

ATLAS OF VULNERABILITY: DEVELOPING COUNTRIES AND THE PANDEMIC

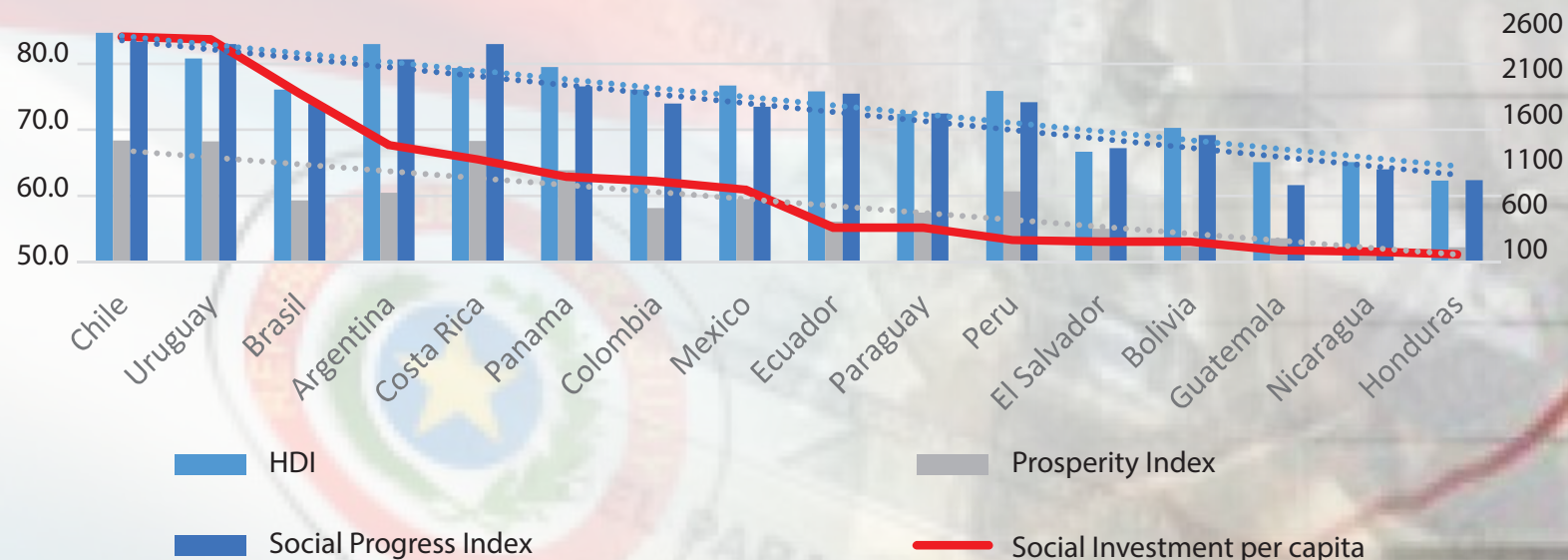
PARAGUAY



Paraguay has been growing at relatively high rates, with an average of around 5% per year since the beginning of the new century, mainly driven by the commodity boom. This has positioned it as an upper-middle-income country. Such good economic performance has placed the country as the number one renewable energy exporter, the fourth soy exporter, and the eighth supplier of meat worldwide.

However, other economic indicators reveal important weaknesses such as the low tax pressure partly explained by tax evasion and avoidance, including the effects of illicit flows, large public deficits and the rapid increase of public debt, which doubled between 2017 and 2020.

The positive evolution of GDP should not make us forget that the country is still among the least developed countries in Latin America. Also, between 2017 and 2020, Paraguay found itself below regional averages in social matters since most of the comparable countries leapfrogged it due to more decisive efforts in this field.



The low level of development reflected the country’s limited capacity to face the pandemic from an economic and health perspective. The lack of social protection policies prevented the financing of economic containment measures, while a segmented and exclusive health system placed Paraguay in the first places of lethality worldwide for several weeks.

This economic model based on agro-exports and concentrated on few products and commercial destinations, in addition to its dependence on climate, has led to a highly volatile performance and a very low multiplier effect on quality job (i.e. with social security) creation and on the tax system. The overall result is a high level of economic and social vulnerability, both at the aggregate and household level. The latter is illustrated by the severe vulnerability of family agriculture due to the risks faced in terms of their production and access to food.

Indicators	Paraguay	Latin America ^{1/}	Compares with ^{2/}
Tax pressure (% of GDP)	13,9	22,9 (ALC)	33,8 (OCDE)
Informal employment rate (%)	68,9	56,6	18,3 (developed countries)
Proportion of family agriculture (%)	93,1	81,0 (ALC)	-
Dependence on external financing (%)	63,8	74,8	-
Femininity index in poor households	119,7	119,1	102,0 (Honduras)

1/ Simple average for the reported Latin American countries. Tax pressure and family agriculture are reported at the regional level for LAC.

2/ Tax pressure and informal employment are reported on an aggregate basis. Poverty femininity index reports the best positioned country in the region.

The table below presents some indicators that account for this vulnerability. The low tax pressure and social security coverage derived from the high levels of labor informality reduce the space for health financing. Paraguay invests half the Latin American average in health and just over 5% of OECD's averages, thereby increasing out-of-pocket expenditure, being one of the countries with the highest private health spending in the region.

The low priority given to health translates into a reduced capacity to guarantee the population's right to health, which worsens in the pandemic context and is further aggravated by the lack of a social protection system that would help the population, especially those employed, to maintain social distancing.

Indicators	Paraguay	Latin America ^{1/}	Compare with ^{2/}
Coverage of social insurance programs (%)	5,3	16,5	45,7 (Chile)
Public spending on health per capita (current US\$) - five-year average	175,8	360,7 (ALC)	3.271,3 (high-income countries)
Out-of-pocket expenditure (% of current health expenditure)	45,3	30,1 (ALC)	13,5 (high-income countries)
Hospital beds (per 1,000 inhabitants)	0,8	1,9 (ALC)	5,6 (OCDE)
ICU beds (per 100,000 inhabitants)	10,3	9,0 (ALC)	12,0 (OECD)
Number of physicians (per 1,000 inhabitants)	1,4	2,3	3,5 (OCDE)
Number of nurses (per 1,000 inhabitants)	1,7	5,1 (ALC)	9,6 (OCDE)

1/ Reported values at the regional level for LAC, ICU beds for 13 countries. Coverage of social security programs and number of physicians present a simple average for the reported Latin American countries.

2/ Values are reported in an aggregate way. Coverage of social security programs reports the best positioned country in the region.

Source: Latindadd and Jubilee USA (2021)

Despite its strong economic growth, the arrival of the pandemic found Paraguay in an extremely precarious condition, which had a high cost in terms of deaths, economic losses and increasing public debt.

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