



# Paraguay

“Land of opportunities for investment in Agriculture..”

Dr. Bruno Hug de Belmont

# General Information



PARAGUAY

Dr. Bruno Hug de Belmont

# Facts and Figures about PARAGUAY



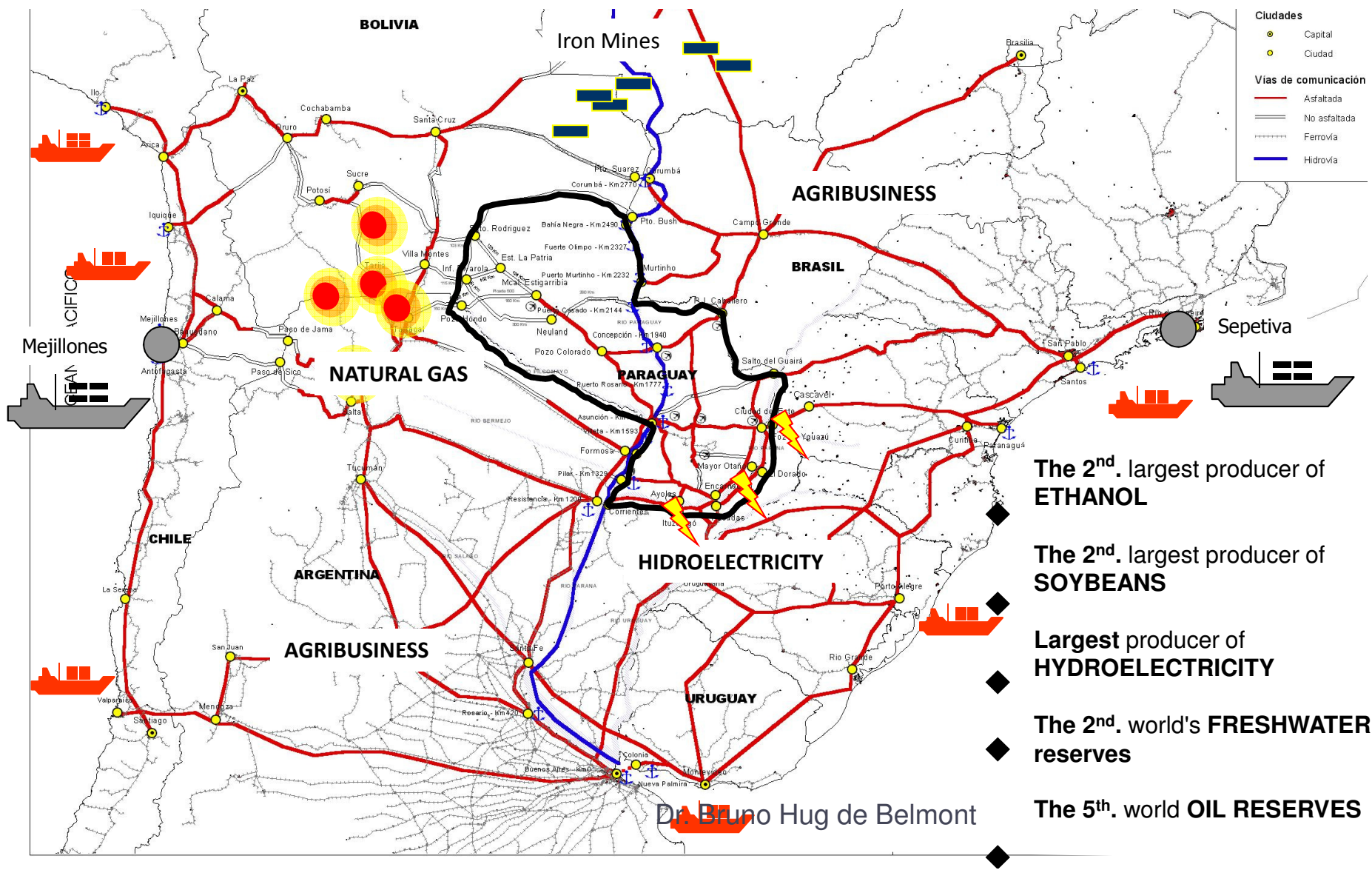
Area (km2):	<b>406.752</b>
Languages:	<b>Spanish and Guaraní</b>
Currency:	<b>Guaraní (Since 1943)</b>
Exchange rate (US Dollar – Guaraní):	<b>1 USD = 4,400 Gs.</b>
Population (2010):	<b>6.382.000.-</b>
Real Gross Domestic Product (GDP) (in Bill. US\$), (1994 Base Year)	<b>17.900</b>
Real <u>Per Capita</u> Gross Domestic Product (1994 Base Year) – GDP (US\$):	<b>3.107</b>
Country`s Capital:	<b>Asunción</b>
Other important cities:	<b>Ciudad del Este, Encarnación, Concepción</b>
Working Age Population –WAP (2010): 48.5% of Pop.	<b>3,094,307</b>
Rate of unemployment (2010):	<b>5.7% of the WAP</b>

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Source: *Dirección Nacional de Estadísticas, Encuestas y Censos* ([www.dgeec.gov.py](http://www.dgeec.gov.py))

\*Projection for 2010, according to the Central Bank of Paraguay - BCP

# Regional economic potentials



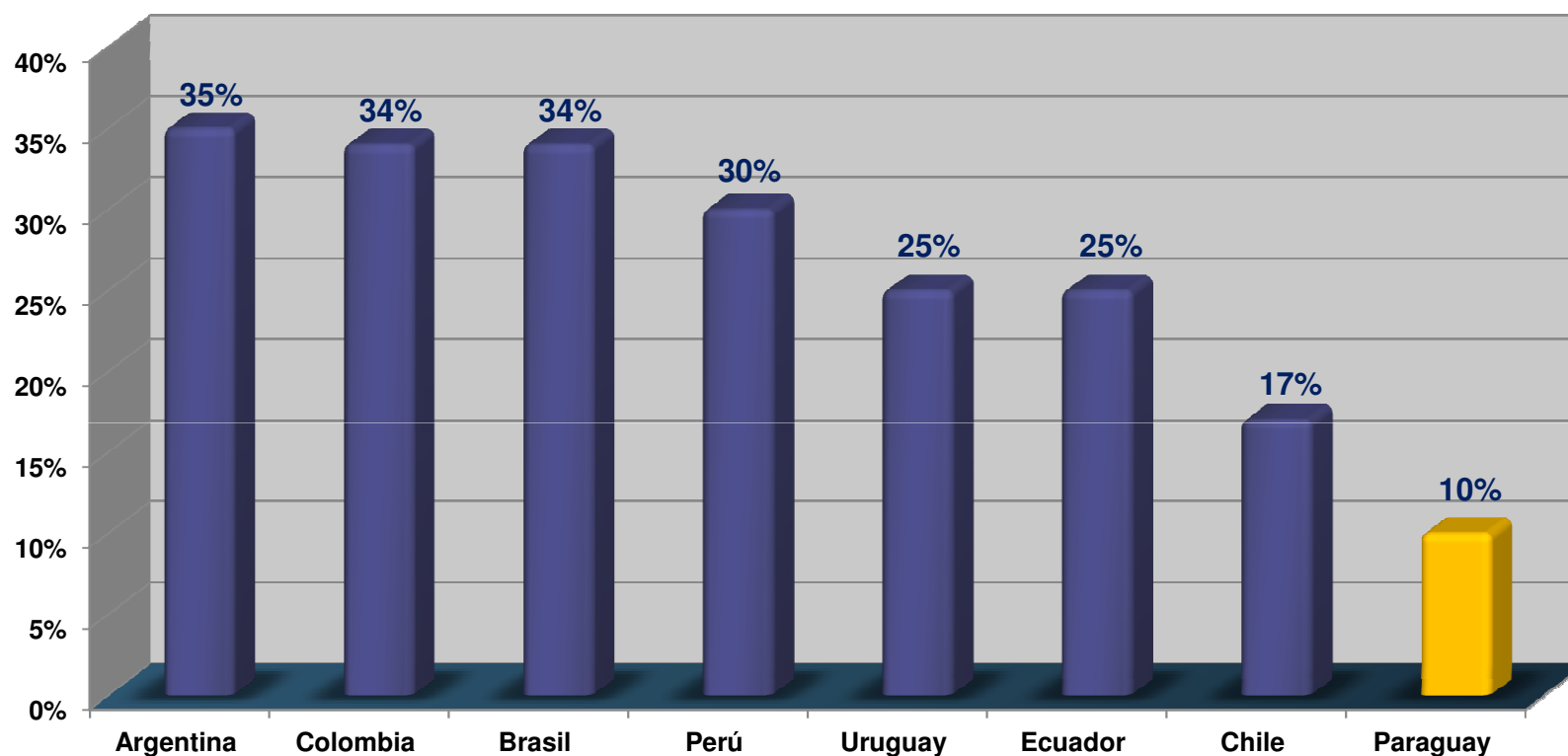
# Government Fiscal Incentives and Relevance of Agriculture in Paraguay



