

PARAGUAY

INVESTMENT GUIDE
2019-2020

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Liz Rosanna Cramer Campos
Minister of Industry and Commerce of Paraguay

Paraguay has the Best Climate for Investments in the Region

Mercosur is a market of more than 260 million people and Paraguay aims to be a competitive base of access to it, based on its distinctive attributes, such as macroeconomic stability, low energy costs, diverse and abundant natural resources, high quality of life at a reasonable cost, young workforce and demographic profile.

A recent success story is the auto parts industry, where international firms have bet on Paraguay, taking advantage of these factors and the existing incentive structures for this type of industry.

Paraguay offers favorable conditions, especially for multinational companies seeking to migrate to a 100% renewable energy system, since Paraguay is the world's second largest exporter of electricity and only 16% of the total volume generated is consumed locally, leaving a very significant surplus for the use of these companies, as well as for the development of industrial hubs.

Paraguay is making progress along a new road map for its development, which incorporates a strategy for transforming production, based on strategic pillars such as: strengthening institutional capacity, continuously improving the business climate and de-bureaucratization, improving the competitiveness of hubs, value chains and strategic sectors, and financing and gross capital formation.

The recent agreements reached between Mercosur and the European Union and EFTA will mean access to an integrated market of 814 million people for Paraguayan industry, with bilateral trade of more than USD 107 billion per year. Certainly,

this will take time and gradual implementation, but it will be part of the global market to which Paraguay will have access on preferential terms. At the same time, negotiations continue with South Korea, Singapore and Canada, always aiming at expanding opportunities for foreign trade. This will be effectively exploited to the extent that the national industry becomes more competitive, with the incorporation of innovation and technology.

Paraguay, like all the economies of the world, is expected to suffer the effects of the economic crisis caused by the covid-19 pandemic, but the aforementioned attributes and Paraguay's productive framework make it a resilient country that produces what the world consumes now and will consume in the future, such as food and renewable energy, as well as others. It is worth mentioning the comparative success that Paraguay has had in the area of health, in terms of controlling the spread of the virus, which was achieved thanks to clear messages from the Government and total compliance by the population.

Finally, it should be noted that Paraguay is only one step away from investment grade, a position it has managed to maintain despite the crisis. The most important rating agencies in the world kept Paraguay at this status thanks to its solid growth in recent years, the economic resilience it has shown, despite external shocks (including the current one), the credibility of its macroeconomic policy, which has a solid inflation targeting scheme and low external debt.



Mario Aníbal Romero Lévera
Director Nacional REDIEX

Investment Guide Advantages and incentives to invest in Paraguay

Dear reader,

We are pleased to present the current Investment Guide prepared jointly by the Network of Investment and Exports (REDIEX in Spanish), under the Ministry of Industry and Commerce, and the Chamber of Commerce Paraguay Brazil (CCBP in Spanish).

The publication is intended to provide national and international businesses with an overview of the conditions, advantages and incentives available to make an investment in Paraguay, as well as to guide the various steps to be taken during the implementation phase.

Over the past few years, Paraguay has hosted hundreds of investment projects, many of them with the support of REDIEX. Based on these experiences, the most frequent queries made by investors were identified and are covered in this guide.

Like all the countries of the region, Paraguay has also faced the covid-19 crisis, achieving relatively low figures due to the pandemic and now, encouraging prospects for the recovery of the productive sector. For this reason, our country offers a timely socio-economic context for the continuity of international investment, in accordance with best health practices.

According to international analysts, our country has a high resilience to a difficult international scenario, being its main strengths a stable macroeconomic environment, the abundant agricultural capacity and the wide availability of renewable and accessible electric energy. At the same time, Paraguay aims to convert these strengths into higher value-added products and services, thus creating new jobs and increasing the diversification of our economy.

As an opportune place for investment, we hope to contribute to the growth of your company, not only in relation to the internal market of Paraguay, but also with a view to the Mercosur market of which our country is a part.

REDIEX is an organization to articulate the productive and the public sector of Paraguay. In addition to the information provided in this publication, REDIEX's team of professionals is available to provide you with comprehensive advice on your investment during all phases of the project.

It is our sincere hope that this Guide will be the first step in a shared success story, both for your company and for our country's economy.



What is REDIEX?

MISSION AND ROLE

REDIEX is an office under the Ministry of Industry and Commerce, which aims to:

1. Promote local and foreign investments that would help drive the social and economic development of the country.
2. Support the export of the most productive sectors in Paraguay through networking with all key players: government, business and civil society organizations while generating joint actions.

MISSION

- To encourage Paraguay's economic and social development through export promotion.
- To improve the business context.
- To attract investments, in order to create jobs and improve the quality of life of Paraguayans.

ACTION

- **Promoting investment:** to articulate actions developed in projects, programs and institutions, which are an initiative of the National Government and affect exports and investments in Paraguay.
- Promoting systems to attract investment.

Services provided:

- Advise foreign investors on their investments in the country.

- Presenting advantages and investment opportunities in Paraguay to foreign investors and international counterparts.
- Initial link between foreign companies interested in investing in Paraguay and government agencies and private sector associations.
- Post assistance: support to established foreign investors by detecting the operational obstacles they face and helping them finding solutions.

• **Export promotion**

Industry platforms: beef and meat products, food and beverages, biofuels and renewable energy, auto parts and assembly, pharmaceutical chemicals, forestry and floriculture, creative industries and services, textiles and clothing.

Activate the private sector participation in exports and articulate the needs for improvement that arise and that depend on the Government, in coordination with the units and the responsible institutions. To promote financing programs for projects developed with the private sector that aim to boost exports and investments. Promote mechanisms to support the exporter and annual commitments with the private sector, for exports and investments.

Services provided:

- Application for business export diagnostics.
- Design of co-financing project.
- Support in the elaboration of a business plan.
- Presentation of the project before the Evaluation Committee (CEP in Spanish)
- Support in the execution process of the project actions.
- Support in the process of operational and administrative closure of the project.

• **Competitive intelligence:**

To provide market intelligence services, according public demand, private and academic sectors, through the provision and analysis of information related to market access, commercial evolution, business opportunities, among others.

Services offered:

- Customer service for the exporter.
- Export products and markets.
- Foreign trade publications.
- Statistics.
- International Importers Directory.
- Specialized sectorial and market studies.
- Identification of market opportunities.

• **Trade promotion:**

Coordinate the necessary activities for the national and international trade promotion of national companies and products, as well as investment and export projects of national companies.

Services provided:

- National and international fairs for the promotion of national companies and products.
- International marketing for Paraguayan products
 - Local and foreign commercial missions.
 - Business rounds.
 - Business networking.
 - Seminars specialized in international trade.

• **Country Brand**

Promote and safeguard the Country Brand as a strategic and valueable tool for attracting investment and promoting exports.

• **Commercial attaché offices:** Representations of the Ministry of Industry and Trade abroad: Brazil, Argentina, Spain, Italy, Taiwan.

REDIEX INVESTMENT ATTRACTION MANAGEMENT

SERVICES PROVIDED:



Promoting direct foreign investment in Paraguay and guidance for foreign investors on the establishment of their investments in the country.



Presentation of advantages and opportunities of Investment in Paraguay (available in several languages) to foreign investors and international counterparts.



Initial link between foreign companies interested in investing in Paraguay, government agencies and private sector associations.



Follow up; Support to established foreign investors, detecting the operational obstacles they face and supporting them in the search for solutions to overcome them.

Email Contacts inversiones@rediex.gov.py to coordinate virtual meetings through the different platforms available.

Do not hesitate to contact us, we are here to support your Investment and/or Reinvestment processes.

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Asunción - Paraguay

1 COUNTRY TRAITS



1.1 SOCIO-ECONOMIC, POLITICAL AND GEOGRAPHICAL PROFILE

Paraguay is located in the heart of South America between the parallels 19° 18' and 27° 36' south latitude, and the meridians 59° 19' and 62° 38' west longitude, with GMT - 4 time zone. It borders Bra-

zil and Bolivia to the north, Brazil and Argentina to the east, Argentina to the south and Argentina and Bolivia to the west, with an area of 406.752 km2.



Source: depositphotos

The country is divided by the Paraguay River into two natural regions: the Eastern part, bordered by the Paraguay, Apa and Paraná Rivers; and the Western part or Chaco, bordered by the Paraguay and Pilcomayo Rivers. Both regions are fundamentally different in terms of flora, fauna and climate. There are no mountains and the highest elevations do not exceed 850 meters.

The capital is Asunción, which is surrounded by a metropolitan area made up of 19 municipalities

that make up the Central Department, a region that holds 37% of the population. Other important cities in the country are: Ciudad del Este, Encarnación, Pedro Juan Caballero, Salto del Guairá, Concepción and Coronel Oviedo. The first four cities share borders with Brazil and Argentina, where there is a constant commercial, social and cultural exchange.

At present, Paraguay is a democratic, Social State under rule of law with a three-branch government:

the Executive, the Legislative and the Judiciary. The territory is divided into 17 departments, each governed by a governor and a departmental board, and each district has a local government headed by a municipal mayor and a municipal board.

Its multiculturalism makes it a peculiar and different country, in constant evolution. It is a country with native populations of five linguistic families, with a predominance of Guaraní, and the presence of immigrants from various countries of the world, who contributed an extraordinary wealth of cultural manifestations to the first Spanish-Guaraní mixture.

