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Overview: Policy priorities for an inclusive, strong and resilient recovery in Paraguay

Paraguay has faced multiple shocks in the past five years, with severe droughts bookending the COVID-19 pandemic, and has responded with a determined effort to keep development on track. The public policy responses to the pandemic and the recovery offer valuable lessons for responding to structural challenges in the country's development. This chapter summarises the findings of this report and presents policy priorities for an inclusive, strong and resilient future development trajectory in Paraguay.

Paraguay is one of the countries to cope best with the COVID-19 pandemic but simultaneously faced severe droughts. The country experienced the lowest GDP contraction in 2020 (-0.8%) both with respect to the Latin America and the Caribbean (LAC) region (-7%) and to OECD countries (-4.6% on average). However, the droughts exposed the country's vulnerability to future extreme weather events. The first drought led to an economic slowdown in 2019 (-0.4%) (World Bank, 2022^[1]; OECD, 2022^[2]). In 2021, the economy started recovering and real GDP grew by 4.0% year-on-year. However, another severe drought led to a slowdown to 0.1% growth in 2022.

The COVID-19 pandemic affected people's health and livelihoods. The impact of the COVID-19 pandemic in Paraguay on public health outcomes was comparable to that in most countries in the region. However, Paraguayans exhibited the highest proportion of people among LAC countries reporting anxiety, unease or concern during the pandemic. With respect to income, most households in Paraguay experienced a reduction in incomes and many adopted a reduction in food intake as the main coping strategy. While poverty increased by 3 percentage points during the pandemic from 19% to 22%, this rise remains below the regional average of 33%, and extreme poverty actually fell slightly in Paraguay between 2019 and 2020.¹ Education was one of the sectors most affected by the pandemic, with schools in Paraguay being closed for 32 weeks. In terms of employment, Paraguay's employment rate fell by 4 percentage points during the pandemic, with a stronger impact on women than men. The crisis impacted informal workers more than formal workers, but only for a relatively short period of time.

To cope with the negative socio-economic effects of the COVID-19 crisis, the government implemented several emergency social assistance programmes, which proved very effective in increasing social protection coverage. Out of the USD 1.6 billion emergency support package, 26% was allocated for health measures and 28% for social protection. The latter included, importantly, *Pytyvõ* subsidies for informal workers, the food security programme *Ñangareko* and subsidies for formal workers with suspended contracts provided by Paraguay's Social Security Institute (*Instituto de Previsión Social*, IPS). In addition to the new social assistance programmes, Paraguay also maintained and extended existing social protection programmes, notably the conditional cash transfer programme *Tekoporã* and the non-contributory pension for the elderly, *Adultos Mayores (Programa pensión alimentaria para adultos mayores en situación de pobreza)*. As of June 2020, 42% of households had received emergency assistance compared to only 14% on average in the LAC region and to a social protection coverage rate of only 31.4% of Paraguay's population prior to the pandemic. By mid-2021, when most emergency programmes had come to an end, 54% of households in Paraguay had received emergency assistance compared to 46% on average in the LAC region. There is evidence that the emergency assistance programmes prevented a more pronounced increase in poverty during the pandemic: without *Pytyvõ*, Paraguay's poverty rate and extreme poverty rate in 2020 would have been 28.2% and 4.5%, respectively, compared to the actual figures of 26.9% and 3.9%. The impact of the COVID-19 pandemic and the government's response are explored using the OECD Recovery Dashboard, which relies on comparative data for OECD countries and Paraguay (Box 1.2).

While sound fiscal policies and discipline benefited Paraguay during the COVID-19 pandemic, low tax revenues constrained government expenditure. Paraguay's total public sector debt rose sharply during the COVID-19 pandemic to 33.8% in 2021 from 19.8% in 2018, prior to the onset of the pandemic (Subsecretaría de Estado de Economía, 2022^[3]); however, it remains far below the LAC average of 72% and the OECD average of 106%. The country's stable macroeconomic framework allowed the government to use the available fiscal space to rapidly mobilise resources to support the most vulnerable groups and sectors. To raise funding for emergency measures, Paraguay suspended its Fiscal Responsibility Law. However, emergency spending was conditioned by Paraguay's low tax revenues, which amounted to only 13.5% of GDP in 2020, compared to 21.0% on average in Latin America and the Caribbean and 33.6% on average in the OECD.² This limited the resources that could be redirected, and the response was largely debt-financed. Limited revenues also imposed restrictions on the borrowing capacity of the country, despite a relatively low debt-to-GDP ratio.