Favorable Climate  
for Investment in Agriculture

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# Corporate Income Tax Rate



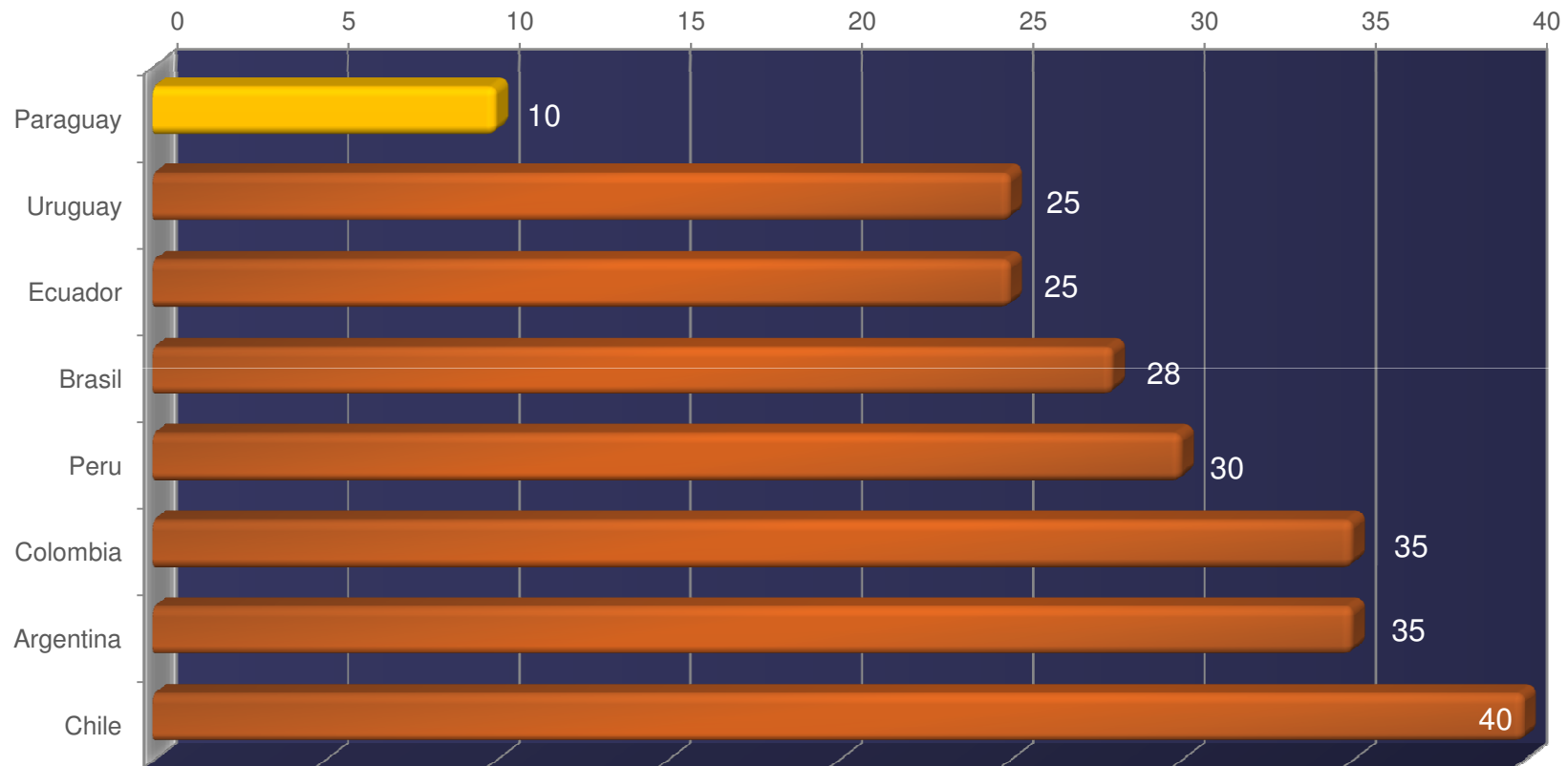
- ▶ This tax has been lowered 66%, from 30% to 10% in 2004

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Source: Ministry of Finance – [www.hacienda.gov.py](http://www.hacienda.gov.py)



