



COUNTRY ASSESSMENT: PARAGUAY*

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CURRENT STATE OF POVERTY IN PARAGUAY

Although Paraguay's economy has grown in the past five years, levels of poverty and inequality remain high. Growth has averaged 4.3 percent annually, reaching 15 percent in 2010, as measured by Gross Domestic Product (GDP) at constant prices compared to the previous year. This represented a higher growth rate with consolidation of the economic recovery, and increased per-capita GDP to US\$2,766. Poverty remains one of the country's most serious problems, however, affecting 34.7 percent of its 6,337,127 inhabitants.

* The complete document is available at the Capital Project: <www.proyectocapital.org>.

Most of the poor, some 1,277,000 people, are in rural areas, while there are approximately 920,000 poor people in urban areas. Proportions are similar for extreme poverty: 19.4 percent of the population lives in extreme poverty, a rate that drops to 10.3 percent in urban areas and rises to 32.4 percent in rural areas.

Nevertheless, poverty rates have decreased by approximately 10 percent in the past four years.

Income is distributed inequitably across the population. In 2010, the country had a Gini coefficient of 0.512. In 2010, the wealthiest Uruguayans' median income was 35 times that of



the poorest. The wealthiest Uruguayans' share of total income was 19 times that of the urban poor and 39 times that of the rural poor, according to the 2010 Continuous Household Survey.

SOCIAL POLICIES FOR COMBATING POVERTY

According to public policy guidelines, there are two plans, one economic (PEES) and the other social (PPDS), which set strategic long-term priorities.

The Strategic Economic and Social Plan (Plan Estratégico Económico y Social, PEES) for 2008-2013, prepared by the economic team and coordinated by the Finance Ministry, is a proposal for economic growth with social inclusion. It involves increasing the welfare of the entire population, based not only on the consumer capacity, but also on personal and social development, respect for human rights and the right to a decent life.

Special emphasis is also placed on social policies, especially poverty reduction and targeting of the most vulnerable groups. These policies are spearheaded by the Social Cabinet of the President's Office, which was responsible for designing the Public Policy for Social Development 2010-2020: Paraguay for All (Política Pública para el Desarrollo Social 2010-2020: Paraguay para Todos y Todas, PPDS).

This policy seeks to coordinate a series of social initiatives and resources to meet the demands of the population and create opportunities for the exercise and enjoyment of civic rights. To achieve those goals, 11 key strategic or "em-

blematic" programs have been designed in key areas, creating a social protection network known as "Sâso Pyahu" (Paraguay in Solidarity), which targets the most vulnerable sectors.

1. Health: Family Health Unit
2. Education: Paraguay Reads and Writes
3. Housing: Improving living conditions
4. Water and Sanitation: Provision of Water and Sanitation
5. Identification: Including everyone in the Right to Identity
6. Food Security: National Food Security Program for family farming
7. Poverty: Tekoporâ
8. Children: the Abrazo or "Hugs" program
9. Indigenous Peoples: Indigenous people safeguard their territory
10. Employment: Ñaamba'apo Paraguay
11. Agrarian Reform: Comprehensive Agrarian Reform

These programs are not yet interconnected.

Cash transfer programs in Paraguay

The only program completely focused on conditional cash transfers is Tekoporâ, which reaches nearly 94,000 beneficiary families in all districts of the country and is managed by the Social Action Secretariat (Secretaría de Acción Social, SAS). The program's goal for 2013 is to reach 200,000 beneficiary families.

The program's stated goal is to break the transmission of poverty from one generation to the next and promote the organization of families around communal and productive activities.



The established criteria for eligibility are:

- * Being classified as living in extreme poverty, according to the Quality of Life Index (Indice de Calidad de Vida, ICV I and ICV II);
- * Residing in rural areas of the priority districts; and
- * Having one or more household members in the following groups: children under age 18, pregnant women, adults older than age 65; and/or people with different abilities between ages 19 and 64.

Tekoporâ beneficiary families must comply with the following shared responsibilities:

Health

- * Prenatal care, including visits for pregnancy confirmation and birth.
- * Measurement of nutritional status, pregnancy monitoring, vaccination, nutrition assistance, micronutrients and institutional delivery.
- * For children under age 5: growth monitoring at health center.
- * Monitoring of height and weight, vaccinations, supplementary nutrition.

Education

- * For children ages 6 to 18: enrollment once a year and school attendance rate of at least 85 percent.
- * Supplementary Nutrition Program (glass of milk), fluoride and anti-parasite treatment, if available in the district.
- * Literacy training, primary and adult.

The Tekoporâ program has facilitators who accompany the beneficiary families. Neverthe-

less, there are too few facilitators. Of the 83 districts where the program operates, only 35 have facilitators, each of whom is responsible for an average of 400 families.

The program has a positive impact on per-capita income and, therefore, on consumption, investment in farm production, access to consumer credit, and savings.

Other social programs also have CCT components, including the Abrazo Program, in which the "Family" component includes solidarity vouchers for about 1,489 families. This program is managed by the National Secretariat for Children and Adolescents (Secretaría Nacional de la Niñez y la Adolescencia, SNNA).

The goal of the Abrazo program is to gradually decrease child labor in the street, through the exercise of rights to health, education and family protection for children under age 14 who are involved in an economic activity and who live with their families. In 2011, Abrazo also began expanding protection to other forms of child labor. By September 2011, it was assisting 4,530 children, representing 2,669 families in the capital and urban communities and neighborhoods of eight departments in the country. The shared responsibility is for the child to:

- * Attend school every day.
- * Participate in educational, recreational and health activities at an open center.
- * Gradually reduce working hours or time spent on the street.
- * Never work at night, after 7 p.m.