Climate

The country's climate is quite variable; the northwest of the Chaco is semi-arid, becoming dry sub-humid and mega thermal with savannah vegetation in the Chaco basin of the Paraguay River and northwest of the Eastern Region, and mega thermal sub-humid in the rest of the Eastern Region, with maximum humidity index in the departments of Alto Paraná, Itapúa and Canindeyú.

The annual rain cycle is accentuated by two well-defined periods. Between October and March the most intense rainfall is recorded, which generates the maximum accumulated values; however, between April and September the rainfall decreases considerably throughout the country with minimum annual values in the middle of winter.

Despite the limited territorial extension and topographical homogeneity, there are significant spatial and temporal variations in temperature.

Western Region

Rainfall

The rainiest season is undoubtedly the summer, with accumulations in the order of 400 mm to 600 mm in much of the Region.

During the autumn and spring the accumulations are around 350 mm to 250 mm in the southeast to northwest, while the driest season is winter with accumulations ranging from 250 mm in the south-east of this region and up to 75 mm in the northwest of the Chaco.

Average temperature

The highest temperatures are recorded mainly in summer, with an average value in the order of 28°C to 30°C; in autumn, average temperatures range from 22°C to 26°C, varying from south to north, and in the same direction in winter average temperatures range from 18°C to 22°C.

Eastern Region

Rainfall

Summer is the rainiest season in both the Eastern Region and the Western Region, with a total rainfall ranging from 400 mm to 600 mm. This range of precipitation is maintained in average during the autumn and until the spring, especially in the departments located on the center, east, northeast and southeast of the mentioned area.

In winter, rainfall is around 250 mm except for the extreme southeast of the country, where it is around 300 mm.

Average temperature

Average temperatures in summer range from 24°C to 30°C from south to north. During the spring and autumn seasons a similar behavior is observed, with average values between 22°C and 24°C from south to north.

In winter the temperatures are around 16°C and 18°C in the center and southeast of the country.

More information at:

<https://www.meteorologia.gov.py/>

Language

The official languages are Spanish and Guaraní, the latter being the heritage of the indigenous people, the root of the Paraguayan nation.

Population

The estimated population is 7,152,073 according to the report of the General Directorate of Statistics, Surveys and Censuses (DGEEC in Spanish). Paraguay is a country that historically has admitted foreign immigration, and there are currently thriving colonies of Brazilians, Germans, and Japanese, among others. According to the Migration Registry, updated to November 2019, there are 219,513 Brazilians, 55,581 Argentines, 24,191 Koreans, 19,196 Germans, 16,831 Poles, 15,689 Taiwanese, 9,709 Japanese, 8,053 Spaniards, 7,896 Uruguayans, 7,847 Americans, 4,517 Mexicans, 3,894 Peruvians, among other nationalities.

According to the DGEEC report of 2019, half of the population is 26 years old or younger. The proportion of the population of older adults is also grow-

ing, although more slowly than the proportion of children and young people.

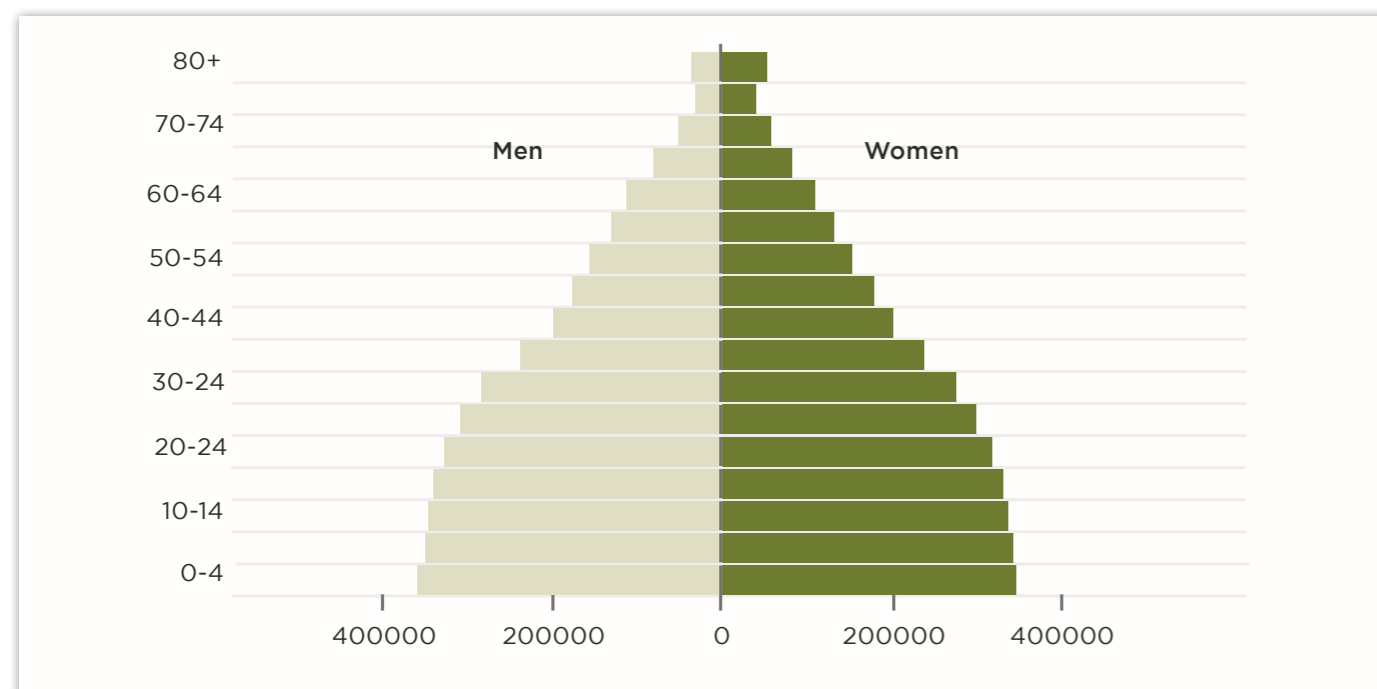
The age structure shows that 29.6% of the population is under 15 years old, 64.1% are between 15 and 64 years old (age group considered as working age population) and about 6.4% are 65 years old and older.

The average annual growth rate of the Paraguayan population by 2019 was 1.40% and will experience a slight reduction throughout the period. In 2024 it is expected to be 1.33% per year.

The total labor force composed of employed and unemployed people (those who are currently unemployed) in the country is 3,555,774 (71.2%), according to the report of the second quarter of 2019.*

(*) Source: DGEEC. Continuing Household Survey 2018-2019.

Distribution of the population by age. Year: 2018.



Source: DGEEC

Religion and ideologies

The National Constitution declares that freedom of religion, worship and ideology are recognized, with no other limitations than those established by the Constitution and the laws.

Ethnic groups

At present, the indigenous population living within Paraguay's borders is made up of 19 indigenous peoples belonging to five linguistic families comprising 122,461 people, corresponding to 1.78% of the Paraguayan population (DGEEC 2017).

The indigenous population is distributed in both regions of the country. However, there are several cross-border peoples who, despite the political divisions between the countries, maintain constant exchanges with other communities using their ancestral territory. This is the case of several peoples of the Guaraní language family, and of the Ayoreo indigenous groups in voluntary isolation.

Linguistic Families

Zamucó: Ayoreo, Yshir, Tomaraho.

Mataco: Nivaclé, Maká, Manjui.

Enlhet-Enenlhet (Maskoy): Enlhelt, Enxet, Guaná, Sanapaná, Angaité, Enenlhet (Toba Maskoy), Maskoy.

Guaicurú: Qom.

Guaraní: Guaraní Occidentales, Guaraní Ñandeva, Paí Tavyterã, Mbyá, Avá. Guaraní, Aché.



Political división

Paraguay is divided into 17 departments, three in the Western Region and 14 in the Eastern Region. The capital of the country is the city of Asunción, located on the left bank of the Paraguay River.

The current National Constitution of 1992, declares that the Republic of Paraguay is free and independent; it is constituted as a Social State of Law, unitary, indivisible and decentralized, and it adopts the participative and pluralist representative democracy.



Source: depositphotos

Education

Since the 1992 Constitution, the country has been a multicultural and multilingual state with two official languages, Guaraní and Spanish. 29% of the population over the age of five speaks only Spanish, while 37,6% speaks Guaraní and 30,7% both languages, with the highest proportion of Guaraní speakers in rural areas 66,9%.

Source: General Directorate of Statistics, Surveys and Censuses (DGEEC in Spanish).

Most of the demand for education corresponds to the 3-18 age group, which represented 32,1% of the population in 2018. The average number of years of study of the population is 15, (10.3 years in urban areas and 7.4 in rural areas); about 13,7% of the population aged 15 to 29 has 6 or less years of study. At the country level, 6% of the population aged 15 and more is illiterate. This rate is higher in the rural area (9,4% of the total rural population aged 15 and more) than in the urban area (4,1% of the total urban population aged 15 and more).

The National Education System comprises formal, non-formal, special and other types of education. Formal education is structured on three levels: the first level of Initial Education (EI in Spanish), the first and second cycle of Basic School Education (EEB in Spanish); the second level, which consists of the third cycle of EEB and Secondary Education (EM in Spanish); and the third and final level comprising Higher Education (ES in Spanish). Basic education is made up of initial education, basic school education, secondary education and continuing education for young people and adults (Law 5.749/17). Therefore, secondary education as part of basic education is also compulsory and must be guaranteed by the State, both universal access and completion.

