

PARAGUAY

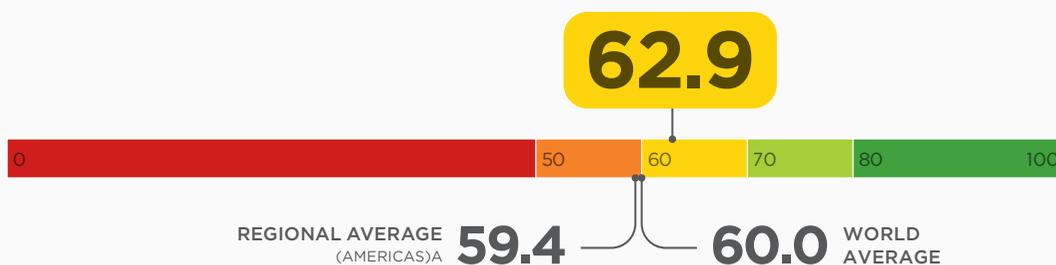
Paraguay's economic freedom score is 62.9, making its economy the 73rd freest in the 2022 *Index*. Paraguay is ranked 17th among 32 countries in the Americas region, and its overall score is above the regional and world averages.

Paraguay's economy slowed in 2017 and 2018, contracted in 2019 and 2020, and resumed growth in 2021. Economic freedom has not advanced significantly over the same half-decade. With a relatively steep drop in its **fiscal health** score offset by improvements in scores for **property rights**, **judicial effectiveness**, and **labor freedom**, Paraguay has recorded a minuscule 0.5-point overall gain in economic freedom since 2017 and remains in the lower ranks of the "Moderately Free" countries. The burden of taxation may be light, but scores for rule of law are far below average.

IMPACT OF COVID-19: As of December 1, 2021, 16,474 deaths had been attributed to the pandemic in Paraguay, and the government's response to the crisis ranked 122nd among the countries included in this *Index* in terms of its stringency. The economy contracted by 0.9 percent in 2020.

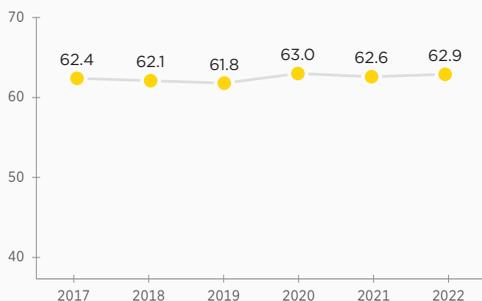


ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): -3.0

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
7.1 million

GDP (PPP):
\$93.4 billion
-0.9% growth in 2020
5-year compound annual growth 2.3%
\$12,881 per capita

UNEMPLOYMENT:
7.6%

INFLATION (CPI):
1.8%

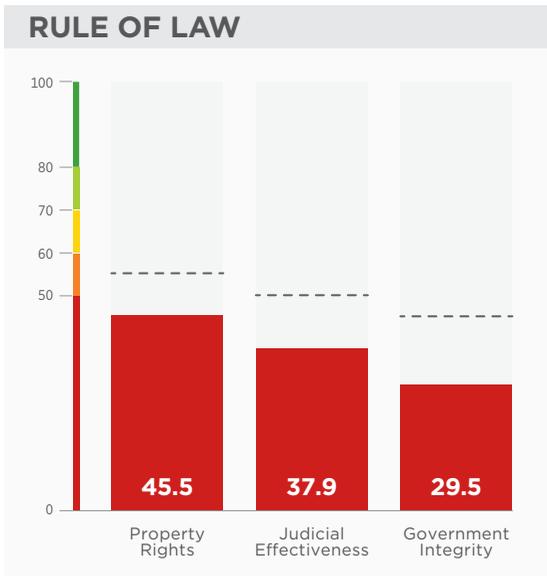
FDI INFLOW:
\$568.0 million

PUBLIC DEBT:
34.8% of GDP

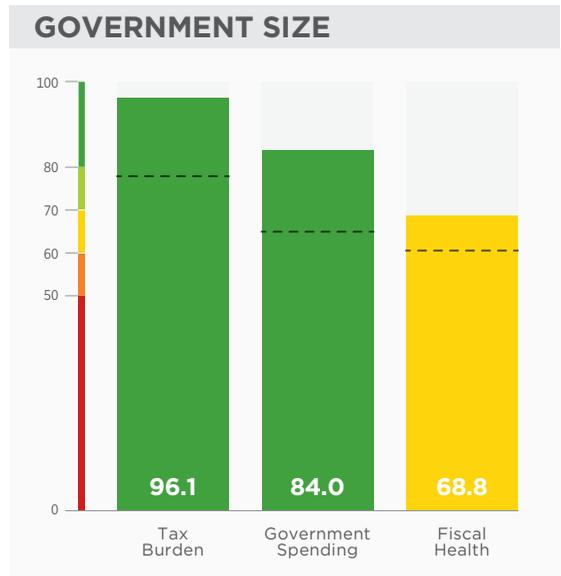
2020 data unless otherwise noted. Data compiled as of September 2021