This report analyses the lessons learned from the impact of the COVID-19 pandemic and the response and recovery, and highlights key areas where Paraguay can adapt to the post-COVID world. The pandemic exposed a number of structural and policy vulnerabilities for Paraguay's development. In several instances, the policy responses during and after the pandemic identified ways to address or circumvent these and other structural challenges. These responses built on key assets such as the existence of fiscal space secured by a decade of prudent fiscal management. They also built on innovation, proposing new solutions to existing challenges.

Global trends offer renewed challenges but also opportunities to accelerate development. Paraguay's development ambitions are well presented in the National Development Plan to 2030 (Gobierno Nacional de Paraguay, 2014^[4]) and subsequent update (Gobierno Nacional de Paraguay, 2021^[5]), which set objectives along four priority axes: poverty reduction and social development, inclusive economic growth, Paraguay's action in the world, and institutional strengthening. However, mounting challenges, including climate change and the global macroeconomic environment, with rising inflation and a tighter monetary global context, weigh on Paraguay's recovery. At the same time, the reconfiguration of global value chains (GVCs), following disruptions linked to the COVID-19 pandemic and Russia's war of aggression on Ukraine, provide an opportunity to deepen regional value chains, especially given Paraguay's recent export performance, which shows an increase in the relative importance of manufacturing. Digitalisation trends also present a major opportunity for the country. The experience of emergency social programmes implemented during the pandemic is proof of the transformative potential of digital technologies, not only in the production sphere but also in how government and citizens interact. Finally, as the climate agenda becomes a top priority across the globe, Paraguay's clean energy mix and potential for managed forestry represent major assets that should be capitalised upon to attract finance for development and open up new economic opportunities. Looking ahead, megatrends such as climate change, digitalisation and demographic shifts are shaping and accentuating the direction that public policies must take to advance towards a society of greater well-being, equality and prosperity (see Box 1.1).

Box 1.1. Paraguay in a changing world: Megatrends

Megatrends are drivers that shape countries and which, unlike shocks (single events in time), allow governments to establish development strategies in the short and medium term. Important megatrends for Paraguay include demographic change, rapid urbanisation, the rise of technology, and climate change and resource scarcity. The COVID-19 crisis, coupled with Russia's war of aggression against Ukraine, are shocks, which have raised global levels of uncertainty.

- **Demographic change.** Demographic pressures and a large working-age population require a dynamic private sector and active labour markets to provide quality jobs and absorb labour supply. The population aged 15-64 represented 65% of the total population in 2022, putting the country in the early stage of a demographic transition. However, as the demographic bonus decreases, Paraguay will need to count on other sources of growth going forward. Annual population growth stood at 2.6% in 1961, falling to 2% in 2000 and 1.2% in 2021 (World Bank, 2020^[6]). The demographic structure of the population is aging, similarly to countries within the OECD. The share of the population aged 65 or above was 3% in 1961, but had more than doubled to 7% in 2021, although it remains well below the OECD average of 18% (World Bank, 2020^[6]). All in all, demographic aging will pose a challenge for the provision of services as well as for the financial stability of the country. Coupled with higher life expectancy and declining birth rates, it will place the financing of adequate pensions, health and long-term care under pressure.

- **Urbanisation trends.** In 1960, only 36% of the population in Paraguay lived in urban areas. This figure had risen to 62% by 2021 but remained below the OECD average of 81% (OECD, 2020^[7]). Paraguay has the lowest rate of urbanisation in South America and one of the lowest in the LAC region. The population of metropolitan areas grew by as much as 40% in the last ten years, fuelled by migration to urban areas for higher wages. However, in recent years the average annual rate of change of urban agglomerations with 300 000 population or more, such as Asunción or Ciudad del Este, has slowed down, falling from 4.56% in 2000-05 to 2.34% in 2015-20 in Asunción and from 3.43% to 1.8% in Ciudad del Este.
- **Rise of technology.** Technology is playing a major role in people's daily lives and bringing far-reaching changes in communications, services, online trade and e-Payment, among others (OECD, 2020^[8]). From online classes to teleworking arrangements, the pandemic introduced important advances in the digital transformation of Paraguay's economic and social structures, changing the ways in which the country relates and works. However, reaping the benefits of the digital transformation while ensuring it acts as an engine of productivity growth and inequality reduction requires further investments in Paraguay.
- **Climate change and extreme weather events.** Global warming continued unabated throughout the pandemic. Paraguay already shows evidence of negative impacts of extreme weather events on sectors of national interest. These include effects on natural resources, with loss of crops and impacts on soil, and damage to infrastructure and services. Paraguay's dependence on agricultural commodity exports and electricity generation from hydropower make the country particularly vulnerable to extreme weather events. Of particular note are the droughts that have plagued the country in recent years (SISSA, 2022^[9]), resulting in lower electricity generation in national dams due to lower water levels, falls in soy production and yields, and disruption to river shipping and transport. The 2021/22 drought that hit the agriculture sector is having ripple effects on the rest of the economy and disproportionately affected family-run agriculture. Unlike large-scale farms, family-run farms often rely on the cultivation of single-crops and are more vulnerable to harvest fluctuations. Moreover, sesame, which is common among family agriculture, was strongly affected by the drought (UNDP, 2022^[10]).