At the end of 2018, the education system had a total of 1.451.663 students enrolled, of which 77% were in the official sector, i.e. most of the students' training is paid for by the State. Likewise, it registers 75.259 teachers and more than 10.000 institutions, of which some 8.650 are officially managed, 861 are privately managed and 632 are privately subsidized.

The Government currently has an "Educational Action Plan 2018-2023", which is a document that summarizes the actions prioritized in this government period for the education sector, in accordance with the National Education Plan 2024, the National Development Plan 2030 and the Sustainable Development Goals (ODS in Spanish), in order to ensure access to and quality of education in our country, to reduce the high levels of poverty and inequality and, consequently, to serve as a basis for the sustainable development of the country, where its great cultural wealth and diversity is harmonized and enhanced.

National holidays

January 1st, New Year's Day

March 1st, Memorial Day
Good Thursday and Friday

May 1st, Labor Day

May 15th, National Independence

June 12th, Chaco Peace

August 15th, Foundation of Asunción

December 8th, Virgin of Caacupé

December 25th, Christmas

In addition to the national holidays listed above, there are other departmental and municipal holidays that are distributed throughout the year.

Electric Voltage

220 volts and 50 cycles.

1.2. LAND AND BASIC INFRASTRUCTURE

Paraguay is located in the center of South America, a little over 1.000 kilometers from the nearest exit to the sea, equally distant from the countries of the region, which favors business and international trade. It is a country of 406.752 km2, small in size, ranks 60th in the world, and eighth in the region, yet it is larger than great nations such as Germany and Japan.

It is mediterranean, surrounded by very important rivers such as the Paraguay and the Paraná, which flow into the Rio de la Plata basin and the Atlantic Ocean.

Paraguayan is divided into two large regions, the Western Region or Chaco, and the Eastern Region which is flat with some medium height elevations, perfect for the development of infrastructure works at very efficient costs, compared to other countries in the region.

Road transport and road network

Road transport plays a major role in bilateral trade with most Mercosur countries, and is central to Paraguay's internal trade. According to official data, the total length of the national routes is 9.056 km. In the Eastern Region of the country the paved roads reach 5.502 km, while in the Paraguayan Chaco its road heritage reaches 3.554 km of paved roads.

Due to the new Public-Private Partnership (Law 5.102/13) and Turnkey (Law 5.074/13) laws, the following works have been awarded for more than USD 800 million: the duplication of Routes 2 and 7 that connect Asunción with Ciudad del Este, and the creation of the first section of the Bioceanic Corridor of 277 km, which crosses the entire Western Region from Carmelo Peralta to Loma Plata.

The Government of Paraguay welcomes the participation of the private sector in more infrastructure works, which will support the industrial and economic development of the country.

The following two bridges that will improve road communication with Brazil were tendered: the Puerto Murtinho - Carmelo Peralta bridge (in the technical study and project stage), worth USD 4.3 million, and the Foz de Iguacu-Presidente Franco bridge (under construction with delivery scheduled for 2022), worth USD 83 million. A third bridge with Brazil is under study, located on the Apa River, which will improve Paraguay's connectivity with the State of Mato Grosso del Sur.

Also, the bridge that will connect Asunción with the Western Region (worth USD 125 million) was tendered, creating a new real estate and industrial development pole. It was tendered in June 2019 under the turnkey modality.

Multimodal transport operators

Although in practice work is done with integrated operations, in reality these do not have a multimodal transport character, as no single transport document is issued through a multimodal operator. In fact, in Paraguay there is no local standard to regulate this modality. This type of modality has not prospered at the regional or international level either.

However, in Paraguay there are more and more transport operators, or freight forwarders, who assume the integral management of transport contracting in their different modes, as well as the coordination of these operations.

As for the amount of cargo transported, according to Shipowners Association (CAFYM in Spanish) data, Paraguay mobilized around 220 thousand TEUs by river in 2018. In imports the movement was almost 125000 TEUs.

Port operators

Since the enactment of the "Law that creates the Legal Regime for the Construction and Operation of Private Ports N.º 419 of 1994", there has been a significant development in the infrastructure and quality of port management, which provided the Paraguayan coast with a network consisting of 49 private ports. Private ports are members of the Paraguayan Chamber of Private Terminals and Ports (CATERPPA in Spanish).

Beyond this group of ports, Paraguay has ports and land terminals operated by the National Administration of Navigation and Ports (ANNP in Spanish).

River transport and port infrastructure

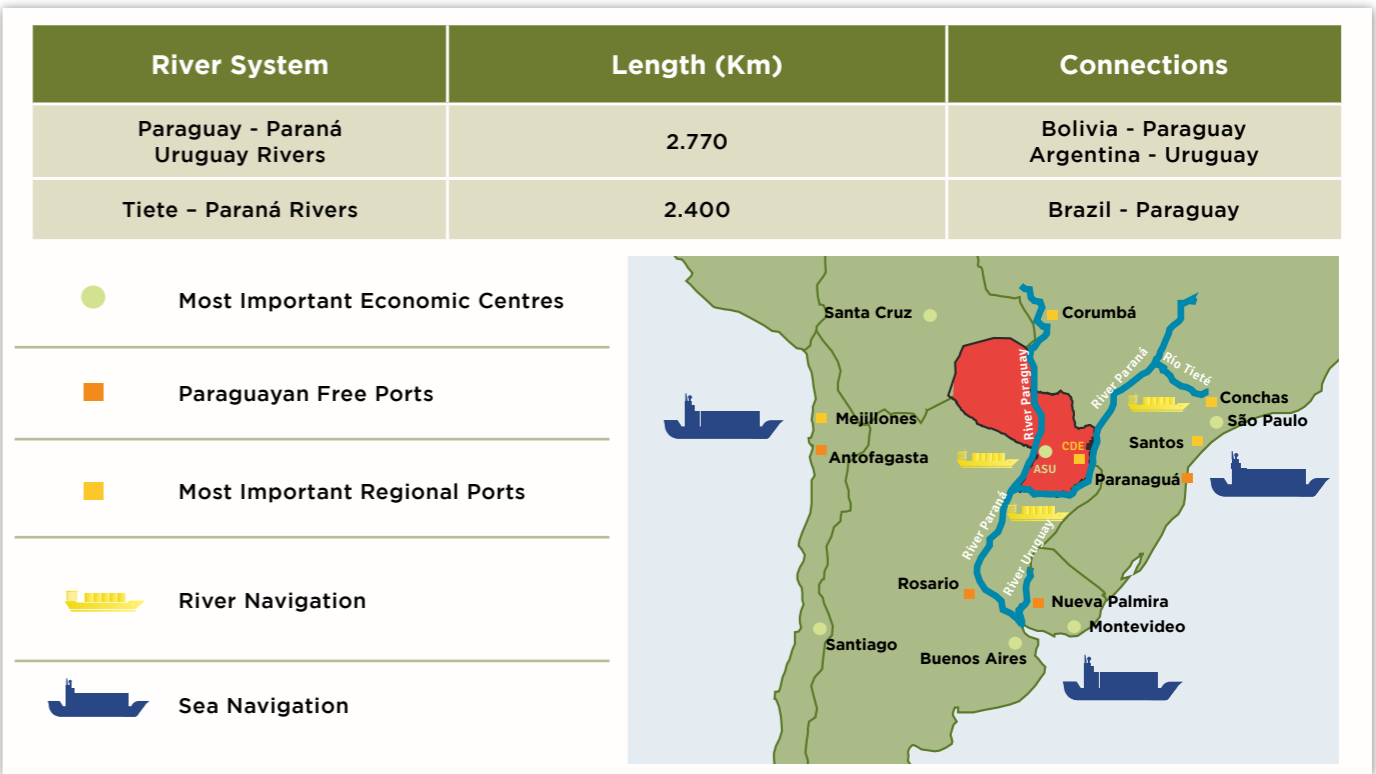
The port system includes the ports located on the Paraguay River: Asunción, Villeta, Concepción, and other smaller ones (Villa Hayes, Rosario, Antequera, Alberdi, Humaitá, Pilar and Itaipú); and those located on the Paraná River: Ayolas, Encarnación, Presidente Franco and several smaller public and private ports.

The main public ports for container handling are located on the Paraguay River: Asunción, Villeta, 37 km south of Asunción, and Concepción, 310 km north of the capital. The main ports for the handling of dry bulk cargo (mainly soybean) are on the Paraná River.

Since 1991, engineering and technical and economic feasibility work has been carried out to permanently improve navigation conditions on the Paraná-Paraguay waterway between Puerto Cáceres in Brazil (3.442 km upstream of Buenos Aires) and Nueva Palmira in Uruguay.

Paraguay is strategically located, it only lacks the right infrastructure to become the river hub of Mercosur, connecting the following six countries: Brazil, Argentina, Uruguay, Paraguay, Bolivia and Chile, being the most cost-effective exit to the Atlantic.

Map of the Paraguay River System



Infographics: Map - Paraguayan Brazilian Chamber of Commerce.

For Paraguay to become a river hub, it is necessary to open the channel at 10 feet of draught on the Paraguay River and to build the locks on the Itaipu dam (project under study) to guarantee the navigability of the Paraguay and Paraná rivers all year round. These infrastructure works will create a new development pole where more than 20 million people from the countries mentioned above currently live.

