	6.1	7.1	13.4
Non-extremely poor	19.1	16.9	16.3	15.9	20.6	20.5	26.4
Rural areas	n/d	37.2	n/d	42.6	41.9	41.3	43.4
Extremely poor	n/d	21.4	n/d	28.9	26.5	25.6	28.7
Non-extremely poor	n/d	15.8	n/d	13.7	15.4	15.7	14.7

Source: General Statistics, Surveys and Census Board (DGEEC). Preliminary results from the estimation of poverty and income distribution in Paraguay - Permanent Household Survey, 2003.

Some 30% of the rural population do not own land and nearly 40% own less than five hectares.³ A relatively high proportion (21.5%) have between 10 and 20 hectares. A survey carried out by the International Fund for Agricultural Development shows that rural poverty is greatest among people who own less than 10 hectares. Some 65% of farms constitute only 5% of the land, while 1%, the big landowners, hold two-thirds.⁴ One of the main agricultural products that the peasantry produces is cotton, but the price of cotton fell steadily from USD 1,625 per ton in 1991 to USD 928 per ton in 2002.⁵

Lower domestic production

Around 70% of male adults in the rural sector say that their main activity is agriculture, but less than one third of rural income comes from this activity.⁶ Other important sources of income for peasant families are forestry, handicrafts, services and construction, but these sectors have not prospered in the last ten years. The constant appreciation of the national currency (guarani) to keep prices stable has led to an increase in imports. Consequently industrial production for the domestic market has shrunk.

3 Galeano, Luis A. *La pobreza en el Paraguay rural*. 15 June 2005. www.derechos.org/nizkor/paraguay/1997/25.html

4 International Fund for Agricultural Development. "The Republic of Paraguay. Country Strategic Opportunities Paper". 15 June 2005. www.ifad.org/gbdoc/eb/83/e/eb-2004-83-r-14.pdf

5 Statistical data from the Central Bank of Paraguay.

6 Robles, Marcos. "Paraguay rural: ingresos, tenencia de tierras, pobreza y desigualdad". *Economía y Sociedad*. Nº 1, 2000, pp. 5-27.

In addition, there has been a fall in public infrastructure investment in buildings and roads, and also a lack of financing for private investment, both of which had a negative impact on the creation of alternative jobs in rural areas.

There are other demographic, educational and institutional reasons why poverty is mostly concentrated in rural areas. There is a higher chance of extreme poverty occurring where there are more dependents in a family, and it is in rural areas that families on average are larger and have more young children.⁷

Illiteracy and fewer state services

The rural illiteracy rate is more than double the rate in urban areas. It is estimated that 80% of the rural population are functionally illiterate,⁸ while in the cities the average number of years of study among people aged 25 and over is almost double that of people in rural areas.⁹

Poverty is mainly concentrated where Guarani (an indigenous official language together with Spanish) is the only language spoken and where the basic economic activity is agriculture on family small-holdings.¹⁰ Another factor linked to poverty is the educational level of heads of households: more than 80% of the rural population have received only primary education or no education at all.

7 Lee, Haeduck. "A profile of poverty in Paraguay. A Background Report". *Economía y Sociedad*. No. 5. Year 2, September 2001, pp. 45-90.

8 Morley, Samuel and Rob Vos. *op cit*.

9 Fernando de la Mora. *Principales resultados*.

Encuesta Integrada de Hogares 2000/01. DGEEC, 2002.

10 Morley, Samuel and Rob Vos, *op cit*; Morley, Samuel, *op cit*.

The State provides fewer services in rural areas, and education, health and potable water services are more limited. For example, the second most common reason for non-attendance in schools is that they are a long way from people's homes. Only 15% of the rural population have access to potable water whereas 60% of city-dwellers have access to this service which is so important for preventing some of the transmissible and parasitic diseases which are the main causes of infant mortality.¹¹

Government support for the rural population is not effective. The coverage of agriculture development services is limited and sporadic; the experimental stations do not have adequate resources and do not concentrate on developing new crops. Financing for production is problematic: in 1990 only a very small proportion of the rural population (around 7%) had access to formal credit facilities, and there are no credit lines for buying modern machinery, equipment or other inputs.¹²

The expanding informal sector

The poorest urban households are those in which the main economic activity is agriculture or trade, while the informal sector in cities has grown considerably. It is characterized by low productivity, income instability and a lack of social security.

The economic expansion that took place in the 1970s, along with urbanization, made certain sectors more dynamic, and this raised the income levels of workers in those sectors. Households with the lowest incidence of poverty are those whose heads work in the financial, electricity and transport sectors.¹³ The construction sector expanded at the start of the 1980s but then contracted in the 1990s and since only minimal training is required for this work a large number of workers were affected.

More than 50% of heads of poor households are independent workers or have small businesses with less than five employees. This sector of the workforce is one of the most vulnerable because their income is so erratic and because they operate outside the formal wages regulations, particularly social security benefits.

Other demographic and social factors also have an influence on the probability of being poor in a city. Again, being able to speak only Guaraní has a negative impact on household income.

