

PARAGUAY

1. Recent trends

Poverty in Paraguay decreased from 24.0% in 2016 to 21.1% in 2022, below the Latin America and the Caribbean (LAC) average of 24.1%. Extreme poverty has remained stable at 7.9% between 2016 and 2022, but remains below the LAC average (8.3%). The Gini index decreased from 47.9 in 2016 to 42.9 in 2021 and is now below the LAC average (44.8). Regarding investment and production transformation indicators, total investment in Paraguay increased from 19.1% of GDP in 2016 to 21.8% in 2022, placing the country slightly above the LAC average of 21.3% over the same period. Private investment, however, slightly decreased, from 11.1% of GDP to 10.7%, remaining below the LAC average (15.8% in 2019). Paraguay's labour productivity, measured against output per employed person in the United States, decreased from 22.9% in 2016 to 22.0% in 2023, below the LAC average of 27.1% in 2023. The share of exports of high-tech products in total exported manufactured goods declined marginally, from 7.6% in 2016 to 7.4% in 2021 but remains above the LAC average in 2021 (7.2%). Positive perceptions of foreign direct investment (FDI), which declined across the region, dropped in Paraguay, from 84.6% in 2016 to 55.4% in 2020. The country's tax revenue increased from 13.4% of GDP in 2016 to 14.0% in 2021 but remains below the LAC average (21.5% of GDP). Environment-related tax revenues remained almost unchanged, declining from 1.0% of GDP in 2016 to 0.9% in 2021, positioning Panama on par with the LAC average.

2. Long-term policies to promote investment and production transformation

Paraguay has made significant efforts to **attract and mobilise high-quality investment**, focusing mainly on incentives that: encourage the adoption of sustainable technologies and practices; boost the digital transformation of businesses; and promote job creation and social inclusion. It established a tax incentive under Law 60/90 Regime of Tax Incentives for the Investment of National and Foreign Capital, to: promote and increase capital investments; increase production of goods and services; create employment; promote exports and import substitution; and incorporate technologies to increase productive efficiency. In the past three decades, Paraguay has been implementing the Law on Free Trade Zones Regime, which fosters economic development and promotes investment in a given region or in the country generally. In line with these efforts, the Law on the Maquiladora Export Industry offers tax incentives to promote industrial development, job creation and increased exports.

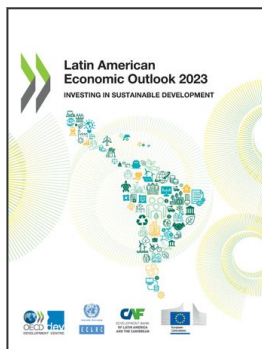
To advance an **inclusive and sustainable production model**, Paraguay has focused its 2030 National Development Plan on three fundamental axes: poverty reduction and social development; inclusive economic growth; and Paraguay's insertion into the world. Achieving the plan's objectives will require an estimated total investment of USD 500 million. In 2020, the government introduced structural and cross-cutting guidelines through Law N° 6.490/20 Public Investment Law and its regulation, as a basis for elaborating Paraguay's National Investment Plan. Since the Plan entered into force, only those public investment projects that were included in it can be evaluated and subsequently implemented. The new government's top priorities are job creation and boosting productivity, with the implementation of significant market-friendly reforms. These reforms include: supporting the private sector to stimulate employment and long-term economic growth; requiring co-ordinated efforts across institutions and regions; and collaboration with the production sector.

In terms of **regional and international partnerships** to support the attraction of quality investments, Paraguay has established collaborative initiatives with partners both within and beyond LAC. **Within** the region, Paraguay is part of the intra-Mercosur co-operation and investment facilitation protocol, together with Argentina, Brazil and Uruguay. This protocol seeks to promote co-operation among the member States to facilitate direct investment for sustainable development. Paraguay also adheres to the protocol for reciprocal promotion and protection of investments from non-Mercosur states, such as France, Germany, Great Britain, South Africa, Spain and the United States, among others. This protocol establishes that each state will ensure fair and equitable treatment of investments from third states and will grant full protection to such investments. Paraguay and the European Union (EU) have formed, within the framework of the EU-LAC Global Gateway Investment Agenda, a partnership that includes concrete infrastructure projects in the key fields of: climate (e.g. a green-field pulp mill and forestry plantation project); energy (e.g. renewal of the electricity transmission network); and health (e.g. a water and sanitation project in Asuncion).