The estimated flow of containers in Paraguay amounts to about 110.000 TEU 13, these operate 90% in three terminals: Caacupemí, Fénix and Terport, and the remaining 10% is operated in the port of Asunción by National Administration of Navigation and Ports (ANNP in Spanish)

As a Mediterranean country it is important that the country can count on river transport at an affordable price.

Air Transport

There are two international airports for all types of aircrafts: first, Silvio Pettrossi International Airport, located 10 km from the center of the country's capital. It is the main entrance and exit for international passengers. This airport has a 3.553 m long runway. The following airlines operate at this airport: Air Europa, Aerolineas Argentinas, Amazonas, Avianca, Copa Airlines, Gol, Latam and Paranair.

The second is the International Airport Guaraní, which is located in the district of Minga Guazú - Alto Paraná, 28,9 km from Ciudad del Este, is has a 3.400 m long runway and is mostly used for air cargo.

There are also seven airfields with paved runways in Itaipú, Concepción, Vallemí, Pilar, Ayolas, Caazapá and Mcal. Estigarribia. The Encarnación airport was recently opened. In addition, there are numerous small airports throughout the country, although most do not have paved runways.

Energy Sector

Primary energy production in Paraguay is composed exclusively of renewable energy sources (hydropower and biomass). No oil is produced, and natural gas production is local and marginal and does not, for the moment, represent any contribution to the national energy matrix.

Approximately 75% of Paraguay's gross domestic energy supply consists of hydropower. The operation of binational hydroelectric plants (Itaipú with Brazil and Yacyretá with Argentina) make up the electro-export profile of Paraguay's energy system. In terms of hydroelectric power generation, the country occupies a significant position in the world; it has two hydroelectric dams, Itaipú and Yacyretá, and energy is its main export item. The country also has three interconnections, one with Argentina and two with Brazil.

However, energy consumption in terms of kWh per inhabitant is low, due to a low-density and low-range internal distribution system. A 500 kVA transmission line has been in operation since October 2013, allowing a more intensive use of the energy generated by the hydroelectric power plants.

The high surplus of energy available for export keeps the pace in the country's energy structure. Electricity is the only component of exports and about 98% of the electricity Paraguay exports (according to the National Energy Balance scheme) is the energy transferred by treaty to the Brazilian and Argentine markets as a result of the lack of a domestic market.

The construction of the 14 mV Small Hydroelectric Plants (SHPs) on the Ypané River is in the process of international tendering, as well as the generation of alternative energy for Bahía Negra, in the Alto Chaco.

According to a report by the Ministry of Public Works and Communications (MOPC), once construction is completed in the case of Bahía Negra, it will be possible to become a 100% renewable, alternative and clean energy country. The Small Hydroelectric Plant of Ypané is estimated to produce about 10 megawatts, with an investment of approximately USD 40 million.

In the case of the electricity sub-sector, the state company National Energy Administration (ANDE in Spanish) exercises the legal monopoly of the public electricity service. In the hydrocarbons subsector, Paraguayan Petroleum Administration (PETROPAR in Spanish) is authorized to process oil and currently shares with the private sector the former legal monopoly on the import of crude oil and diesel oil. Prospecting and exploration activities are granted by the State to foreign and national private companies for a defined period of time.

Hydrocarbon Sector

The hydrocarbons subsector accounts for approximately 30% of final energy use in Paraguay, of which nearly 70% is made up of diesel fuel in the different transport, agricultural, construction and service activities.

Paraguay imports all the hydrocarbons it needs, which are derived from oil. The National Government concentrates its greatest efforts on facilitating hydrocarbon prospecting and exploration work in national territory, in addition to providing highly favorable treatment for exploitation concessions.

The indications of hydrocarbons found so far are considered very encouraging.

Natural Gas Sector

By means of decrees N.º 11.884. 12.108 and 12,820 of 2001, the Government of the Republic of Paraguay decided to establish the Coordinating and Promoting Commission for Natural Gas and Related Investments (COMIGAS). As of July 4, 2002, Law 1.948 on the Transport of Gas by Duct has been in force, in accordance with national policies on regional energy integration and complementarity.

In accordance with the provisions, the functions of COMIGAS are: the study, promotion and development of the real possibilities of regional energy integration in terms of production, transport and use of natural gas; the study, promotion and development of the demand for the different applications of natural gas, as well as the global negotiation of the supply to cover the identified requirements.

As an initial goal, COMIGAS has proposed to promote an integrated project for the production, transportation and supply of gaseous hydrocarbons through the construction of a large gas pipeline that, starting from the fields in the south of Bolivia, will cross the territory of our country supplying the local demand to enter the Brazilian territory.

The present law seeks the diversification of the forms of energy available for sustainable development, the appropriation of new technologies in the matter and the reliability and security of the energy supply in the long term, with the minimum environmental impact.

Mining Sector

Paraguay has considerable mineral wealth, such as iron, magnesium, non-metallic industrial products, including kaolinic clays, dolomitized limestone, ornamental rocks, semi-precious stones, gold and raw materials for inorganic fertilizers.

Currently, Paraguay is working to integrate mining into its economic policy with the aim of making this important sector a factor in the country's development.

Concessions for mineral exploitation activities may be requested by individuals or legal entities by means of a letter addressed to the Minister of Public Works and Communications (MOPC in Spanish) in its original form and two copies submitted to the General Secretariat of the MOPC.

Concessions to carry out mineral exploitation activities are granted by law, after the signing of a contract approved by decree of the Executive.

The certificates of qualification and/or renewal of the exploitation of quarries can be requested by individuals or legal entities by means of a note addressed to the MOPC in original and two copies submitted to the General Secretariat of the MOPC through the Single Step Desk (MEU). The application is processed at the Vice-Ministry of Mines and Energy, through the Department of Mineral Resources.

The Office of the Vice-Ministry of Mines and Energy is a body under the MOPC, and is the leading institution in the national energy sector.

Biomass Sector

Currently, Paraguay's energy matrix has a high production of renewable electric energy, generated in the binational plants Itaipú and Yacyretá, and in the Acaray plant. However, when we analyze the final energy consumption, we have a high consumption of biomass (43%) and oil derivatives (41%), all of which are imported. The consumption of electrical energy in the country represents only 16%.

Historically (until the early 1990s), Paraguay has had a preeminent rural population in its population structure. The abundance of forests (50% of the national territory was made up of forests in the 1960s), the fact that no hydrocarbons are produced in the country and dietary habits and customs have led to the cooking of food, especially in rural areas, through burning wood, which is still done today using very low efficiency processes (around 5% to 8%).

On the other hand, the highest energy requirements of the Paraguayan industrial sector are related to thermal needs. Many of the raw materials used in industry contain combustible waste (coconut husks, rice husks, sugarcane bagasse, etc.), which are used to meet energy requirements. There is also a widespread use of wood-fired boilers in industry. This means that biomass has been and continues to be the main fuel in the country.

A reasonable part of the Gross Domestic Supply (GDP) of firewood is destined to the coal companies (with very low performance in most cases), which produce charcoal for industrial use (the national steel company, Acero del Paraguay S.A.(ACEPAR in Spanish), consumes about 80 thousand tons of charcoal per year) and for residential use. The charcoal is used for cooking food in the outlying areas of the Asunción metropolitan area and other cities.

According to a report by the Vice-Ministry of Mines and Energy (VMME), there is a commitment to work in coordination with the sector's institutions and the general public in order to achieve a more balanced energy matrix that will lead to greater and better use of electrical energy.

Forestry Sector

The National Forestry Institute (INFONA) is the agency responsible for promoting and encouraging forestation and reforestation on priority forestry soils, based on a management plan and with the incentives established in Law 3.464.

The projects approved by INFONA are not subject to Agrarian Reform or expropriation, except for reasons of public utility for infrastructure works of national character, such as roads, bridges, canals, dams and others.

Benefits:

- The Paraguayan State subsidizes 75% (seventy-five percent) and for one time only, for each forested or reforested area, the direct costs of the implantation incurred by natural or legal persons of any nature and that are carried out in rural properties, whose soils are qualified as a forestry priority (Law 536, Art. 7).

- Similarly, 75% (seventy-five percent) of the direct costs of maintaining forestation and reforestation during the first three years are subsidized, provided this has been done in accordance with the approved Forest Management Plan.

- Certificates of forestation or reforestation are issued after 12 (twelve) months of implementation and after it has been confirmed that the survival of the plantation is not less than 80% (eighty percent) per established hectare (Law 536, art. 9).

- Non-expropriation.

- Exemption from Real Estate Tax.

- Tax regime: the soils of rural properties qualified as priority forestry and the forests that are planted there, subject to forestation or reforestation, are exempt from any other municipal or departmental tax, whether in force or to be in force. Likewise, the real estate tax is exempted by 50% (fifty percent) while it is subject to the forestation or reforestation program.

Forest priority soil and management plan grading

Soil is considered a forest priority when technical studies determine that its productive suitability is preferably forest.

The property owners who wish to obtain the qualification of forest priority soils and/or the approval of the forestation or reforestation management

plan, must submit an application form and a technical study at the offices of the corresponding INFONA, according to the location of the property, in forms that this agency will provide.

The application for the qualification of forest priority soils and management plan, shall contain the individualization of the owner of the property, the signature of the owner, the administrative history of the location of the property and the certified copy of the property title.

The technical study for the qualification of forest priority soils must include the following aspects:

- Information on the soils to be graded, area by class and subclass of use capacity, taxonomic grouping, limiting factors and area to be graded.

