

Visible deterioration

SUSANA ALDANA



In recent years, the socio-economic conditions of the population have suffered a visible deterioration.¹ Economic growth was far below official goals for 2000,² while poverty and unemployment have increased.

In the 1990s, Paraguay's average growth was around 2.4%. From 1995 to 2000, GDP grew at an average rate of 1.7%. Since population growth was 2.6% in the same period, *per capita* GDP fell by 0.9%.

Unemployment grew from 14.3% in 1997-1998 to 17.6% in 1999.³ The open urban unemployment rate was 6.8% in 1999 and climbed to 9.2% in 2000. Under-employment, which was 17.6% in 1999, reached an estimated 19.1% in August 2000.

Poverty in Paraguay⁴

In 1998-99, total poverty grew by 1.6%, and a process of expansion is underway in terms of its quantitative growth. This process is more dynamic in the **non-extreme poor** category (incomes greater than USD 42.6 per person per month), than in the **extreme poor** category (incomes under USD 22 per person per month).

TABLE 1

| The evolution of poverty (%) | | | | | |
|------------------------------|-------------|-------------|-------------|-------------|-------------|
| AREA | 1994 | 1995 | 1996 | 1997-98 | 1999 |
| URBAN | | | | | |
| Extreme poor | 7.8 | 6.8 | 4.9 | 7.3 | 6.1 |
| Non-extreme poor | 19.1 | 16.9 | 16.3 | 15.9 | 20.6 |
| Total | 26.9 | 23.7 | 21.2 | 23.1 | 26.7 |
| RURAL | | | | | |
| Extreme poor | N/A | 21.4 | N/A | 28.9 | 26.5 |
| Non-extreme poor | N/A | 15.8 | N/A | 13.7 | 15.4 |
| Total | | 37.2 | | 42.5 | 41.9 |
| NATIONWIDE | | | | | |
| Extreme poor | N/A | 13.9 | N/A | 17.3 | 15.5 |
| Non-extreme poor | N/A | 16.4 | N/A | 14.8 | 18.2 |
| Total | | 30.3 | | 32.1 | 33.7 |

Source: Poverty and distribution of income. General Direction of Surveys, Statistics and Census (DGEEC), Asunción, September 2000.

The rise in urban poverty is associated with a greater concentration of people in spontaneous settlements located in zones prone to flooding in Metropolitan Asunción and, to a lesser degree, in the areas adjacent to the minor riverbeds in zones surrounding the city. These sites have become a strategic point of segregated integration into the city. Their main characteristic is the physical and environmental fragility of the housing.

In rural areas, a factor influencing the rise of poverty is the degree of concentration of land ownership. Paraguay has one of the worst indexes of land concentration in the world: 60% of the population owns only 6.6% of the land, while the wealthiest 10% owns 66.4% of total land area.

Another reason for the expansion of poverty is the concentrated distribution of income. The poorest 40% of the population receives 10% of the total income generated in the country, while the richest 10% absorbs 40% of the total income.⁵

Unequal access to services⁶

Of the poorest 20%, 11.2% has access to drinking water, 69.0% has electricity, 1.2% has a telephone, 0.3% has access to public sewage and 3.2% has access to public waste removal services. Of the richest 20%, 55.5% has drinking water, 96.6% has access to electricity, 58.1% has a telephone, 21.6% has access to public sewage and 57.0% has public waste removal services.

Among the poorest 20%, the average schooling is 4.4 years and 18.7% cannot read or write. Among the richest 20%, 3.6% cannot read or write and the average schooling is 9.4 years. Among the poorest 20%, only 1.4% has access to public or private medical insurance, while 46.5% of the richest sector has coverage.

External debt services: 76% of exports

Government commitments on payment of the external debt place the country in a sensitive position regarding social spending. Public insecurity is aggravated by the need to stay on schedule with debt and interest payments in order to maintain the credit line.

In 2000, there was a 159% increase in debt payment over July 1999. In 1999, Paraguay paid out 76.1% (USD 563.5 million) of its income from exports to service the debt, which shows that the country is no longer in a position to solicit new loans. In 1997 and 1998, only 18.8% of export income went to debt payments.