Going forward, development strategy will need to build resilience to ensure future growth and development. Given the country's reliance on agricultural exports, resilience will require economic diversification. Diversifying the renewable sources of electricity production would also contribute to limiting the impact of extreme weather events on the economy. The experience of the pandemic has also demonstrated the importance of building fiscal buffers to ensure that sufficient fiscal space is available when needed.

Strategies to capitalise on new opportunities also need to recognise Paraguay's idiosyncratic challenges. The country's lack of access to sea ports significantly increases transport costs (by almost 50% compared to the regional average by some measures) and challenges integration into GVCs. The traditional response to this challenge has been to keep tax rates low to incentivise investment – corporate taxes, personal income taxes and value added taxes are among the lowest in the region. However, this has not sufficed to sustain FDI flows, which remained relatively low at 0.6% of GDP between 2017 and 2021, compared to 3% in the region for the same period. Low tax rates and a narrow tax base also limit fiscal space, while gaps in key public goods (quality infrastructure, institutional quality, the education of the workforce) hamper the country's competitiveness. Finally, informality poses specific challenges in Paraguay. It is not limited to evasion of social and tax regulations by a number of economic actors, as is widespread in the region. In Paraguay, the prevalence of informality also facilitates illegal activities, and smuggling in particular, which harms both local industry and the public purse.

Looking ahead, addressing structural issues will be critical to ensure future growth and development. Four challenges stand out among the structural issues exposed by the crisis: a fragmented

social protection system, high informality among workers and MSMEs, insufficient domestic resource mobilisation to offer quality public services and Paraguay's vulnerability to climate change. At the same time, policy experiences during and after the crisis showed that it is possible to extend social protection to the uncovered population, and that unemployment benefits can play an important role in the labour market and as a macroeconomic stabiliser. Paraguay can also build on key advances made in response to the crisis, including the accelerated digitalisation of the administration and business, and the development of a new legal and fiscal framework for the formalisation of micro, small and medium-sized enterprises (MSMEs). Many of these reform areas require additional domestic resource mobilisation to finance public investment and spending (IMF, 2022^[11]). Table 1.1 summarises the key policy areas addressed in the report.

Table 1.1. Key policy priorities and opportunities in the post-COVID-19 context

An inclusive recovery
Improve targeting of social assistance programmes
Develop a registry of potential beneficiaries and take advantage of new digital technologies for expanding social protection coverage
Expand the coverage of regular social protection to those excluded by the system, in particular to independent workers
Develop an unemployment insurance scheme for Paraguay
Expand active labour market policies
A strong recovery
Tackle the informality of MSMEs from a holistic perspective
Strengthen digitalisation for inclusive growth
Take advantage of opportunities for increased regional trade as a result of nearshoring and reshoring
Build resilience to climate change through diversification and improvements in infrastructure
A resilient recovery
Develop and implement a comprehensive and gradual strategy for fiscal consolidation
Mobilise public and private resources towards a green and sustainable recovery, expanding the use of green, social, sustainable and sustainability-linked financial flows

Source: Authors' elaboration.

The report analyses in turn the impacts and response in the areas of social policy, economic policy and financing. Chapter 2 examines the impact of the pandemic on the most vulnerable and shows how the response exemplifies the realm of possibilities in terms of expanding social protection coverage. Chapter 3 focuses on support to the productive sectors and MSMEs, and identifies opportunities for formalisation, diversification and growth. Chapter 4 explores the impact on public finances, highlighting the importance of the country's stable macroeconomic framework and points to key avenues to increase finance for development. Each chapter includes a benchmarking snapshot of the country based on the OECD Recovery Dashboard (Box 1.2). The remainder of this chapter presents the key conclusions from Chapters 2, 3, and 4.