- Technical justification of the qualification proposal.

- Plan of the property indicating the sector to be evaluated.

The management plan must contain the forestation or reforestation project and the management activities to be carried out, indicating the nature of the work to be done, the areas affected by the project identified in the plan and an annual calendar of these areas, subject to a framework to be drawn up by the INFONA.

The technical study for the qualification of forest priority soils and the respective management plan must be prepared and signed by a forest engineer or agronomist with forestry studies or specialty. This technician must have a professional permit authorized by the INFONA.

On properties of no more than 20 hectares, the INFONA shall be responsible for drawing up the plan.

Deadline:

In accordance with Article 8 of Decree N.º 9.425/95, the time limit for obtaining a certificate of forest priority soil grading and a management plan is 30 days from the date of filing of the respective application with its corresponding requirements. Once this period has expired, they will be considered approved and the corresponding certificate will be granted.

The deadline for submitting the application for the qualification of forest priority soils and management plan will be April 30th of each year.

Telecommunications

In Paraguay, the emission and broadcasting of electromagnetic communication signals are in the public domain of the State. Investors are guaranteed free access to the use of the electromagnetic spectrum on an equal opportunity basis, subject to the principle of non-discrimination. Within the framework of the advent of globalization, the liberalization of markets and the progressive deregulation of telecommunications at the world level, Paraguay ratified by Law 444/94, the Final Act of the GATT Uruguay Round, and with it the General Agreement on Trade and Services with their respective references to telecommunications. A specific law was also enacted (Law 642/95), regulated by the Executive (Decree N.º 14.135/96).

Telecommunications Law 642/95

The Telecommunications Law creates the National Telecommunications Commission (CONATEL) as a regulatory body, in addition to classifying the different types of telecommunications services, establishing the conditions for their operation, the protection regime for subscribers and users, the system of tariffs to be applied, the imposition of sanctions and the establishment of the Universal Services Fund.

Qualification of telecommunications services

Basic Services

These are point-to-point switched telephone services using fixed cable or radio, used as a substitute for or extension of the wiring network. They can be local, national long distance or international long distance. Basic services are public services provided under a concession. Currently, these services are provided exclusively by Paraguayan Telecommunications Company S.A. (COPACO in Spanish), whose main shareholder is the Paraguayan State.

Broadcasting Services

These are telecommunications services that allow the transmission or broadcast of communications in one direction to several reception points simultaneously. Broadcasting services are considered to include, among others, sound broadcasting, television, cable-communication, tele-distribution, radio-distribution and cable-distribution. These may be operated by natural or legal persons holding licenses as determined by the regulations.

Broadcasting services are provided under a license. Free competition is guaranteed for those who invest in the sector.

Other Services

Added Value Services

Value-added services are considered to be those that, using basic or broadcasting services as support, add some characteristic or ease to the service that serves as its basis. Value-added services include, among others, facsimile, videotex, teletext, teleaction, remote control, remote alarm, data storage and retransmission, teleprocessing and mobile cellular telephony. Value-added services will be provided on a free-market basis.

Companies providing value-added services that wish to use their own telecommunications networks, other than those for basic services, must obtain express authorization from CONATEL, and also register in the National Registry of Telecommunications Services.

The license to operate in the spectrum from 1,700 to 2,100 was tendered in 2015, and the companies AMX Paraguay (Claro) and Telefónica Celular del Paraguay S.A. (Tigo) were awarded, for the deployment of 4G LTE technology. The value paid by each company was USD 45 million.

In 2017, the bidding process for the broadband and data transmission in the frequency of 700 MHz was carried out. The private companies Telecel SA, AMX Paraguay and Núcleo SA were awarded, and the value of the total investment was USD 84.54 billion.

In 2018, CONATEL held a tender for the granting of broadcasting licenses for 38 frequencies. Four stations are AM (Amplitude Modulation) and 34 FM (Frequency Modulation). See licenses granted in the link: https://www.conatel.gov.py/conatel/wp-content/uploads/2019/10/licencias-formato-general-rnst_completo_-120619_fm-comercial.pdf

Private Services

Private telecommunications services are those services established by a natural or legal person to meet its own communication needs within the national territory.

For the purposes of their classification as private services, partners, affiliates and subsidiaries of the same legal entity operating as an economic unit shall be considered as one and the same person.

These services may not be provided to third parties, except for the provision of value-added services for the fulfillment of its corporate purpose.

Services reserved to the State

The telecommunications services reserved to the State, by direct management or by its public entities, are the following:

- Radio services to assist in meteorology.
- Radio services to assist air navigation.
- Radio-assisted services for river and maritime navigation
- Radio services for air-space navigation.
- Radio services for radio astronomy
- Relief and safety of life services on the rivers of the Republic and on the high seas
- Telecommunications, information and road assistance services.
- Those services that affect the safety of human life, or when for reasons of public interest the Executive Branch so decides.

The State may grant a concession for the temporary provision of these services to individuals under the conditions laid down in the respective laws, regulations and contracts.

Operating conditions

For the purpose of providing telecommunications services, the provider of such services must obtain a concession, license or authorization from the State, as the case may be. All these rights are non-transferable, unless expressly authorized by CONATEL. Holders of the above-mentioned permits are not allowed to engage in practices that restrict free competition.

Concessions

Concessions are granted for the provision of basic services. They are granted by public tender or at the request of an interested party, for a maximum period of 20 years, which may be renewable. To this effect, CONATEL and the investor sign a concession contract that must be approved by the National Congress.

Licenses

The licenses are granted by CONATEL for the provision of broadcasting or value-added services. They are granted for a maximum period of 10 years, renewable for the same period only for broadcasting services; and 5 years renewable at the request of the interested party, for value added services. The licenses include the establishment, installation and operation of equipment and the use of the radio spectrum if necessary.

For the granting of both licenses and concessions, the applicant must demonstrate economic and technical capacity to develop the project and especially the plan to expand the services it has requested.

In general, the condition that can support the economic capacity of a company is through the presentation of a letter issued by a banking institution in Paraguay, certifying that the individual or legal entity is a client of that bank. Another way is the presentation of a sworn statement of assets of a natural or legal person, by public deed.

Authorizations

It is required for the performance of private services. By means of the authorization granted by CONATEL, the investor can install radio communication equipment for private use in a specific location.

There are two methods: through tenders for the case of exclusive use frequency or upon request in the case of shared use frequency.

Tariffs and interconnections

The concessionary companies are free to establish the rates as long as they do not exceed the maximum prices set by CONATEL. Tariffs for other services (e.g., value-added services) are free and regulated by supply and demand, but are subject to a reasonableness control by CONATEL.

Interconnection of public telecommunications services is mandatory. Interconnection agreements must be in writing and under the principles of equal access, non-discrimination and neutrality; otherwise, CONATEL may modify them.

Duty, fee and tariff payments

Investors who obtain a concession, license or authorization, to provide telecommunications service, will be required to pay a one-time fee for such rights. If these rights were granted under the public bidding regime, the amount of such rights will be fixed in the respective terms and conditions, or according to the best offer, but not less than 1%. If they were granted under the regime of request of part, the amount will be of: 5% for investments less than or equal to USD 1.000.000; 4% for amounts greater than USD 1.000.000 and less than USD 5.000.000; and 3% for amounts greater than USD 5.000.000, amounts foreseen for the first five years.

More information at: <https://www.conatel.gov.py/index.php/registro-nac-de-serv-de-telecomunicaciones/110-6-servicio-basico>

Concessionaires and licensees shall pay an annual fee equivalent to 1% of their gross revenues for the commercial operation of the telecommunications services. There is also a tariff for the use of the radioelectric spectrum, fixed annually by CONATEL, on the basis of the minimum salary in force, and which must be paid by the holders of concessions, licenses and authorizations.

The amount to be paid as a fee for the renewal of licenses that do not have frequency band assignments, consists of a single amount per service. The determination of the minimum amount of the license/authorization and renewal fee to be paid by the licensee/authorized party for each period of validity of the license granted by CONATEL is done

using the table in the following link: https://www.conatel.gov.py/conatel/wp-content/uploads/2019/09/res-63_2016_tabla-de-concepto-derecho-de-licencia-y-renov-1.pdf

Procedures for obtaining a license, concession or authorization

Licence

•Submit a license application letter addressed to the CONATEL President, which must include the legal background of the applicant, the technical and economic project and the program proposal.

•The request must necessarily be supported by:

In case of an individual:

- Certified photocopy of the Paraguayan identity card.
- Constitution of legal domicile.
- Certificate of criminal record.
- Certificate of tax compliance.
- Certificate of the general bankruptcy syndicate.
- Certificate of interdictions.
- Sworn statement of not having incurred in breach of contract with the Paraguayan State.

In the case of a company:

- Copy of the Bylaws.
- Power of Attorney granted by public writ.
- Constitución de domicilio legal.
- Tax Compliance Certificate.
- Proof of criminal record of each of the directors or managing partners.
- Certificate of the general bankruptcy syndicate.
- Certificate of interdictions.
- Sworn declaration of not having incurred in breach of contract with the Paraguayan State.
- Copies of balance sheets of the last 2 (two) years.
- Personal report of each of the directors and managing partners.
- Proof of registration in the National Labor Registry.

Cost

There are no costs for applying for the license, except in the case that the license is granted through a bidding process. License holders for commercial exploitation must pay the annual fee of 1% of their gross income.