1 Interview with Enrique Ganuza, chief economist for Latin America and the Caribbean of the United Nations Development Program (UNDP). *La Nación* newspaper. Asunción, 4 March 2001, p. 23.
 2 Far below the initial goal of 3.5% to 4% growth of GDP for 2000, the Central Bank of Paraguay ended the year with a preliminary estimated economic growth of between 1% and 1.5%.
 3 Data from the General Direction of Statistics, Surveys and Census (DGEEC).
 4 Synthesis of the article "Poverty in Paraguay" by Nicolás Morinigo. In *Human rights in Paraguay 2000*. Asunción: CODEHUPY, pp. 251-259.

5 DGEEC. *Poverty and income distribution, 2000*. Data obtained in September 1999.
 6 *Ibid.*

TABLE 2

| Cost of external debt (in millions of USD) | | | | |
|--|---------------|--------------|---------------|---------------------------------|
| YEAR | EXTERNAL DEBT | DEBT SERVICE | EXPORT INCOME | PAYMENT OF DEBT AS % OF EXPORTS |
| 1995 | 1,405.5 | 201.5 | 919.3 | 21.9 |
| 1996 | 1,398.2 | 209.8 | 1,043.4 | 20.1 |
| 1997 | 1,443.8 | 214.7 | 1,142.7 | 18.8 |
| 1998 | 1,596.7 | 190.1 | 1,014.1 | 18.8 |
| 1999 | 2,106.6 | 563.5 | 740.7 | 76.1 |

Source: Central Bank of Paraguay (BCP). In newspaper *Ultima Hora*, Asunción. 13 July 2000, p. 14.

Data shows that the government has increased the amount of its debt, and—with income difficulties derived from economic stagnation—Paraguay is growing more dependent on external credit. If this situation is not corrected, there is a serious risk of fiscal collapse.

Public spending on basic social services

The central government provides only around 8.2% of the total income for social spending.⁷ The average annual spending for basic social services for 1995-1998 was a little over PYG 400 billion, around USD 46 per person. This represents, on average for the period, 2.2% of the GDP, 27.8% of the social spending by the central government, and 12.3% of total government spending.

Primary education absorbs 79.1% of the total spending for basic social services (USD 33 *per capita* in 1996); basic healthcare takes up another 18.8% (USD 8 *per capita* in 1996); and the other 2.1% covers installation of water and sewage systems (USD 1 *per capita* in 1996). Forty-four per cent of the total social spending of the central government is directed toward the salaries of public employees, while only 21.3% is invested in social areas.

1.2 million people without healthcare⁸

Health coverage is low in Paraguay, with distribution to the population as follows: 32% of the population is covered through the Ministry of Health, 8% through the military and police healthcare system, 17% through the Social Security Institute (IPS), and 1% through other public services. Fifteen per cent is covered by private services. This leaves 27% of the population, around 1.2 million people, without coverage.

The most economically disadvantaged population, which lives in rural or depressed areas (north and east of the country), has the least access to public health services. The situation becomes clearer if we take as an indicator the percentage of people who were restricted to accessing informal health services (consulted a healer or pharmacist) in 1998: 27% of the rural population made informal consultations, compared with 10% in urban areas. In the northern region, 31% consulted in this way, and 27% in the eastern zone, compared with only 5% in the central and southern zones. Forty per cent of families in lowest income decile made informal health consultations, compared with 5% in the highest income decile; 30% of the poor population did so, compared with 13% of the non-poor.

Spending on water and basic hygiene⁹

According to the Integrated Household Survey 1997-1998, only 46.7% of Paraguayan households receives drinking water, whether from public enterprises (36.1%) or from private networks (10.6%). Access to drinking water services is extremely low for rural populations in the north and east regions, and for the poorest sector in general. ■

Decidamos, Campaña por la Expresión Ciudadana
(Let Us Decide, Citizen Expression Campaign)
<decidamos@sce.cnc.una.py>

⁷ Gladis Venegas and Pablo Sauma. *20/20 Initiative. Public spending on social services*. Asunción: United Nations System. October 2000.

⁸ Integrated Household Survey (IHS), 1997-1998, DGEEC.

⁹ *Ibid.*