- * In addition, the parents must participate in meetings or training workshops at the open center.

The program recommends that the voucher be used for consumption that benefits the child: school supplies, clothing, etc. A field study determined that the actual use of the voucher varied depending on the area and the family. There are cases in which beneficiary families spend the monthly voucher on durable consumer goods, such as appliances, furniture, home maintenance, etc. The vouchers also serve as a guarantee, enabling families to obtain store credit for acquiring such goods.

There were a few cases in which the voucher was used for productive initiatives, such as the purchase of work tools. It is necessary to raise awareness about the way transfer resources should be used.

Other programs also provide conditional cash transfers, such as the SAS' Ñopytyvô program, the Ministry of Justice and Labor's Ñamba'apo Paraguay Program, and the Senior Citizen Program managed by the Finance Ministry's Social Economy Unit.

The various CCT programs include common tools for targeting and measuring performance (with some specific differences), such as a geographic priority index, household quality of life index, and common identifier (identity document number) for the head of household.

The government is in the process of creating an Integrated Social Information System (Sistema Integrado de Información Social, SIIS) to track information about the beneficiaries of all the programs, to avoid duplication and improve efficiency.

RELATIONSHIP BETWEEN CCT PROGRAMS AND THE PARAGUAYAN FINANCIAL SYSTEM

The financial institution responsible for CCT payments in all the programs mentioned above is the National Development Bank (Banco Nacional de Fomento, BNF).

The national government has made support for public banking a priority. The goal is to give the BNF a more important role in developing the country's economy and fostering inclusion in the banking system. Public-sector financial transfers are therefore made through that bank.

The BNF is currently in a process of modernization, so as to offer products appropriate for different segments of the population. Because the beneficiaries of the Abrazo and Tekoporâ programs do not have access to savings accounts for their cash transfers, there is an opportunity to promote a program to include those beneficiaries in the banking system.

Each program has a different amount, means and system for payments, depending on the characteristics of each CCT.

Beneficiaries of the Tekoporâ Program receive a base payment of 80,000 guaraníes (US\$25), an amount that varies depending on the number and ages of the children living in the



household. The average transfer amount is Gs. 175,000 (US\$44) a month, with a ceiling of Gs. 290,000 (US\$72.50). Payments are made quarterly, and the average amount received by the beneficiary on the day of payment is approximately Gs. 550,000 (US\$137.50).

Payments are made to representatives of the household, generally women (72 percent of the total), in cash and in two ways:

- a) Mobile tellers: 60 percent of payments are made this way.
- b) Payment at a bank window: 40 percent of payments are made at bank branches and agencies in the capital in each department.

There is a third form that has not yet been implemented: payment by debit card. It is interesting to note that in 2009 and 2010, two alternative forms of payment existed: debit cards in autonomic tellers, and windows of private banks (Banco ITAU and Visión Banco), as well as through the “Aquí Pago” (“Pay Here”) system for payment of utility bills (PRONET), with a biometric reader. The new SAS management has decided that as of this year, it will work only with BNF.

Transfer payments for the Abrazo Program are made monthly, and the base payment is 100,000 guaraníes (US\$25), an amount that varies depending on the number and ages of the children living in the household. Payments are made only at bank windows: at the BNF branch, payment is made to the registered head of household, usually the mother.

“OPPORTUNITIES” FOR USE OF SAVINGS ACCOUNTS BY POOREST SEGMENTS OF THE PARAGUAYAN POPULATION

The Paraguayan financial system is stable and offers a range of financial products and services that can be classified by supervisory institution.

One group is supervised and regulated by the Banking Superintendent (Superintendencia de Bancos, SIB) of the Central Bank of Paraguay (Banco Central de Paraguay, BCP), which consists of 16 banks, 12 financial institutions and one Home Savings and Loan Society, all of which can capture resources from the public.

There are also other financial entities that, although supervised by the SIB, are not authorized to capture resources. These include: money exchanges (33), bonded warehouses (4) and other government agencies, such as Farm Credit (*Crédito Agrícola de Habilitación*), the Financial Development Agency (*Agencia Financiera de Desarrollo*) and the bank employees’ retirement fund.

A number of cooperatives, which are regulated by the National Cooperative Institute (*Instituto Nacional de Cooperativismo*, INCOOP) rather than the SIB, also operate in the market. There are three categories of cooperatives: savings and loans (630 cooperatives), production (220) and other (89).

There are also foundations that specialize in offering credit and advice to low-income entrepreneurs and micro-entrepreneurs.

In comparison with other countries in the region, Paraguay still lags behind on inclusion of the population, especially poor segments, in the banking system. It has an average banking inclusion index of 14.63 percent, lower than Argentina (19.73 percent), Brazil (47.37 percent) and Uruguay (23.61 percent). It also has a low financial depth index. Seventy-three percent of loans in the system and the largest number of branches are concentrated in only two departments, according to a banking inclusion map prepared by the BCP.

One reason why residents of rural areas do not use financial services is the high transaction cost, mainly because of travel to the departmental capital where financial institutions are located, because of the lack of transportation infra-structure, distance and/or access

to means of transportation. This also affects providers of financial services.

Nevertheless, there are opportunities for access. Private microfinance entities are beginning to offer savings products better suited to this segment. To open a savings account, for example, the customer must only show an identity document. This facilitates inclusion in the banking system.

Inclusion in the financial system will also be facilitated by the use of new technologies by both traditional financial entities and those in the microfinance sector. These initiatives are currently expanding. This is done through mobile banking and non-bank correspondent entities, and will mark a major step forward in access to financial services for the poorest sectors. ●

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This publication is possible thanks to the support of the Ford Foundation and the IDRC - International Development Research Centre



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