Concession

Concession by public tender

The required documentation, as well as the criteria and guidelines for the evaluation of the offers will be established in the terms and conditions of the public tender. The CONATEL is in charge of preparing and approving the terms and conditions, conducting the bidding process and setting up the Committee for the Reception of Bids.

The specifications must necessarily contain:

- Schedule of the public bidding process.
- Documents required for the qualification of bidders
- Concession area.
- Minimum service expansion plan, deadlines.
- Obligation, if applicable, to present a technical project profile of the service to be installed.
- Description of the basic components of the tariff structure and application criteria.
- Draft of concession contract.
- Guarantees including bid bond.
- Documentation to be submitted by the winning bidder for the signing of the concession contract.
- Schedule for the execution of the project.
- Base amount of the offer.
- Criteria and guidelines for the evaluation of bids.

Granting on request

A concession application letter must be presented to the CONATEL president, which must include the legal background of the applicant, the technical and financial project, and the program proposal.

The application letter must include the following attached documents:

In the case of an individual:

- A copy of the company's charter, duly legalized and certified by a notary public.
- Copy of the duly legalized power of attorney of the legal representative.

In case of an individual:

- Photocopy of identity card certified by notary public and legalized if foreign.
- Personal data of the applicant.
- Affidavit of the applicant.
- Tax compliance certificate.
- Technical project for the provision of the requested service signed by a professional engineer registered with the CONATEL.
- Projection of the planned investments and economic analysis of the project to be executed in the first years.
- Once all the documentation has been presented and verified, CONATEL will order the publication of an extract in the Official Gazette and in 1 (one) widely read newspaper. The applicant must carry out the publication within 5 (five) working days from the date of publication, otherwise the application will be automatically denied without the need to issue any resolution.

If CONATEL approves the request, it will issue a report proposing the granting of the concession and will send the report to the Executive Branch, which must in turn send it to the National Congress, which must authorize it. Likewise, if it is considered that the concession should be granted by public bidding, it must issue a founded resolution and summon it as soon as possible.

Cost

In order to sign the contract, the concessionaire is required to provide proof of prior payment of the concession fee, which will vary according to each contract.

In case of a request of one of the parties, the applicant will pay the equivalent to 1% of the necessary amount declared for the establishment of the telecommunications service granted in concession.

Authorization

A note requesting authorization must be submitted to the president of CONATEL and must include the legal background of the applicant.

It must also be supported by specific information and documentation required in each case according to the corresponding regulations.



1.3. SERVICE INFRASTRUCTURE

Basic services

Electricity

The National Administration of Electricity, ANDE, is an autonomous, decentralized institution of public administration, of unlimited duration, with legal status and its own assets.

Its primary purpose is to adequately meet the country's electricity needs in order to promote its economic development and foster the well-being of the population, through the preferential use of the nation's natural resources.

Among the purposes of this institution, the main ones are: generation, transmission, distribution of electricity, and other facilities and goods necessary for the normal operation of electricity services; operating the electricity supply systems owned by it or by third parties; marketing of energy, and interconnections with neighboring countries.

To access the services, the interested party must submit the corresponding form to the ANDE office. The forms are available at: www.andegov.py/solicitudes.php

Telephone

The Paraguayan Telecommunications Company S.A. (COPACO) seeks the provision of public telecommunications services within the territory of the Republic of Paraguay and abroad, broadcasting services and value-added services.

The company was established as part of the process of transformation of ANTELCO for the purposes set forth in Law 1.615/2000 "On the Reorganization of Decentralized Public Entities and the Reform and Modernization of Central Administration Bodies" to be the continuation of ANTELCO in the supply of the services foreseen corporately

and to be the recipient of the "Transferable Assets" of ANTELCO, which enables it to comply with said objective.

Given the transformation into a company subject to the provisions of private law, with the scope and limitations that this implies, a process was initiated to define plans, strategies and policies on which it will base its operations in order to enable the supply of services more effectively and efficiently through proper administration of resources and optimal management of business risks, which are increasingly complex given the scenarios that arise in the environment and within the same company. These situations led to the reinforcement of measures that strengthen the good governance of the company and the necessary control of resources, understood from the point of view of effective management, having as a fundamental axis the satisfaction of the communication needs of the customers.

Water

With the creation of the National Environmental Sanitation Service (SENASA in Spanish) in 1972, an agency under the Ministry of Public Health and Social Welfare, water services and disposal of black waters in all communities with a population of less than 10,000 inhabitants became its purpose, leaving CORPOSANA to serve populations with greater numbers of inhabitants than that established for SENASA.

Currently, the Sanitary Services of Paraguay (ES-SAP S.A. in Spanish), formerly CORPOSANA, is governed by the Regulations of Law 1.614/2000 which creates the ERSSAN (Regulatory Agency of Sanitary Services), for the provision of potable water and sanitary sewerage.

The entity carries out the procedures of connection, disconnection, construction or extension of the sanitary sewage network, water connection, sewage connection, tanker trucks, among others. Some of the procedures can be requested from the website. More information at: <http://www.essap.com.py/>

Bottled mineral water

There are several companies in Paraguay dedicated to the production of mineral water for personal use. According to the latest report published by the National Food and Nutrition Institute (INAN in Spanish), in October 2019, there are more than 130 companies authorized to produce mineral water.

The best-known brands at national level are

BRAND	COMPANY
Bes	Bebidas Envasadas Saludables S.A.
Dasani	Paraguay Refrescos S.A.
De La Costa	Embotelladora Central S.A.C.I.
Del Prado	Mariano Vargas
Génesis	Frutika S.R.L.
Gondwana	Bebidas Nativas del Paraguay S.A.
Las Gotas	Pablo Aguero
Seltz	Seltz S.A.
Vertientes	Rocco S.A.
Watson	Sixson S.A.
Ysati	Angelina Solalinde Arrúa

Source: Paraguayan Brazilian Chamber of Commerce.

Internet, cable and fiber network

Paraguay has limited access to the Internet, at a time when it is so crucial for development in a globalized world. This issue is one of the priorities of the National Government, and through a project called “Digital Agenda” to be implemented by the Ministry of Information Technology and Communications (MITIC in Spanish) with funding from the Inter-American Development Bank (IDB), it seeks to promote the improvement of the competitiveness of the Paraguayan economy and the quality of public services provided to citizens and businesses.

The Digital Agenda is the ICT (Information and Communication Technologies) master plan that the National Government has decided to implement over the next few years (until 2025) through its various institutions, the private sector, aca-

demia, citizens and reference sectors, to promote access to and use of ICTs to bring public services closer, better, simpler and safer, to invigorate the economy, to reduce the digital gap and to introduce innovation in the way citizens relate to their government through electronic networks. The Digital Agenda seeks to achieve the digital transformation of Paraguay and improve people’s lives by using technology as an effective means for the exercise of rights.

Within this agenda, four key areas of work were defined:

•**Digital Connectivity:** to no longer be landlocked with regards to the access to the Internet and to make the systems of the State safe and working online.

•**Digital Government:** that allows to be more efficient in the attention to the citizen, saving time and money, as much of the State as of the people.

•**Digital Economy:** that makes us more competitive as a country.

•**Strengthening the Institutions:** that allows all innovation to continue to develop and evolve over time.

In addition, at the beginning of 2019 an inter-institutional technical committee was created to form the National Optical Fiber Network, with the purpose of uniting the infrastructure already deployed by the institutions that have this optical fiber: COPACO, ANDE, the Ministry of the Interior and the Ministry of Finance.

Internet Speed

Paraguay has very low percentages in terms of internet speed and fixed line penetration, compared to other countries in the region.

According to data published by the Cable.co.uk platform, average global broadband speed continues to increase, averaging 7.40 Mbps in 2016/2017, 9.10 Mbps in 2018 and around 11.03 Mbps in 2019.

Taiwan, Singapore, Jersey, Sweden, Denmark, Japan, Luxembourg, Netherlands, Switzerland and San Marino, are the sites with greater speed, being the European continent the most represented.

Taiwan is the world’s fastest broadband country, with an average download speed of 85.02 Mbps.

In the South American region, Uruguay is ranked 69th. In this country the average download speed is 9.16 Mbps. Brazil is ranked 111th, with an average of 4.84 Mbps, Chile in position 124, while the average in Paraguay is 3.89 Mbps.

Paraguay is ranked 129th, with an average speed of 3.55 Mbps. Further down are Colombia, Ecuador, Peru, Argentina, Bolivia and Venezuela, in that order.

Service Providers

Currently, there are several private and public companies that offer internet and cable TV services in Paraguay, the main ones are Tigo, Personal, Claro, Rieder (only internet), Vox and COPACO.

Regarding the fiber optic network, most of the municipalities in the country are already connected. Tigo, COPACO and Personal have fiber networks throughout the country, as well as Claro, Ufinet, Rieder and Teisa.



1.4. CORPORATE STRUCTURE

To determine the most convenient type of company for each case, the following are the basic characteristics of each of the existing legal forms in the country.

Types of personal companies

•Sole proprietorship

Any productive unit belonging to a single individual, where capital and labor are used jointly, in any proportion, to obtain an economic profit, except for services of a personal nature. Capital and labor may be owned by the individual or by others.

They may be individuals domiciled in the country who carry out commercial, industrial, service or agricultural activities. Likewise, sole proprietorships are those considered as such in articles 4° 28, paragraph a) and 42 of Law 125/91 and its amendments.