BACKGROUND: Paraguay was established in the 19th century along with Bolivia and Uruguay as a buffer state between regional powers Brazil and Argentina. It is a global leader in hydroelectricity production, one-quarter of which is generated by the state-owned Itaipú dam, one of the world's largest. The Itaipú dam is co-owned by Paraguay and Brazil, and renegotiation of its financial terms is of critical importance to the country's fiscal health. Mario Abdo of the center-right Colorado Party (PC) began a five-year term in 2018, maintaining the PC's control of the presidency. The government has enacted legislation to increase controls on illicit financing of political campaigns, but despite government efforts, Paraguay remains a significant international money-laundering and illicit smuggling hub.

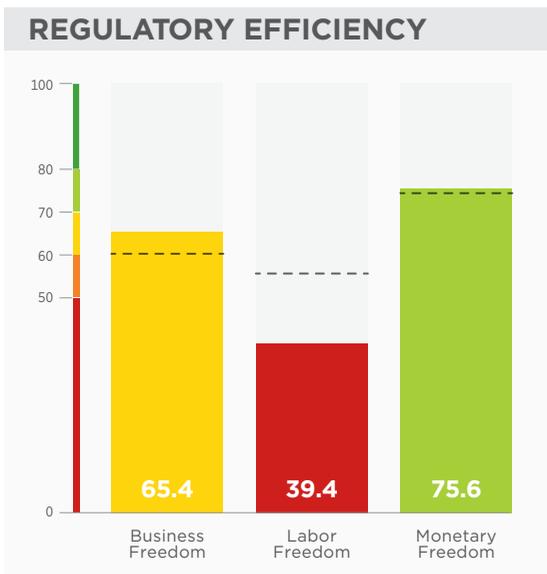
12 ECONOMIC FREEDOMS | PARAGUAY



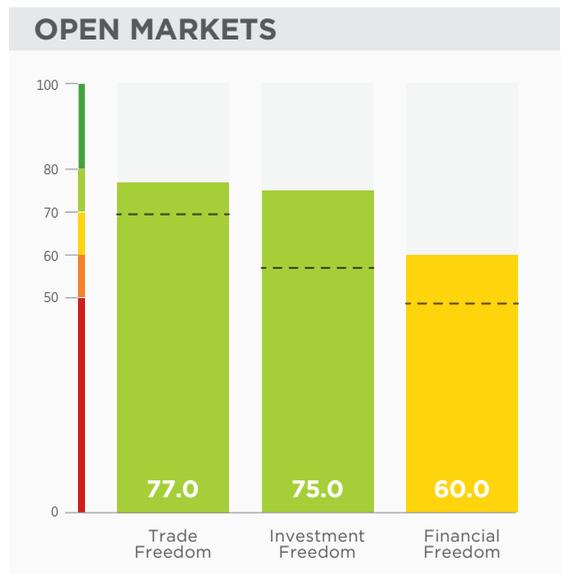
Property rights are respected, but a lack of consistent property surveys and registries often makes it difficult to acquire title documents for land. This leaves property rights and contracts insecure, particularly in the interior of the country. The judiciary is nominally independent but vulnerable to political influence as well as to threats and intimidation by drug traffickers and money launderers. Corruption is widespread at all levels of government.



The top individual income and corporate tax rates are 10 percent. Other taxes include value-added and property taxes. The overall tax burden equals 13.9 percent of total domestic income. Government spending has amounted to 23.1 percent of total output (GDP) over the past three years, and budget deficits have averaged 4.2 percent of GDP. Public debt is equivalent to 34.8 percent of GDP.



The government has been known to dishonor previous administrations' debts to private companies. A new process allows businesses to register online at no cost in 24 to 72 hours. Child labor is an ongoing problem both in retail and in sugar, brick, and limestone production. There are seven major state-owned monopolies in the fuel, cement, electricity (distribution and generation), water, aviation, river navigation, and telecommunications sectors.



Paraguay has eight preferential trade agreements in force. The trade-weighted average tariff rate is 6.5 percent, and 16 nontariff measures are in effect. Foreign investment is not subject to restrictive screening. Most sectors are open to private investment, and equal treatment of foreign investment is formally guaranteed. However, the overall investment regime lacks efficiency. The level of financial intermediation has been improving gradually.