# Personal Income Tax

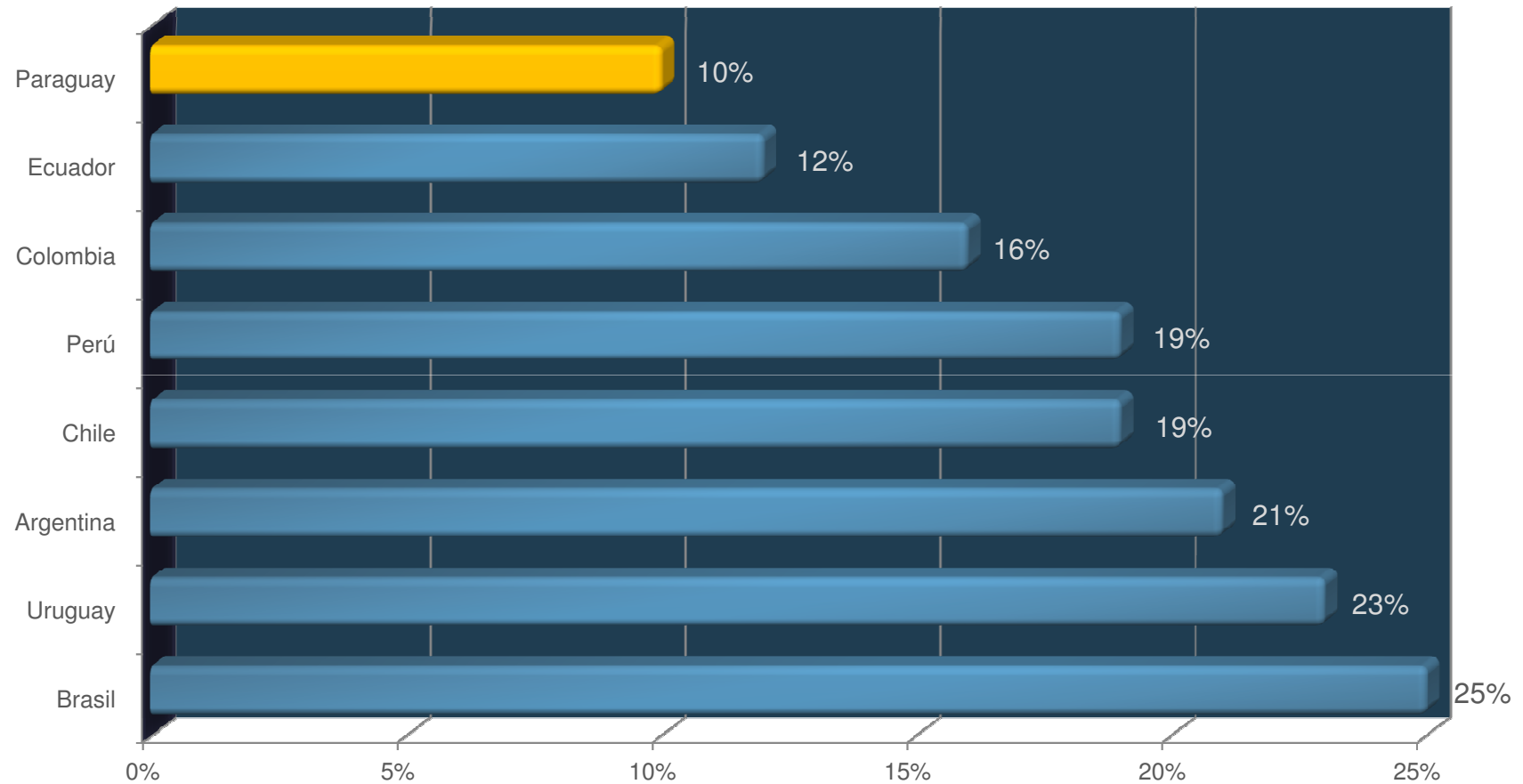


**Note:** It will become effective in 2013

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Source: Ministry of Finance – [www.hacienda.gov.py](http://www.hacienda.gov.py)

# Value Added Tax (VAT)



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Source: Ministry of Finance – [www.hacienda.gov.py](http://www.hacienda.gov.py)



# Relevance of Agriculture

## GDP Share by sectors:

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Agriculture

30,4%



Manufacturing

13,7%



Commerce & Services

48,3%



Taxes

7,6%

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Fuente: Banco Central del Paraguay - [www.bcp.gov.py](http://www.bcp.gov.py)  
\*Includes Construction, electric & water services

# Relevance of Agroindustries in Paraguay

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- ▶ 30% of the economy corresponds to the primary sector (agricultural, forestry)
- ▶ 80,3% of the secondary sector (industries and construction) corresponds to industries related to the agricultural and forestry sector (11% of the 13,7%), that is to say, agroindustries (oils, dairy products, wood, fabrics, textiles, etc..)
- ▶ 32% of the commerce and service sector (third sector) corresponds to services directly related to agroindustries (15,4% of the 48,3%)

# Relevance of Agroindustries in Paraguay (cont.)

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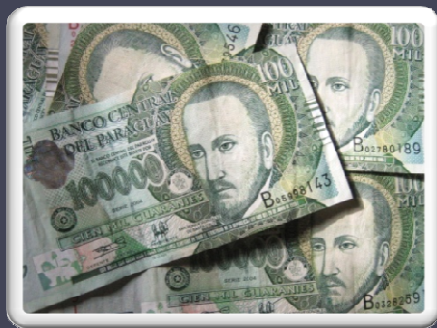
- ▶ The production of real goods is closely related to the agroindustries sector. .
- ▶ In conclusion:
  - 41% of the Paraguayan total GDP corresponds to the agricultural-forestry, agroindustries and rural construction to the service of primary and agroindustries production.
- ▶ Of that 41%:
  - 30% represent to the primary sector
  - 8,5% represent to the agroindustries
  - 2,5% represent to the rural and agroindustries construction

## Relevancy of Agribusiness in Paraguay (cont.)

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- ▶ “The agricultural and forestry activities of the primary and secondary sector as mentioned in the previous slide, constitute **41%** of total GDP”
- ▶ “The agricultural and forestry activities of all the sectors (primary, secondary and third sector) constitute **56,4%** of total GDP”