The sole proprietorship is the simplest form of ownership and has the lowest cost to open. In case of bankruptcy, the owner is liable with all the company's assets and also with his personal assets. An important advantage is the tax regime, from the year 2020, it can contribute to the simplified regime for medium enterprises (SIMPLE) or the simplified regime for small enterprises - (RESIMPLE), according to Decree N.° 3.182/19.

In the SIMPLE mode, taxpayers with annual turnover up to G. 2.000.000.000 are included. In the RESIMPLE a fixed monthly amount is considered, according to the amount of gross income of the previous year, offering several advantages to micro and small companies, without the need to have an accounting book and by liquidating a fixed amount of the tax in the year.

•Sole Proprietorship of Limited Liability

It is also a productive unit that allows for the separation of personal assets from business assets. In this way, personal assets may not be affected due to bankruptcy, except in the case of intentional or negligent bankruptcy. To achieve this separation, the company's transactions must be documented and recorded.

When a company of this type is set up, a minimum capital of 2.000 days' salary is required (Resolution N.° 147/98 of the Ministry of Justice and Labor).



Types of companies

Under Paraguayan law, there are the following types of corporate legal entities: general partnership, limited partnership (simple or by shares*), limited liability company and corporation, as well as a special class called branch, agency or representation.

Partnerships and limited partnerships are generally used for small businesses.

The limited liability company is used for small and medium enterprises where the personality of the partner is imposed on that of the capital, therefore, the rules of transfer and maximum number of partners are established by law.

In public limited companies where the rules of its functioning are structured in a more open way and take as a preponderant factor the contributions made by the partners regardless of their personality.

Branches are used when, for strategic reasons, it is appropriate for there to be a link between the Paraguayan company and the headquarters.

(*) Since 2019 several companies in Paraguay are in the process of dematerialization of shares, that is the digitalization of the securities papers, for their negotiation in the Electronic Trading System (SEN).

•Business partnership

This is the type of company formed by 2 (two) or more partners who are subsidiary, unlimited and jointly and severally liable for the company's obligations.

•Limited partnership

In this type of company there are general partners who are jointly and severally liable for the company's obligations and limited partners who are liable for the same up to the limit of their contributions.

• Limited partnership by shares

It also has collective and limited partners; the contributions of the latter being represented by shares.

•Limited Liability Company (S.R.L. in Spanish) Characteristics

a. The liability of the partners is limited to the value of their contributions.

b. The contributions of the members are represented by social quotas.

c. Must have a minimum of two (2) and a maximum of twenty-five (25) members.

d. The law does not establish nationality requirements for partners; however, permanent residence cards are required for directors and trustees.

e. The share capital is divided into quotas of equal value, and these quotas may not be represented by negotiable instruments.

f. The share capital must be fully subscribed at the time of incorporation.

g. 50% (fifty percent) of the contributions in cash must be incorporated at the signature of the constitutive public deed and completed within a period of two (2) years. The deposit will be held at the Banco Nacional de Fomento, the amount that will be available once the procedures for the registration of the Company in the Public Registry of Commerce have been completed.

h. No minimum or maximum capital required.

i. The shares cannot be assigned to third parties except with the agreement of partners representing 3/4 of the capital if the company has more than five (5) partners. Not being more than five (5), the unanimity of the same will be required. The transfer of shares must be done by public deed.

j. They may not have as their corporate purpose the carrying out of banking, insurance or capitalization and savings operations.

•Meetings, management and control

The Limited Liability Company (S.R.L.) is not required to call a shareholders' meeting (ordinary or extraordinary) or to appoint a trustee, unless is directed in the Company's Bylaws.

The direction, administration and representation of the company corresponds to one or more managers, partners or not, who are unlimitedly and jointly liable for the non-execution or bad performance of the mandate, for the violation of the law or the social statutes and for any damage caused by fraud, abuse of powers or serious fault.

•Limited Company (S.A. in Spanish)

Characteristics

- a.**The participation of the partners is represented by shares.
- b.**The shareholders are responsible for the obligations incurred by the company only up to the amount of their respective contributions.
- c.**Must have a minimum of two (2) shareholders.
- d.**The law does not establish nationality requirements for partners; however, permanent residence cards are required for directors and trustees.
- e.**The capital must be fully subscribed and issued in shares of equal value. There is no time limit for the integration of the subscribed capital.
- f.**The shares are nominative, this implies to include in the statutes of the company the name, nationality, profession and address of the partners and the specific mention in the shares and the provisional certificates the name of the shareholder, declaring expressly the nominative nature of the shares.
- g.**Shares can be transferred by private contract or public deed, or by notarized endorsement. The transfer of shares must be recorded in the company's records, in the books authorized for this purpose.

•Meetings

Shareholders' decisions are adopted at meetings, which can be:

Ordinary: to deal with the annual report of the board of directors, balance sheet and profit and loss account, distribution of profits, trustee's report, appointment and assignment of the responsibilities of directors and trustees, and the issue of shares within the authorized capital. It is annual and must be convened by the board of directors or the trustee within the first four months following the close of each financial year (December 31 of each year).

Extraordinary: may be convened at any time for the purpose of dealing with all matters which are not within the competence of the ordinary meeting and which relate to any amendment of the articles of association, increase, reduction and reintegration of capital, redemption, repayment and amortization of shares, merger, transformation and dissolution of the company, issue of debentures and participation certificates. They may be called by decision of the board of directors, the trustee or when required by shareholders representing at least 5% (five percent) of the share capital.

For both types of meetings, shareholders may be represented by proxies, by means of a simple power of attorney, with a signature certified by a notary public or registered with the company. In case the power of attorney is issued abroad, it must also be duly legalized before the Paraguayan Consulate or apostilled. The directors, trustees, managers and other officers of the company cannot be proxies.

•Management and Audit

The direction and administration will be in charge of one or more directors, shareholders or not. The directors are jointly and severally responsible for poor performance of their duties, for violations of the Articles of Association, for gross negligence and abuse of the power conferred in relation to the position they hold. The salary of the company's directors will be set by the Ordinary General Meeting.

The supervisory body of the S.A. is the syndicate. The appointment of the trustee is personal and cannot be delegated. The following are unlimited and jointly and severally liable for compliance with the obligations established in the laws and the articles of association. Their function is remunerated, and they must attend the meetings of the Board of Directors and the Meetings of Shareholders where they participate with voice, but without vote. The duration of the trustee's mandate may or may not coincide with the duration of the Board's mandate.

Identification of the final beneficiary of the shares

All companies represented by shares must notify the Treasury Lawyer's Office, which reports to the Ministry of Finance, who is the final beneficiary of the company's shares, this being understood as individuals who directly or indirectly fall into at least one of the following situations:

- a.**Hold at least ten percent (10%) of the shares in the company.
- b.**Exercises, including through other means, ultimate effective control over a company.
- c.**Uses, receives or benefits from assets owned by the company; or, in whose name or benefit a company transaction is carried out.

Branch offices

The establishments, agencies or branches of foreign companies, constituted in Paraguay, are considered to be domiciled in the country as far as the acts they practice here are concerned, and must comply with the obligations and formalities provided for the type of company most similar to that of its constitution. Liability for the obligations incurred by the branch extends to the foreign head office.



Simplified Joint Stock Company (EAS in Spanish)

This legal form was created by Law 6.480/2020 and is an excellent tool for the development of investments in Paraguay.

The main characteristics and innovations of this type of company are:

- They can be set up by one or more individual or legal entities. It is the first legal entity of a business type which is possible to create it with a single partner.
- They can be created by contract or by a unilateral writ that is registered in:

- Public deed.
- Private instrument with notary public signature certification or registration officer where it is created.
- If in the asset's incorporation requires a transfer of public deed, this must be added to its constitution and registration.

The registration application must be submitted only and exclusively through the Unified System of Opening and Closing of Companies (SUACE in Spanish).

The statutes of the EAS approved in the form established by this Law, as well as the amendments to the statutes and liquidation of the EAS, shall be registered with the Ministry of Finance and, once the registration has been formalized, the General Directorate of Public Records shall be informed.

Unlike other companies, the EAS acquires its legal nature once it is registered with the Ministry of Finance rather than with the public registries, therefore the time to start operations will be much faster.

They will always be of a commercial nature and will be governed by the tax rules applicable to the nature of their activities. A one-person EAS cannot incorporate or participate in another one-person EAS.

As for the responsibility of the members of the EAS, it will be limited to the amount of the contributions made by them to the company.

The capital shall be divided into shares that must be registered, endorsable or not, ordinary or preferred, or with special voting rights. The subscription and integration of the capital may be done in conditions, proportions and terms different from those foreseen in the norms contemplated in the Civil Code for corporations, but in no case shall the term for the integration of the shares exceed 2 (two) years.

As far as the governing bodies are concerned, the law establishes broad freedom in determining them by basically recognizing two mandatory bodies: the meeting of the members of the EAS (with equal powers in the ordinary and extraordinary meetings of the corporations) and the legal representative. There is no obligation to have an administrative body (similar to a board of directors) or an oversight body (such as a trustee or supervisory board).

Meetings of members of the EAS must be summoned in writing at the address of the members five working days before the date of the meeting, therefore, there is no obligation to publish the call in widely read newspapers. Meetings of the members of the EAS and the board of directors (if any) may be held remotely and recorded in minutes signed by a single member.

The responsibility of the administrators and legal representatives will be regulated by the rules that apply to the administrators of corporations in the Civil Code.