Box 1.2. The OECD Recovery Dashboard

The OECD COVID-19 Recovery Dashboard was built at the request of OECD ministers to keep track of national efforts to build back better. Its development was led by a taskforce composed of representatives of national statistical offices from OECD countries alongside representatives of several OECD substantive committees. The indicators were carefully reviewed and selected through a consensus-based process in which various ministries from across all OECD countries were consulted. The report was welcomed by Ministers at the 2021 Meeting of the OECD Council at Ministerial Level and is available at www.oecd.org/coronavirus/en/recovery-dashboard.

In line with the OECD's multi-dimensional approach to measuring progress, the Dashboard features 20 outcome indicators across four dimensions that matter for people, the economy and the planet. In this spirit, the indicators are not aggregated or ranked according to their importance. Instead, they are presented alongside each other to convey a comprehensive picture of how a country is doing in the context of the recovery.

The dimensions of the Dashboard correspond to the key priorities that OECD Members agreed should characterise the COVID-19 recovery. Each of these dimensions features five indicators to track progress:

- The **Strong** dimension assesses the impact of the pandemic on the economic prosperity of households and businesses, and monitors immediate signals of the state of the health crisis and the revival of economic activity.
- The **Inclusive** dimension focuses on how the crisis has affected the income and jobs of the most vulnerable, and whether efforts to build back better are ensuring that economies and societies create equal opportunities for all.
- The **Green** dimension highlights countries' progress towards achieving a people-centred green transition, consistent with the goals of the Paris Agreement and the 2030 Agenda.
- The **Resilient** dimension examines factors that can help countries better withstand the crisis and prepare for future challenges.

Policy priorities and opportunities arising from the COVID-19 pandemic and Paraguay's policy response

An inclusive recovery: social protection, access and quality to basic public services, vulnerabilities and equal opportunities

The rapid development of emergency social assistance programmes in the context of the COVID-19 pandemic shows that it is possible to expand social protection coverage, most importantly to segments of the income distribution excluded from the system prior to the pandemic. According to the International Labour Organization (ILO), only 31.4% of Paraguay's population was covered by social protection prior to the pandemic, compared to 56.3% in Latin America and the Caribbean on average (2020). Since social assistance is targeted at the poor and the main beneficiaries of contributory social security are high income earners, social protection coverage is lowest among the middle class. Those left out by Paraguay's social protection system are largely informal and independent workers. Paraguay's emergency social protection programmes succeeded not only in quickly expanding the coverage of social protection to a relatively large share of the population but also in closing this coverage gap in the middle of the income distribution temporarily and providing a large share of independent and informal workers

with social protection coverage. Electronic payment systems and innovative payment systems based on national identity cards facilitated the implementation of emergency social assistance programmes during this period.

Going forward, it is important to improve targeting of social assistance programmes and to streamline and consolidate the variety of existing programmes. While 72.8% of total spending on public transfers reaches the poor, approximately a third of benefiting households of *Tekoporã* and approximately a fifth of the elderly benefiting from *Adultos Mayores* are not poor (2021). In addition, Paraguay's social assistance programmes remain fragmented across different ministries and institutions. A comprehensive national registry of potential beneficiaries could improve targeting and the impact of social assistance programmes in the future.

Furthermore, the country needs to introduce systematic social protection to cover those not covered by the current system. This includes securing sustainable long-term financing to avoid a deterioration of Paraguay's public finances. A contributory unemployment scheme financed by employees' and employers' contributions could be an option for formal workers, while independent and informal workers require different but co-ordinated social protection solutions. Formalisation and generating more quality jobs is a key part of the solution to improving these population segments' access to financially sustainable social protection mechanisms. However, given Paraguay's high levels of informality, simply extending formal workers' social security to family members is not a solution.