	Key indicators – Paraguay					
	Paraguay		LAC		OECD	
	2016	2022	2016	2022	2016	2022
Social						
Extreme poverty	7.9	7.9	8.1	8.3	N/A	N/A
Poverty	24.0	21.1	25.9	24.1	N/A	N/A
	2016	2021	2016	2021	2016	2021
Share of internet users (% of population)	53.4	77.0	54.5	74.2	81.8	89.6
	2016	2021	2016	2021	2016	2020
Gini index	47.9	42.9	46.3	44.8	34.1	33.6
	2009	2018	2009	2021	2009	2021
Share of total population in informal households (%)	66.3	57.4	44.2	46.8	N/A	N/A
Share of total population in informal households, upper-income quintile (%)	28.8	16.6	23.9	21.3	N/A	N/A
Share of total population in informal households, lower-income quintile (%)	98.0	96.5	77.6	78.2	N/A	N/A
	2019	2023	2019	2023	2019	2023
SIGI index	32.8	20.6	25.4	21.6	17.5	15.3
	2015	2018	2015	2018	2015	2018
PISA score in science	N/A	N/A	411	407	489	487
Productivity and innovation						
	2016	2023	2016	2023	2016	2023
Labour productivity (% of the United States)	22.9	22.0	29.3	27.1	70.0	68.5
	2016	2021	2016	2021	2016	2021
High-tech exports (% of manufactured exports)	7.6	7.4	8.4	7.2	16.5	16.0
	2016	2019	2016	2019	2016	2019
R&D expenditures (% of GDP)	0.1	0.1	0.3	0.4	1.8	2.0
Investment and production transformation						
	2016	2022	2016	2022	2016	2022
Total investment, gross fixed capital formation (% of GDP)	19.1	21.8	20.8	21.3	21.9	22.8
Foreign direct investment (FDI), net capital inflow (% of GDP)	2.1	1.1	4.4	4.6	6.8	3.5
	2016	2019	2016	2019	2016	2019
Private investment (% of GDP)	11.1	10.7	16.1	15.8	18.2	18.8
	2016	2021	2016	2021	2016	2021
Public investment in economic infrastructure (% of GDP)	1.8	4.0	2.3	1.6	N/A	N/A
Citizens' perceptions and institutions						
	2016	2020	2016	2020	2016	2020
Share of population who perceive of FDI as beneficial (%)	84.6	55.4	70.9	53.9	N/A	N/A
	2018	2020	2018	2020	2018	2020
Share of population who consider that, in general, domestic products are of lower quality than imported ones (%) (agreeing or strongly agreeing)	58.1	41.9	44.6	42.7	N/A	N/A
	2016	2022	2016	2022	2016	2022
Corruption Perception Index (score on a scale of 0 [highly corrupt] to 100 [totally clean])	30.0	28.0	41.2	40.6	67.3	66.3
Security risks indicator (score from 0 [low security risks] to 10 [high security risks])	6.8	6.0	5.9	5.6	2.8	2.6
	2010-14	2017-22	2010-14	2017-22	2010-14	2017-22
Belief that science and technology will create more opportunities for the next generation (score on a scale from 1 [strongly disagree] to 10 [strongly agree])	N/A	N/A	7.3	7.2	7.6	7.2
Share of population who worry (very much or a great deal) about not being able to provide a good education for their children (%)	N/A	N/A	75.4	74.0	49.8	41.4
Fiscal position						
	2016	2021	2016	2021	2016	2021
Total tax revenues (% of GDP)	13.4	14.0	22.0	21.5	33.6	34.1
Environmentally related tax revenue (% of GDP)	1.0	0.9	1.1	0.9	2.4	2.0
Share of VAT (% GDP)	5.1	5.1	5.9	6.1	6.6	7.0
Share of PIT (% GDP)	0.2	0.1	2.0	2.0	7.8	8.3
Share of CIT (% of GDP)	2.0	2.5	3.2	3.4	2.9	3.1
Debt service (% of total tax revenue)	6.6	11.4	11.3	12.3	5.4	5.3
Social expenditure (% of GDP)	8.5	10.3	11.3	13.3	20.1	22.0
	2016	2020	2016	2020	2016	2019
Perception of tax evasion (%)	N/A	27.0	N/A	27.3	N/A	N/A

Note: See the Reader's Guide for definitions and sources.

StatLink  <https://stat.link/grxcnh>



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