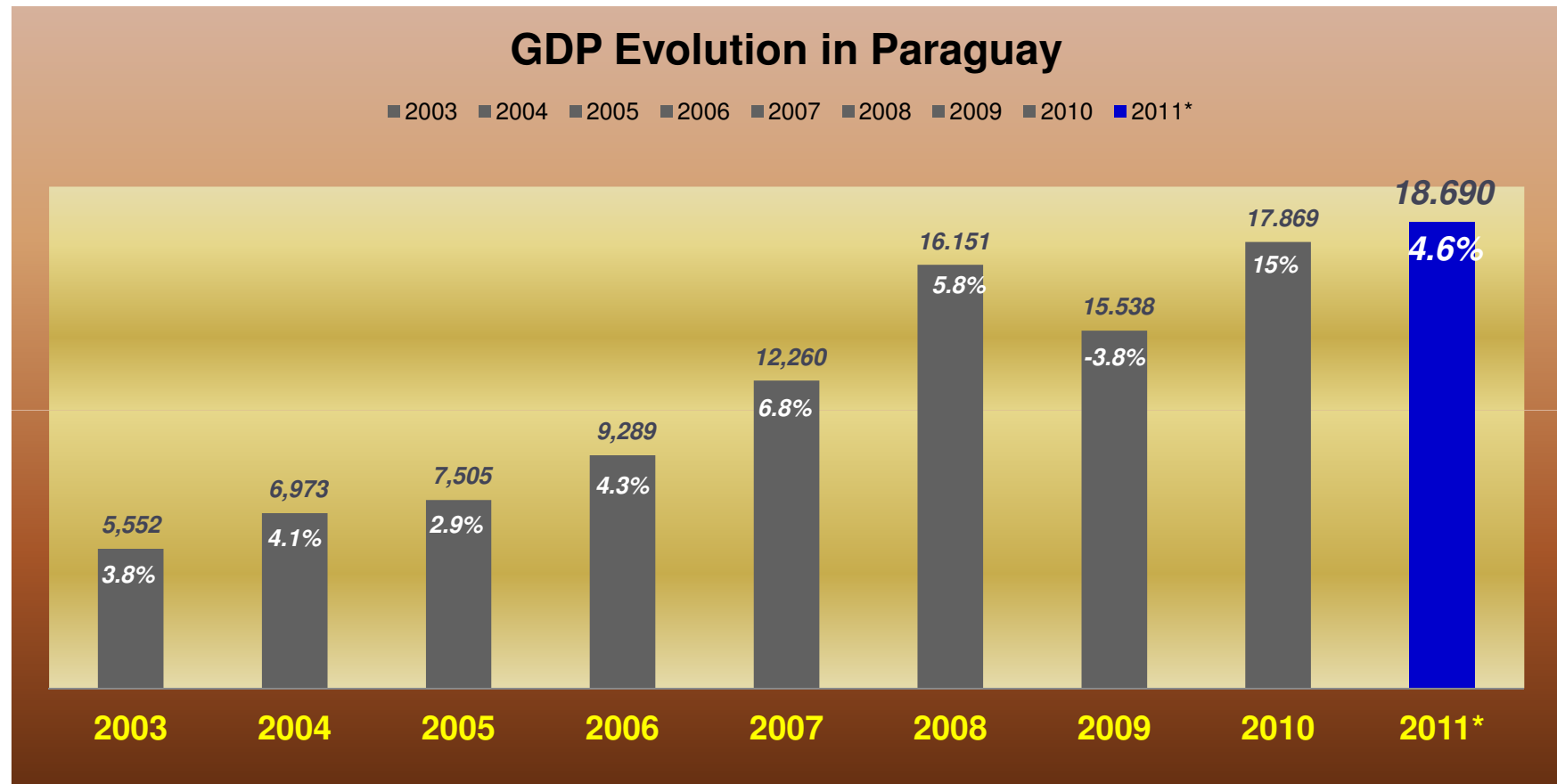
# Macroeconomic Stability



Stable Fiscal and Monetary policy

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# Economic Growth



✓ In 2010 Paraguay has grown **15%**

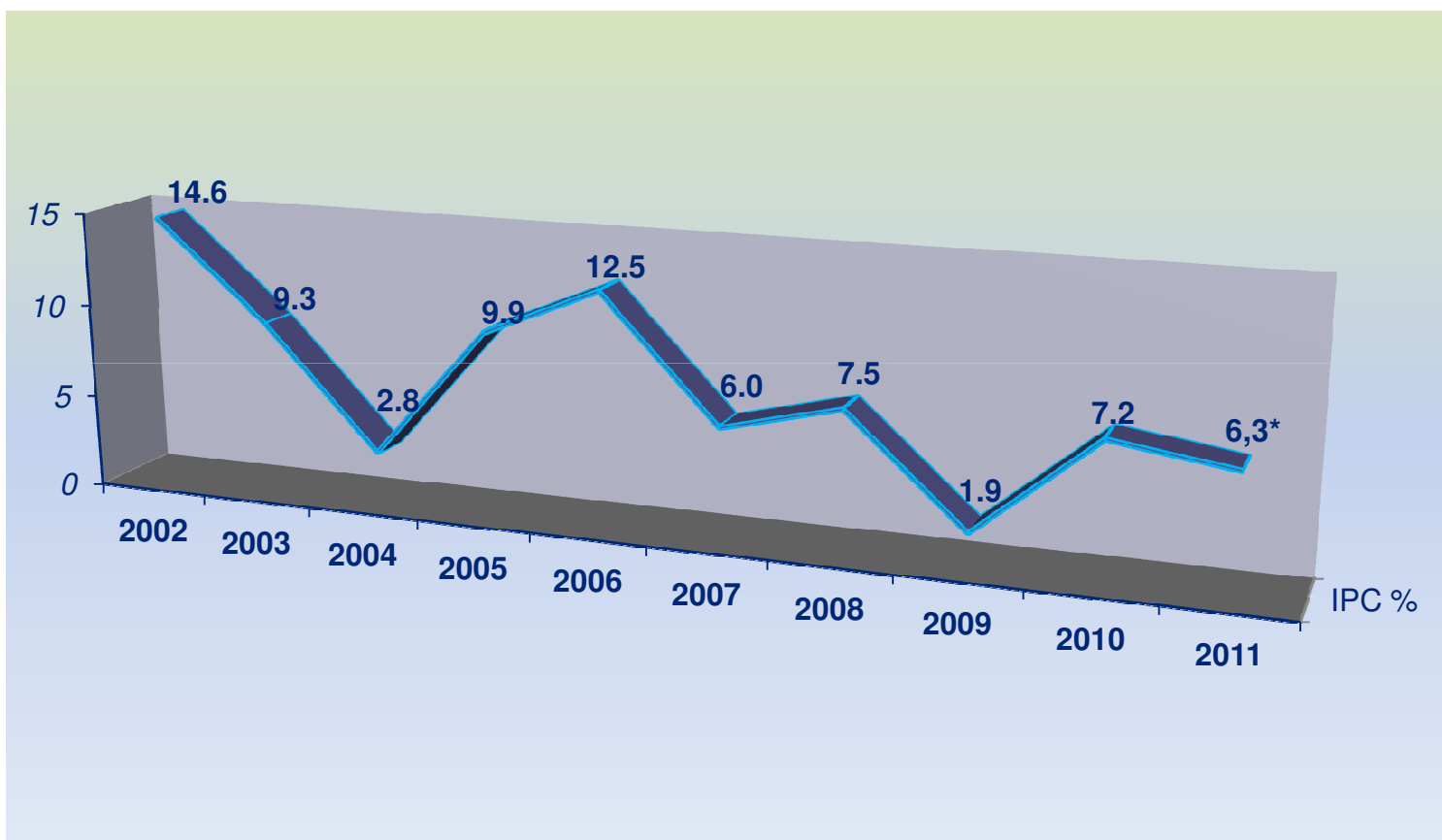
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Note: GDP (constant 1994 Base Year)

Source: Central Bank of Paraguay - [www.bcp.gov.py](http://www.bcp.gov.py)