Paraguay's ad hoc transfer programme for formal workers during the pandemic has demonstrated the potential of unemployment insurance in Paraguay. These subsidies worked in practice like a non-contributory unemployment insurance. However, a non-contributory unemployment insurance scheme like the support scheme for suspended workers during the pandemic would be difficult to finance in the long run. Furthermore, IPS social security subsidies for formal workers with suspended contracts were regressive as they redistributed generous subsidies financed by tax revenues to a very small share of Paraguay's population, which enjoyed formal employment. A contributory scheme would be financially more sustainable while acting as automatic stabiliser in economic downturns, such as the recent COVID-19 pandemic, thereby reducing the need for emergency support measures. Paraguay could design an unemployment insurance scheme based on the Chilean unemployment benefit system, which combines individual savings accounts financed through mandatory contributions from dependent workers and employers, with a solidarity fund financed by employers' contributions and complemented with general taxation. Two draft unemployment insurance laws have already been elaborated in Paraguay in 2020.

There is scope to further improve and expand active labour market policies in Paraguay, both in terms of capacity building and intermediation. An infrastructure for employment services and professional training is in place and consists of Paraguay's Public Employment Service (*Servicio Público de Empleo*, SPE), the National Vocational Promotion Service (*Servicio Nacional de Promoción Profesional*, SNPP) and the National Job Training System (*Sistema Nacional de Formación y Capacitación Laboral*, SINAFOCAL). At present, active labour market policies in Paraguay focus on job search and placement services, job training and entrepreneurship development, and the formalisation of MSMEs. Paraguay improved intermediation services and training offered to unemployed workers in the context of the COVID-19 pandemic. However, institutional fragmentation and weak co-ordination remain issues. Furthermore, at present, employment services remain concentrated in the capital city, while regional employment offices are not always able to provide the full range of services. In addition, there is scope to increase efficiency through digitalisation. Finally, spending on active labour market policies remains very limited in Paraguay: in 2021, the country spent only 0.065% of its GDP on active labour market policies and 0.051% on capacity building. Paraguay's budget for intermediation services remains very limited. In comparison, expenditure on active labour market policies in 2019 was 0.12% of GDP on average for LAC countries and 0.85% of GDP in the average OECD country.

A strong recovery: Economic growth and business dynamics

The COVID-19 pandemic has highlighted the vulnerability of informal companies and the importance of improving Paraguay's policy framework for formalising MSMEs. The prevalence of informality in the Paraguayan productive structure represented one of the most important obstacles to the response to the COVID-19 crisis. Widespread informal employment made it more difficult to reach entrepreneurs with financial support measures as they are typically not registered and often lack established creditworthiness. Informality not only results in lower growth and poor-quality labour conditions, it is also associated with obstacles that inhibit a firm's development. In recent years, the main initiatives for formalising MSMEs in Paraguay have aimed at simplifying the administrative process for MSMEs to register their firm and lowering the associated cost, in particular through the creation of dedicated fiscal regimes. However, a successful formalisation strategy requires a holistic approach beyond reducing obstacles to formalisation through the simplification of registration and licensing processes. This includes policies to encourage formalisation, increase productivity, facilitate dialogue and enforce the correct application of norms. More recently, Paraguay has introduced a special tax regime for SMEs with the aim of simplifying tax payments and encouraging business formalisation. Efforts to encourage formalisation through expanding access to social security can also play an important role but remain partial in Paraguay. Offering capacity-building and business services can also help firms formalise through increases in productivity. Furthermore, policies promoting business linkages can provide incentives for MSMEs to formalise in the form of access to new markets or business opportunities.

The COVID-19 pandemic heightened the importance of adopting and prioritising policies supporting digitalisation and ensuring widespread and trustworthy digital access. Supporting and accelerating digitalisation is particularly important for Paraguay given the opportunities that the digital services sector presents for the country. A major advantage of digital services industries is the absence of transport costs, which are high in Paraguay. Even though the country already has a national digital strategy, Paraguay lags behind other LAC countries in several areas of digitalisation and the diffusion of digital technologies remains uneven. Furthermore, accelerating digitalisation requires investing in digital infrastructure, enhancing digital skills and supporting innovation. It is also important to strengthen Paraguay's digital governance, particularly in the areas of data protection and digital security.

The COVID-19 pandemic opened up new opportunities for regional trade due to an increase in nearshoring and reshoring. Lockdowns, restrictions on travel and trade in goods, disruption of international transport networks, and changes in demand for goods and services all disrupted GVCs. This led to an increase in the relocation of business operations to closer locations from more distant ones or back to their original country, and the shortening of GVCs to mitigate risks of supply disruptions linked to a strong reliance on foreign suppliers. In this context, opportunities exist for Paraguay to increase exports to countries in the region. In recent years, the country's economic stability and fiscal prudence have been able to attract new investments, mostly from Brazil, but FDI remains low by regional standards. Going forward, strengthening commercialisation and internationalisation policies will be key for attracting new GVCs and promoting the insertion of small and medium enterprises into GVCs. Despite recent progress in trade facilitation, barriers to speedy imports and exports of goods persist in Paraguay.

