

Executive summary

Having achieved robust economic growth and a remarkable level of macroeconomic stability over the past 15 years, Paraguay has set a course to become not only more prosperous, but also more inclusive by 2030. To fulfil its development ambition, the country will need to overcome the multiple constraints. Specifically, it will need to foster structural transformation to unlock new sources of growth. Paraguay will also need to enhance its capacity to further social development and inclusivity.

Poverty reduction is progressing notably: absolute poverty fell from 12% to 4% between 2010 and 2017, a pace that puts the country on track to eradicate it by 2030. Access to electricity, improved sanitation and the Internet is spreading. Progress in addressing inequalities has been slower: Paraguay's tax and benefit system contributes to poverty reduction but decreases inequality by less than 2%, a low figure by regional and OECD standards.

Putting Paraguay on a more inclusive development path requires co-ordinated action to increase the capacity of the state to redistribute, to improve the delivery of public services such as health and education, and to sustain efforts to break the intergenerational transmission of poverty and inequality. The ability of the country's social protection system to address vulnerabilities and improve living standards and that of the education and training system to endow citizens with the necessary skills will be critical in delivering this shift in Paraguay's development.

Achieving social protection for all Paraguayans

Despite notable successes, the social protection system in Paraguay is very fragmented and has limited reach. Only 21% of the employed population contributes to social security. Given the high level of informality, Paraguay has expanded social assistance programmes targeting those most in need. It has established a well-targeted cash transfer programme for poor families. A social pension contributes to almost half of Paraguayans over 64 receiving a pension. However, the flagship social assistance programmes cover less than 30% of poor households.

To ensure that all Paraguayans receive adequate social protection, the reach of both social security and social assistance should be expanded. Bringing the self-employed into the social security system is indispensable for the system's sustainability and coherence and requires adjustments to respond to their circumstances. Major social assistance programmes targeting poor families and the elderly need to be significantly scaled up to reach their target populations.

Social protection is provided by a multiplicity of agencies and programmes, which hinders efficiency and limits synergies. To increase the efficiency of public action, Paraguay should establish an integrated social protection system. This will require rethinking the governance of social protection to endow it with strong leadership and effective co-ordination mechanisms. Essential building blocks such as a single registry of

beneficiaries, a unified targeting system for social assistance and a dashboard to support planning and monitoring, are already in place and should be strengthened and integrated. The contributory and non-contributory pension systems should be integrated into a single multi-pillar system, and be put under reinforced oversight. In the short term, parametric reforms to certain regimes in the pension system will be necessary to ensure its financial sustainability, enhance its effectiveness and strengthen its progressivity.

Delivering quality healthcare to all requires systemic reform

In the midst of a marked demographic and epidemiological transition, Paraguay faces a double burden in health. Non-communicable diseases are on the rise, while challenges derived from communicable, maternal, neonatal and nutritional conditions persist. Through the development of primary care delivery units and the elimination of user fees, Paraguay has greatly increased access to healthcare. The population with access to skilled healthcare increased from just over half of the population in 2003 to over three quarters in 2016. Conversely, coverage by health insurance has progressed little and remains low, at 26%. Consequently, out-of-pocket expenditures are large and many Paraguayans are confronted with the prospect of impoverishment in the face of health expenses. Further efforts to generalise preventive care, to increase the quality and to ensure continuity of care are needed to effectively increase the health of the majority of Paraguayan citizens.

To deliver quality healthcare to all Paraguayans, the health system needs to overcome its high level of fragmentation and weak stewardship. Social security covers around 20% of the population, and a collection of scattered public and private schemes a further 8%. The rest of the population has access to the national health service of the Ministry of Health. Fragmentation leads to large inequalities in the availability of resources and limits the pooling of funds and risk. A national dialogue is necessary to set the course for a vision of the future of the health system. Building on existing efforts to develop health networks around primary care, Paraguay should establish the conditions for a more integrated health system to emerge, by generalising inter-institutional agreements, moving towards the separation of purchasing and service provision functions, and developing the necessary governance institutions in the health sector. On the funding side, Paraguay should consider ways of channelling out-of-pocket expenditure to mandatory pre-paid regimes. To deliver on its commitment to Universal Health Coverage, the country needs to expand health service and insurance coverage and increase financial protection. The establishment of a well-defined guaranteed health package would contribute to this goal.

Reforming the education and skills system to foster inclusiveness and improve school-to-work transitions

Access to education in Paraguay has expanded markedly and primary education is almost universal. However, challenges remain, in particular in supplying pre-primary education and in increasing completion rates: 10% of 14-year-olds are out of school, rising to 28% for 17-year-olds. Socio-economic status and geographical area remain strong determinants of completing secondary education, perpetuating inequalities. The quality of the education system remains a core challenge, with over a third of students performing at the lowest level of proficiency in national evaluations. Poor learning outcomes and the low relevance of skills taught sustain lacklustre transitions to the labour market, especially for those from disadvantaged backgrounds. Indeed, 80% of those with less than upper secondary schooling are in informal employment and 6 out of 10 young people from extremely poor households are not employed, in education or training by age 29.

Transforming the education and skills system in Paraguay is vital to foster inclusiveness and access to good quality jobs and to achieve Paraguay's development objectives. The current quest to develop a National Plan for the Transformation of the Education Sector for 2030 reflects both the size of the challenge and the determination to transform the education system into a driver of inclusion. Five key elements should be included in this renewed drive for reform. First, efforts must continue to expand education coverage and foster completion, supporting access in remote areas and among the disadvantaged and implementing policies to favour school retention and completion, avoiding repetition and dropouts. Second, policies to improve learning outcomes must focus on teachers, reshaping their training and career pathways, educational resources and the management of schools. Improving evidence on learning outcomes is critical to inform policy making in this respect. Third, to make education more relevant, the reform of the secondary education curriculum is critical to favour insertion in the labour market and provide a basis for access to higher education. Fourth, moving towards an integrated Technical and Vocational Education and Training system will favour good quality school-to-work transitions, where stakeholder engagement, including educators, private sector and unions, will be critical. Five, policies to improve the match between the demand and supply should strengthen information, training, intermediation and skills anticipation mechanisms.



From:
Multi-dimensional Review of Paraguay
Volume 2. In-depth Analysis and Recommendations

Access the complete publication at:
<https://doi.org/10.1787/9789264306202-en>

Please cite this chapter as:

OECD (2018), "Executive summary", in *Multi-dimensional Review of Paraguay: Volume 2. In-depth Analysis and Recommendations*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/9789264306202-3-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to rights@oecd.org. Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at info@copyright.com or the Centre français d'exploitation du droit de copie (CFC) at contact@cfcopies.com.