\*Projection for 2011, according to preliminary data of the BCP

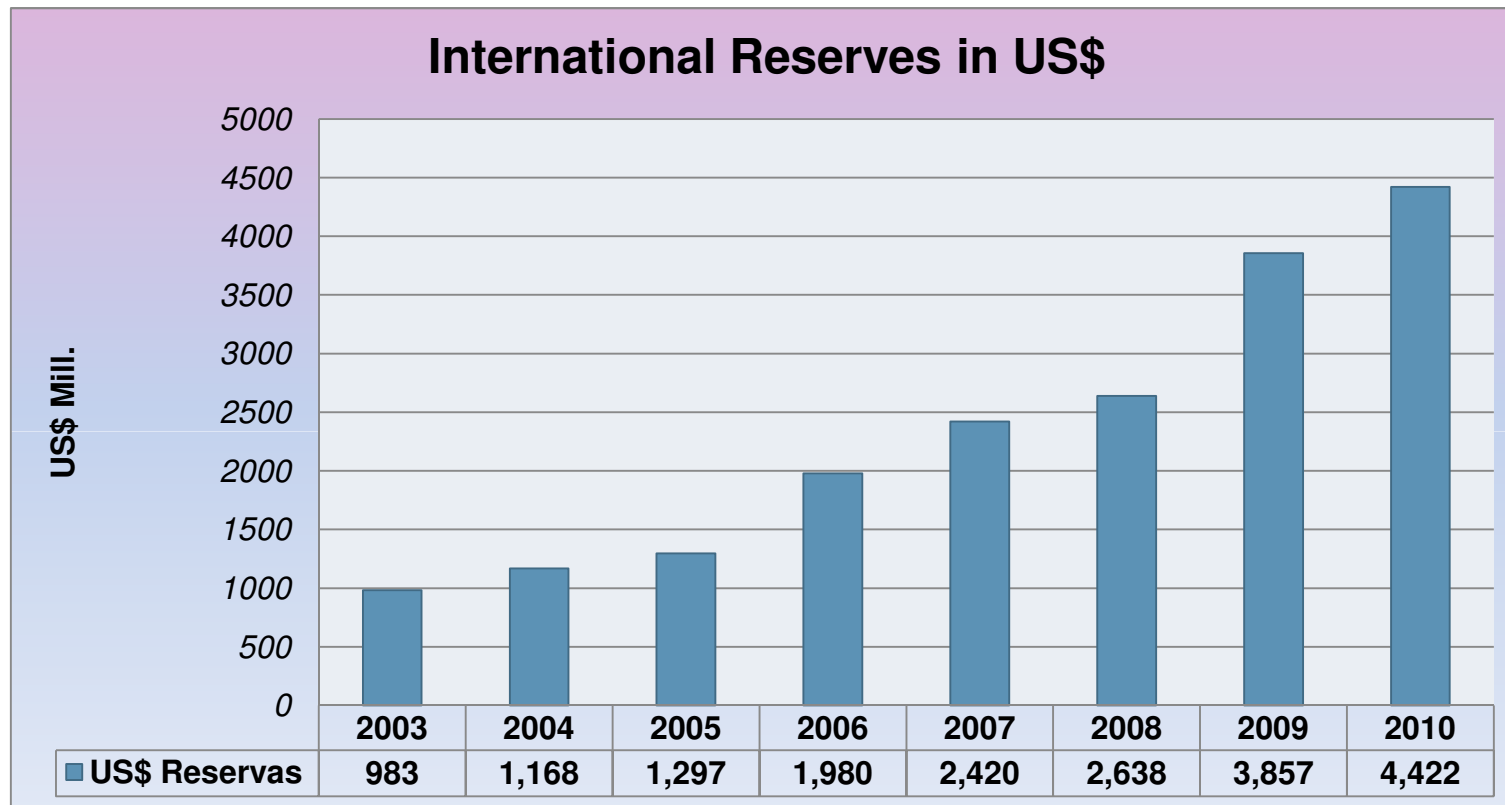
# Rate of Inflation





# International Reserves

August 2011 = **US\$ 5.300 mill.**



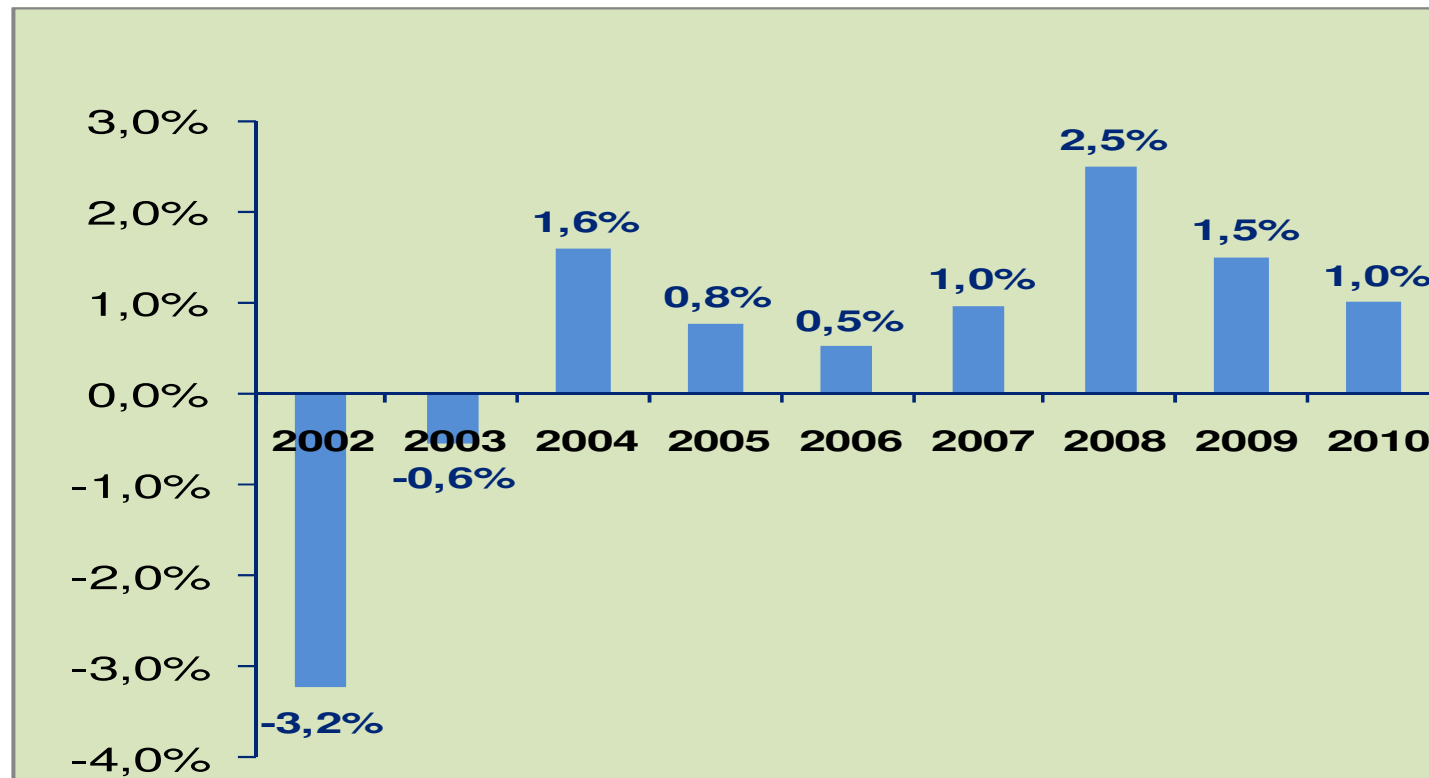
- From 2010 to 2011, IR has grown **19,8%**
- It more than doubles the national external debt amount..