The simultaneous shock of the COVID-19 pandemic and severe drought underlines the need to increase Paraguay's resilience to climate change. Paraguay is highly vulnerable to climate change, which has increased the frequency and intensity of extreme weather events such as droughts and floods. Paraguay's reliance on agricultural commodity exports as well as its dependence on hydropower, together with rapid growth in electricity demand, render the country particularly susceptible to climate change impacts. Better access to financing and crop diversification could make Paraguay's agricultural sector more resilient to natural disasters. Furthermore, improving Paraguay's transport infrastructure could enhance resilience to climate change. Supporting the expansion of renewables other than hydropower and enhancing energy efficiency could decrease Paraguay's dependency on hydropower while reducing

electricity consumption, thereby improving the country's resilience to extreme weather events which provoke large fluctuations in the water levels of rivers.

A resilient recovery: Financing for development, short-term measures and recovery plans

Establishing a clear post-COVID-19 fiscal consolidation path is key to reverting to macroeconomic stability while preserving public finances from short-term political cycles. A return to the parameters of the fiscal responsibility law would ensure fiscal sustainability. Reforming the fiscal responsibility framework to account for the counter-cyclical character of fiscal policy and to include appropriate escape clauses for unforeseen events could help respond to future emergencies. On the expenditure side, a development-focused consolidation path would necessitate more effective government spending, moving from general to more targeted support, and from current expenditure towards capital expenditure. There is also space to increase the efficiency of public spending. On the revenue side, improving the tax structure could help increase the progressivity and equity of Paraguay's tax system while increasing tax revenues. At the same time, digital tax services could improve tax collection and reduce tax evasion in Paraguay. Finally, tax revenues could be increased by reducing tax exemptions.

The COVID-19 recovery represents an opportunity for Paraguay to mobilise funding for a green transition and to build back better. In order to implement both the mitigation and adaptation targets laid out in Paraguay's Nationally Determined Contributions (NDC), the country will need to promote innovative financial mechanisms. Expanding Paraguay's market for green, social, sustainable and sustainability-linked (GSSS) bonds represents one opportunity. While Paraguay was the first country in Latin America to adopt Sustainable Development Goal (SDG) bonds as part of its national regulation in 2020, it still lags behind other LAC countries in the issuance of green bonds. In December 2020, Banco Continental of Paraguay issued the first GSSS bond, so-called "Sustainable Bonds" worth USD 300 million, to finance green and social projects, but their success has been moderate. In December 2023, the public development bank *Agencia Financiera de Desarrollo* (AFD) issued a PYG 100 billion bond in the local market, which could act as a pathfinder to mobilise the relatively shallow capital market of the country. To further promote GSSS bonds and other economic, social and governance (ESG) finance instruments in Paraguay, it would be important to further improve the country's sustainable finance framework, for example, through a national green or transition taxonomy for all bank and non-bank financial institutions and stakeholders. Tapping into multilateral financial resources via climate funds constitutes another opportunity for Paraguay. At present, the country has received USD 146.4 million in financing through the Green Climate Fund (GCF) for six projects.

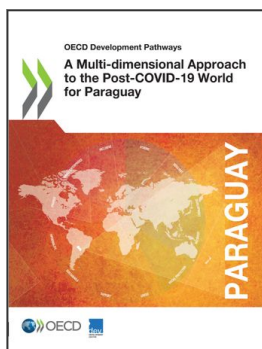
Notes

¹ Data are drawn from regionally comparable poverty rate estimates provided by the United Nations Economic Commission for Latin America and the Caribbean (ECLAC) (ECLAC, 2022_[13]). National estimates differ in levels of poverty but coincide in the movement and magnitude of changes (between 2019 and 2020 extreme poverty fell from 4.0% to 3.9%, while total poverty increased from 23.5 to 26.9) (INE, 2023_[12]).

² Data from the OECD Global Revenue Statistics Database include social security contributions as part of the tax-to-GDP ratio and may differ from official sources, in particular in Paraguay, which do not include social security contributions.

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