An analysis of poverty in Paraguay shows that there are big differences between different regions: in the capital city of Asunción, only 18.9% of the people are poor but in the regional departments of Concepción and San Pedro more than half the population live in poverty, and next on the list are Caazapá, Misiones and Caaguazú, in which poverty levels exceed 40%.¹⁴

The positive impact of women heads of households

When the sex variable is considered, it emerges that in Paraguay the link between women and poverty is not as marked as in other countries. Households

headed by women are not significantly associated with higher levels of poverty: while 33.3% of male heads of households are poor only 32.6% of female heads of households are in this situation, despite income differences. We should also bear in mind that, in their main job, employed women earn 28.1% less than men.¹⁵ Higher levels of schooling and employment among mothers are associated with lower levels of poverty, and this underlines the importance of policies that include gender equity.

According to some preliminary studies, the fact that the head of household is a woman has a positive impact on the quality of housing and on the educational level of children. The household surveys show that, even in poor households, having a female head means that the infrastructure is better, that more children receive systematic education, and that repetition rates are lower.

Obstacles, government inefficiency and civil initiatives

A basic factor that prevents people from improving their quality of life is lack of income, but there are other factors like high illiteracy rates and low educational levels which reduce the chances of finding employment, of engaging in productive enterprises, or of incorporating new knowledge and technologies into work.

One of the main reasons for rural poverty is that land ownership is concentrated in the hands of a few big landowners. Therefore in order to combat this problem, clear rules must be made which give the rural population easier access to land, capital and technology. State support is also needed to redistribute wealth. This will lower inequality levels and foster economic growth, which will have a positive impact not only on rural poverty but also on urban poverty through rising consumption and the production of manufactured goods.

There is a close relation between poverty and the way democracy works. Extreme inequality conditions the functioning of democratic institutions and makes it more difficult to implement political decisions. In places where income is more equitably distributed, a higher proportion of people consider that democracy is preferable to any other form of government, and they also have more confidence in democratic institutions.¹⁶

Cronyism versus citizen empowerment

The quality of a democracy is connected to the capacity of individuals to influence the authorities and public policies, and to have control of their own lives in terms of their physical, human, intellectual and financial resources, and beliefs, values and attitudes. Therefore the fight against poverty must be based on a process of empowerment which fosters effective social participation in public policies at the diagnosis, monitoring and evaluation stages.

The characteristics and causes of poverty are so complex that policies geared to eradicating it must have a focus that is equally complex. Money subsidies to

extremely poor households are only a temporary palliative if not accompanied by policies for structural change which guarantee access to the land, employment, credit, technology and human capital needed to achieve productive and sustainable work conditions.

In Paraguay the public sector is fraught with corruption and cronyism, and plans that are implemented outside the framework of organized participation not only fail to eradicate poverty but make the poor even more dependent on the political actors involved.

Unfruitful projects

Although public spending has been increasing, the social and economic plans and projects undertaken have not achieved the results expected because spending has been irrational, management from the public sector is weak, and party politics have great weight in decision-making.

Only educational policies have survived various successive governments. Despite a big increase in the budget for education, all that has been achieved is a wider coverage of primary education, and there has not been much progress at other educational levels or in the quality and training of teachers.

Efforts to combat poverty in different regions and different institutions have been isolated from each other, and the many dimensions of the causes of poverty were not taken into account. Only in 2005 did the country finally adopt a national poverty and inequality reduction strategy, but it does not have the economic means, the trained human resources or the institutional infrastructure needed for implementation. Although the conceptual approach holds that poverty is a structural problem with different complex dimensions, the projects have been designed from the angle of merely providing aid and tackling problems in the short-term. They do not involve redistributing wealth, reactivating the economy, creating jobs or socio-demographic measures such as promoting reproductive health or providing quality education.

The creation of social capital by civil society

The lack of a long-term national plan which specifies coordinated action for the fight against poverty is an obstacle to the potential benefits of isolated actions since available human, financial and natural resources are not taken advantage of.

In response to this situation civil society has created spaces for discussion and for formulating demands, and also for following up and evaluating public action so as to have an influence on government decisions and, ultimately, on the living conditions of the population. This is in line with international commitments including those made at the Earth Summit (1992), the World Summit for Social Development, the IV World Conference on Women (1995) and the Millennium Development Goals (2000).

Neighbourhood committees and rural, youth and other kinds of organizations are constantly making diagnoses and proposals, thereby creating social capital. The effectiveness of their efforts depends to a large extent on society as a whole, but the political and bureaucratic classes will also have to change their manner of relating to society in a way that is geared to improving the quality of democracy. ■

11 Fernando de la Mora, *op cit*.

12 Molinas Vega, José. "Principales ejes de discusión. Hacia una estrategia nacional de reducción de pobreza". Unpublished. Asunción: Social Action Secretary, UNDP and World Bank, 2001.

13 Morley, Samuel and Rob Vos, *op cit*.

14 DGEEC. *Resultados preliminares de la estimación de Pobreza y Distribución del Ingreso en Paraguay - Permanent Household Survey 2003*.

15 DGEEC. Calculations based on the Permanent Household Survey, 2003.

16 IDB. *América Latina frente a la desigualdad. Informe 1998-1999*. Washington DC, 1998.