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Source: Banco Central del Paraguay - [www.bcp.gov.py](http://www.bcp.gov.py)

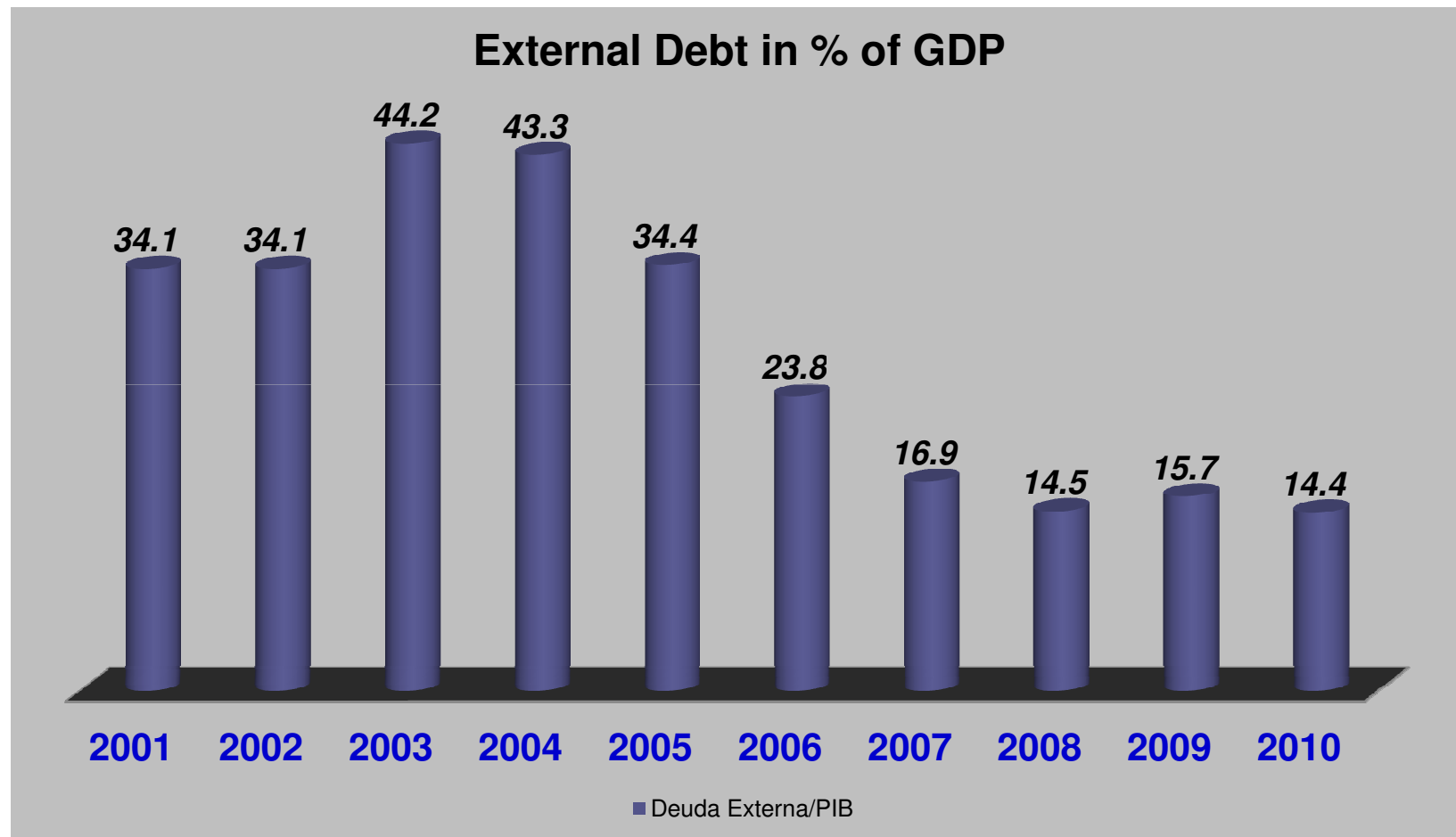
# Fiscal Balance/GDP

**Fiscal Balance** (last 7 years it shows a surplus)



# External Debt/GDP

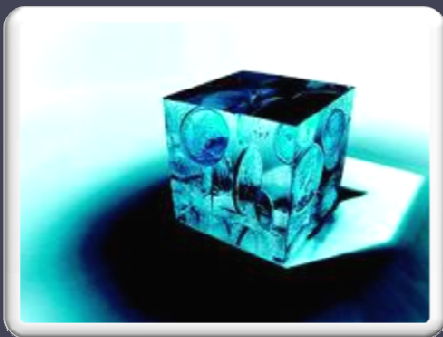
2011 = (12,8% of GDP); US\$ 2.306 Mill.



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Source: Preliminary Balance of LATAM & Caribbean Economy 2010 - ECLAC

# “Policy Issues” Main Investment Incentives



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## Law 60/90 - Fiscal incentives regime for national & foreign direct investment in capital goods

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Import tariff on *Capital Goods*  
(machinery & equipment)

0  
%

Value Added Tax (VAT) on acquired *Capital Goods*  
(in or out of the country)

0  
%

Taxes on remittances abroad & payments of loans  
obtained abroad (capital, interest & commissions)  
applied to investments over US\$ 5 Mill.

0  
%

Taxes on payment of dividends & transfer of profits  
abroad (applied for investments over US\$ 5 Mill. for 10 years)

0  
%

# Law 60/90 - Fiscal incentives regime for national & foreign direct investment in capital goods

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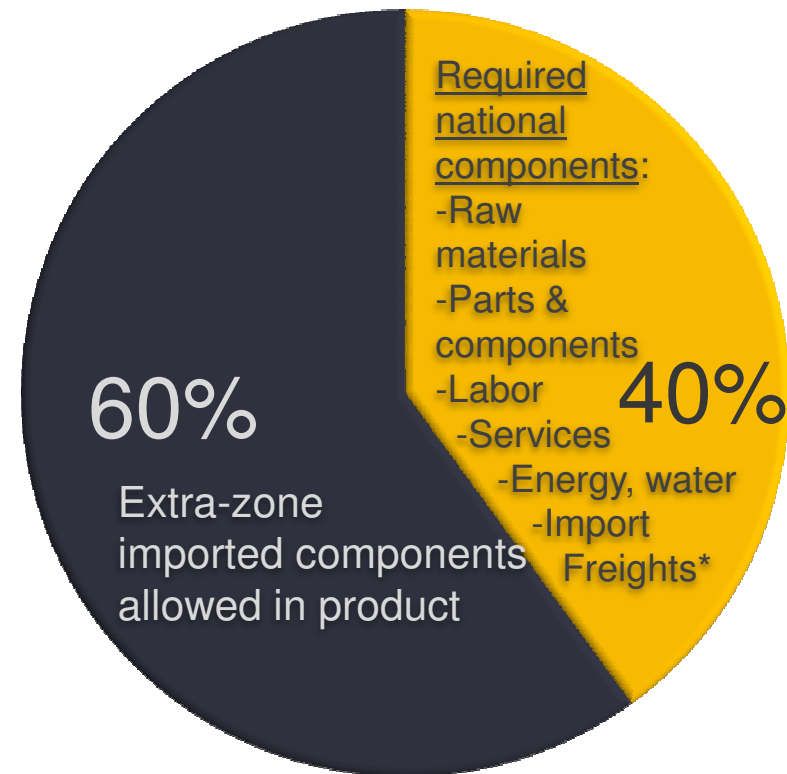
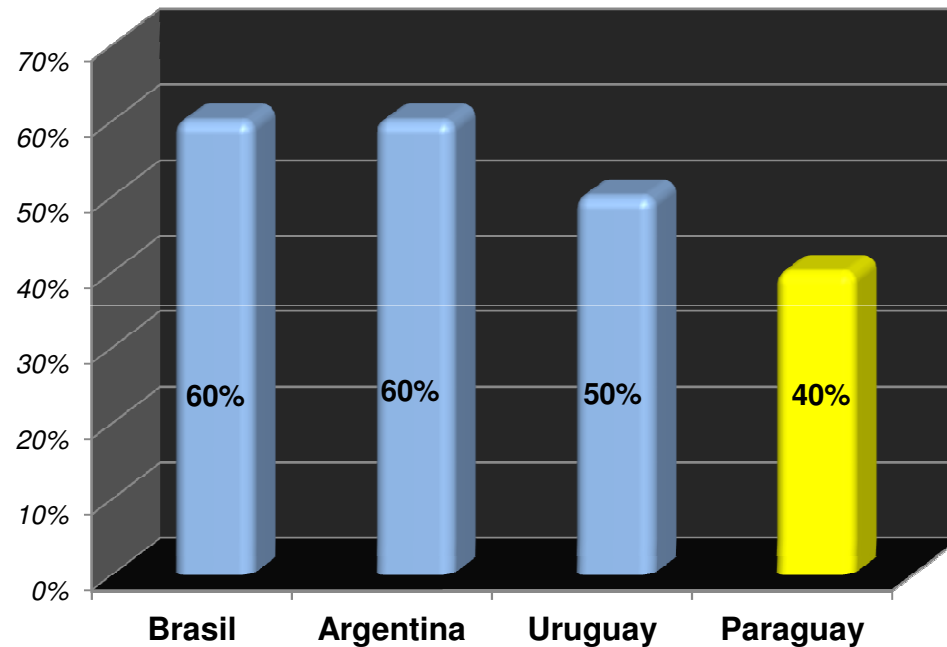
## Results last two years:

<b>Year:</b>	<b>Number of Projects</b>	<b>National</b>	<b>Foreign</b>	<b>Total Investment US\$ Million</b>
2009	64	98%	2%	\$72.9
2010	122	39%	61%	\$486.5
<b>% Growth</b>	<b>91%</b>			<b>567%</b>



# MERCOSUR “rules of origin”

**Necessary regional  
(MERCOSUR) content %**

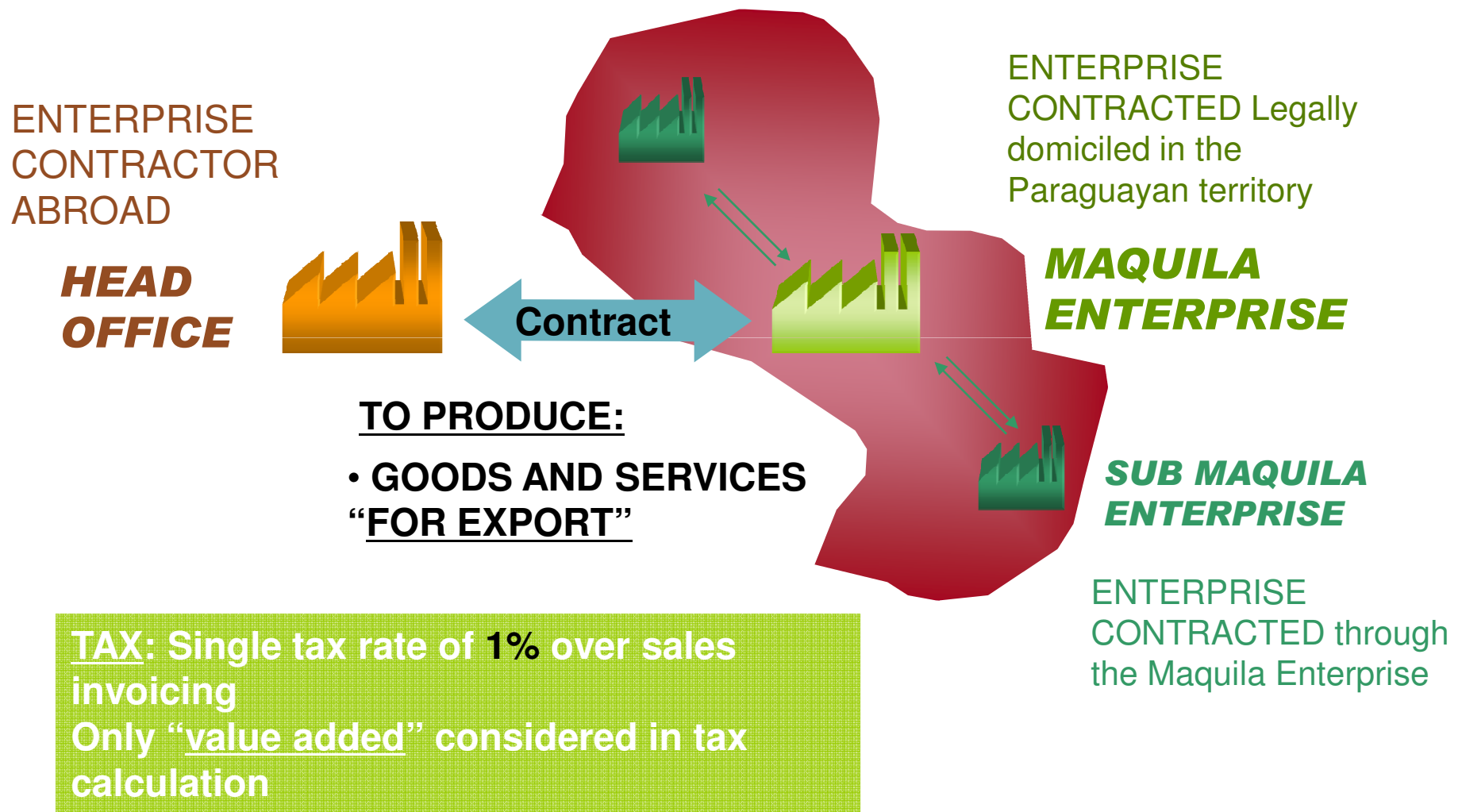


- ▶ Paraguay has a “special treatment” regarding “rules of origin” of manufactured products until 2023
- ▶ It is easier for a product to acquire “MERCOSUR origin” in Paraguay than in other Mercosur member country

▶ \* If the service is provided by a Company established in Paraguay. Dr. Bruno Hug de Belmont



# “Maquila” Law Regime



# What is **REDIEX**? and Investment Opportunities



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# REDIEX OPERATIONS AND KEY ACTIVITIES

## **What is REDIEX?**

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“Investment Attraction and Export Promotion Agency“

It is a Program to support Paraguayan Investment Attraction and Exports.

Funding: IDB Loan N° 1916/BL-PR (US\$ 12 million for 4 years)

### **REDIEX Goal:**

- ▶ To impulse economic and social development of Paraguay through:
  1. Export promotion,
  2. Improve business climate
  3. Investment promotion and attraction (foreign and national)

### **REDIEX Work Methodology:**

NETWORK: all actors are conscious and involved in the process

FOCUS: focalization in sectors and markets with high impact

EXPORT: actions oriented and resources applied towards export promotion and investment attraction in those sectors with high impact

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# Exports of REDIEX supported sectors

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- ▶ In 2010 it represents **28%** of total exports
  - ▶ (1.2 Bill. US\$)
- ▶ REDIEX does direct support to enterprises and sectors

# REDIEX Co-financed Projects

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	Business	Estructurants
Program support (ceilings)	<ul style="list-style-type: none"> <li>a) Individuals: 65% or USD 14.000 per project</li> <li>• Total USD 42.000, during the life of this program</li> <li>b) Associative: 75% or USD 56.000 each project</li> </ul>	85%
Private investment	<ul style="list-style-type: none"> <li>35% Individuals</li> <li>25% Associatives</li> </ul>	15%
Basic requirements previous to the presentation of each project	<ul style="list-style-type: none"> <li>• Export diagnosis</li> <li>• Business Plan</li> </ul>	Project must be approved by 2/3 of the members of the sectorial boards by simple vote

# Potential Sectors selected by Government related to Agriculture

## INVESTMENT OPPORTUNITIES

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### **Meat & Leather**

Exports jan-nov 2011

870 millions US\$



### **Wood Products**

Exports jan-nov 2011

96 millions US\$



### **Biofuels**

National Market only

No exports so far..

Mandatory Law to mix

Ethanol with Gasoline

24% , and Diesel with

Biodiesel up to 20%



# Potential Sectors selected by Government related to Agriculture

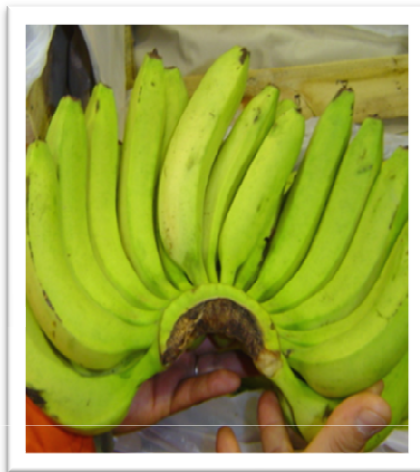
## INVESTMENT OPPORTUNITIES

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### Stevia

Exports jan-nov 2011  
**US\$540.000**  
Up 138%



### Fruits & Vegetables

Exports jan-nov 2011  
**31.4 millions US\$**  
Up 40%



### Essential Oils

Average yearly Exports:  
**15 millions**





# ETHANOL PRODUCTION

## Location Map of Industries Producing ETHANOL, year 2010 (9)



**Empresa:** SAN LUIS SAECA  
**Cap. Instalada:** 20.000.000 lts/año  
**Volumen de Prod. :** 17.000.000 lts/año  
**Localización:** Col. Francisco Caballero Álvarez, Dpto. de Canindeyu  
 Materia Prima: Caña de Azúcar - Cereales

**Empresa:** AZUCARERA PARAGUAYA (AZPA)  
**Cap. Instalada:** 30.000.000 lts/año  
**Volumen de Prod.;** 26.000.000 lts/año  
**Localización:** Tebicuary, Dpto. del Guaira  
 Materia Prima: Caña de Azúcar

**Empresa:** INPASA  
**Cap. Instalada:** 90.000.000 lts/año  
**Volumen de Prod.:** 20.000.000 lts/año  
**Localización:** Col. Nueva Esperanza, Dpto. de Canindeyu  
 Materia prima: Cereales - Mandioca

**Empresa:** ITURBE  
**Cap. Instalada:** 20.000.000 lts/año  
 Volumen de Prod.: 15.000.000 lts/año  
**Localización:** ITURBE, Dpto. del Guaira  
 Materia Prima: Caña de Azúcar - Cereales

**Empresa:** ALMISA ALCOHOLERA  
**Cap. de Prod.:** 5.000.000 lts/año  
**Volumen de Prod. :** 1.000.000 lts/año  
**Localización:** Colonia Repatriación, Dpto. De Caaguazú  
 Materia Prima: Caña de Azúcar

**Empresa:** PETROPAR  
**Cap. de Prod.:** 36.000.000 lts/año  
**Volumen de Prod.:** 22.000.000 lts/año  
**Localización:** Mauricio Jose Troche, Dpto. del Guaira  
 Materia Prima: Caña de Azúcar

**Empresa:** ALCOTEC  
**Cap. Instalada:** 10.000.000 lts/año  
**Volumen de Prod.:** 4.000.000 lts/año  
**Localización:** Ruta 2 Km. 198, Dpto. de Caaguazú  
 Materia Prima: Caña de Azúcar

**Empresa:** PHOENIX  
 Cap. Instalada: 10.000.000 lts/año  
**Volumen de Prod.:** 2.000.000 lts/año  
 Localización: Maciel, Dpto. de Caazapá  
 Materia Prima: Caña de Azúcar

**Empresa:** ALPASA  
**Cap. Instalada:** 15.000.000 lts/año  
**Volumen de Prod.:** 6.000.000 lts/año  
**Localización:** Colonia Santa Isabel, Dpto. de Paraguari  
 Materia Prima: Caña de Azúcar

**Mano de Obra Agrícola: 18.000 Personas**  
 Industrial; 1.500 Personas

Superficie Cultivada de Caña de Azúcar destinada para Alcohol : **50.000 has**  
 Rendimiento : 55 Tn/Ha  
 65Lts de absoluto por cada 1 TN de Caña  
**3.575Lts de absoluto por 1 Ha de Caña**

**Capac. de produc. instalada Total : 228.000.000 lts/año**

**Prod. Zafra 2.008: 117.000.000 lts**  
**Demanda/mezcla Año 2.008: 73.000.000 lts**

**Prod. Año 2.009 : 150.000.000 lts**  
**Demanda mezcla año 2.009: 95.000.000 lts/año**  
**Volumen Exportable zafra 2.009; 55.000.000**

# Why you should invest in Paraguay?

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**1. Abundance of natural resources and labor**

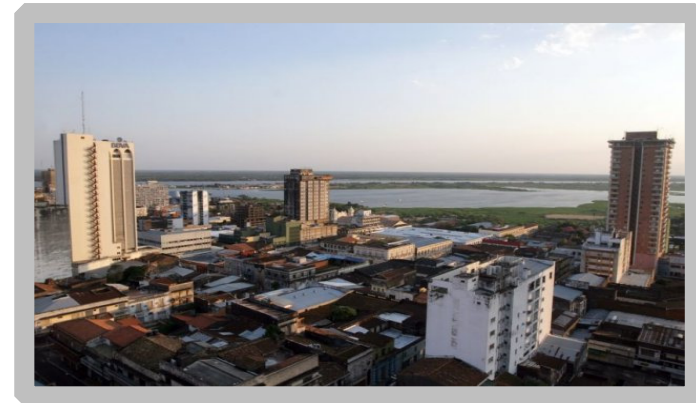
**2. Abundant electrical energy**, environmentally clean and renewable.

**3. Mainly young population structure.** Young labor is inexpensive and able for fast training

**4. Stable macroeconomic variables.** Fiscal policy with the lowest tax burden in Latin America, stable monetary policy

**5. Excellent Business Climate for Investment.** Ample advantage, fiscal incentives and benefits for foreign direct investment (FDI)

**6. Quick return on investment (ROI)** and increasing economic growth since the financial crisis of 2008-09.



**7. It is among the world's top exporters of soybeans and beef**, both with high productivity and capacity for expansion.

**8. Strategic location.** The country is located in the heart of South America with free access to MERCOSUR market.

**9. Center of the Paraguay-Parana Waterway** with free navigation throughout the whole year for constant river-sea trade.

**10. Good levels of quality of life and safety** for investors, international managers and foreign workers

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