The EAS shall maintain the following corporate and accounting records:

- Minute book of the governing body.
- Share register book.
- Minute book of the governing body.

- Log Book.
- Inventory book. They must also present their financial statements in accordance with current regulations.

Financial institutions should provide mechanisms to enable the EAS to open an account within a maximum period to be established by regulation.

In all matters not covered by this document, the rules laid down for public limited companies in the Civil Code, as amended and regulated, shall be applied in addition.

Disclaimer: As of the date of publication of this Guide, the regulation of Law 6.480/2020 is pending.



Incorporation of companies via SUACE

The SUACE (Unified System for Opening and Closing of Companies) was created by Law 4.986/2013 as a single window for the opening and/or formalization of physical and legal companies in order to simplify, speed up and make transparent the process of opening new business ventures.

Through this institution it will be possible to carry out the process of opening the following types of companies:

- Sole Proprietorship.
- Individual Limited Liability Company.
- Limited Liability Company.
- Limited Company.

Applications from enterprises requiring prior administrative authorizations from regulatory bodies for certain activities, such as banks, finance companies, insurance and reinsurance houses, and all other enterprises supervised by the Central Bank of Paraguay (BCP in Spanish) and its relevant super-intendencies, may not be processed initially through the SUACE.

Once the relevant prior, extraordinary or special authorizations have been obtained, the SUACE may also be used to complete the pending registration and opening procedure at the SUACE Directorate-General.

Regarding closure of companies, via SUACE, they still do not carry out this procedure, which must be managed independently, depending on the nature of the company, with the following institutions: SET (tax agency); the Treasury Department (for S.A. and S.R.L.); IPS (Social Security Institute); the Ministry of Labor, Employment and Social Security; and the Municipality in which the company operated.

Procedures carried out at the SUACE

The following procedures can be done at the SUACE:

- Registration in the Public Registry of Commerce for legal companies (Registration in the Legal Entities Section and the Public Registry of Commerce).
- Verdict of the Treasury Lawyer's Office.
- Registration of business for individuals in the Public Registry of Commerce.
- Tax ID and proof of legal and individual status from the Undersecretary of State for Taxation (SET in Spanish).
- Proof of employer's registration with the Social Security Institute (IPS in Spanish).
- Proof of employer's registration with the Ministry of Labor, Employment and Social Security (MTESS in Spanish).
- Mipymes Card.
- Commercial Patent in the Municipality of Asuncion.
- Municipal license in the Municipality of Asuncion.

Procedures for foreign investors

- Proof of being a foreign investor.
- Permanent admission card for foreigners.

Closing of companies

The closure of a company implies a series of actions that are aimed at guaranteeing the rights of workers and creditors. The actions and/or liquidations that proceed when the company is closed will be different according to the reason for closure. Likewise, according to the type of company, it will be necessary to carry out the procedures before the competent authorities, among which are:

- Public Registry.
- Treasury Advocacy.
- Secretary of Taxation.
- Social Security Institute.
- Ministry of Labor.
- Municipality in which the commercial patent was granted.



1.5. CONTRACTUAL RELATIONS BETWEEN FOREIGN COMPANIES AND THEIR REPRESENTATIVES IN PARAGUAY

Representation, agency and distribution

Law 194/93, also known as the "Law on Representation, Agency and Distribution", regulates relations for the promotion, sale or placement within the country or another specific area of products or services provided by foreign manufacturers and firms through representatives, agents or distributors domiciled in the Republic, and establishes the guidelines for the corresponding compensation on the occasion of the termination, without cause, of contractual relations.

Legal instrumentation

The relationships of representation, agency and distribution must be properly instrumented with a written contract that must be registered.

However, individuals or legal entities claiming representation, agency and distribution without having a contract may prove the association and the time corresponding to it by all means of evidence.

Canceling or changing the relationship

In order to cancel, revoke, modify or refuse to extend the representation, agency or distribution, the manufacturer or foreign firm must identify the reasons that justify the measure, since its legal and economic consequences will depend on whether or not a just cause is expressed by the representative, agent or distributor.

Cancellation or change without cause

If the foreign firm decides to cancel, revoke, modify or refuse to extend the relationship, without cause, it shall be obliged to pay the representative, agent or distributor domiciled in Paraguay, an indemnity,

the minimum amount of which shall be determined by law, taking into account:

- The duration of the representation, agency or distribution of the products corresponding to the foreign manufacturer or firm will be calculated according to an ascending scale by periods (2 to 5 years, more than 5 to 10 years, more than 10 to 20 years, more than 20 to 30 years, more than 30 to 50 years and more than 50 years).

- Average gross annual profits, obtained by the representation, agency or distribution during the last three years of any of them.

These guidelines will serve to establish the minimum amount of compensation through the judicial or arbitral process.

Gross profit is understood to be the result of the amount of net sales minus the cost of goods sold. If payment to the representative, agent or distributor in the form of commissions is established, the gross profit will be the total amount of those.

A descriptive formula of the above could be as follows:

(i) Gross Profit Year 1 + Gross Profit Year 2 + Gross Profit Year 3	
<hr/>	
3	
(ii) Commission Year 1 + Commission Year 2 + Commission Year 3	
<hr/>	
3	

In addition, the representative, agent or distributor shall have the option, irrespective of any compensation due, to sell to the other contracting party, without any possibility of refusal, the stock of goods plus a normal profit in accordance with the selling price of the products in the market.

Cancellation or change with cause

The manufacturer or foreign firm may cancel, revoke, modify or refuse to extend the representation, agency or distribution with just cause, without being obliged to pay any compensation if the following causes exist:

- Failure to comply with the terms of the representation, agency or distribution agreement.
- Fraud or breach of trust.
- Ineptitude or negligence on the part of the representative, agent or distributor in the sale of products or the provision of services.
- Continued decline in sales or distribution of the goods for reasons attributable to the representative, agent or distributor. However, representatives, agents or distributors shall not be liable for decline in sales where quotas or import restrictions are established and sales are unavoidably affected by fortuitous causes or force majeure which are duly justified.
- Any act by the representative, agent or distributor which is detrimental to the proper conduct of the introduction, sale, distribution of goods or provision of services.
- Conflict of interest for the representation, agency or distribution of products or the provision of services that are in line with competition with the products or services.

It should be taken into account that before making the decision to cancel, revoke, modify or refuse to extend the relationship, the manufacturer or foreign firm should request its representative, agent or distributor to resolve the cause invoked within one hundred and twenty days (120). If the cause is not resolved within that period, the affected party may exercise its right immediately, except in the case of fraud or breach of trust.

Once this period has expired, the cause or causes must be presented to the courts and tribunals of the Republic or in arbitration if this is agreed. Otherwise, it shall be presumed that the cancellation, revocation, modification or refusal of extension is unjustified.

Jurisdiction and applicable law

All distribution, agency and/or representation contracts involving commercial relations between national companies and foreign firms must necessarily be submitted to the jurisdiction and competence of the Paraguayan courts.

Arbitration

The parties may submit their differences to arbitration, either before or after a lawsuit is filed, provided that no final judgment has been rendered.

Subject of arbitration

Any question of compromise and of patrimonial content may be submitted to arbitration provided that no final and enforceable judgment has been passed on the matter. Those in which the intervention of the Public Prosecutor's Office is required may not be subject to arbitration.

The State, decentralized entities, self-governing entities and public enterprises, as well as municipalities, may submit to arbitration their differences with individuals, whether national or foreign, provided that they arise from legal acts or contracts governed by private law.

Other specific registrations

RIEL Industry Registration

According to the provisions of Decree N.º 6.258/2011 "By which the Industrial Registry of the Ministry of Industry and Trade is created" this section is intended to strengthen the capacity for study, promotion and advice in the industrial area, together with the development of national and international cooperation and coordination networks in the field. The Industrial Register (RIEL) collects the data of the establishments in which an industrial activity is carried out, with the following objectives:

- Have updated information on the productive capacity of the industrial sector and its territorial distribution, in order to formulate plans and policies for the development of the national industrial policy.
- Generate a database, which allows quantitative and qualitative analysis of the industrial sector for decision making.
- Constitute the instrument of official information on industrial activity, as a service to citizens and, particularly, to the business sector.

The RIEL is mandatory and is aimed at all companies that carry out industrial activities, including those that carry out assembling and fractioning activities.

Benefits offered

- Facilities to access the industry promotion offered by the Ministry of Industry and Commerce.
- Guidelines for the financing of industrial activity.
- Priority management in the application of consumer protection rules.

The industries that have the registration certificate with technical verification of the industrial registry and also present the authenticated copy of the environmental license issued by the Ministry of the Environment and Sustainable Development (MADES in Spanish), will be able to take advantage of the benefits of the special laws and instruments of fiscal incentives, such as:

- Import of raw materials under special laws.
- Priority processing to grant tax incentives to industrial investment (Law 60/90 on investments, Maquila Law, National Automotive Policy (PAN in Spanish). It is a law of fiscal incentives for the investment of capital of national and foreign origin, it grants fiscal benefits to stimulate the manufacture and/or assembly of motorized and nonmotorized vehicles, auto parts in general - system of registration and identification of the automobiles).

Registration

The interested party must go to the Ministry of Industry and Commerce (MIC in Spanish); Avenida Mariscal López 3333; Telefax: (595-21) 616-3092; Asunción, Paraguay.

Link: <http://www.mic.gov.py/riel/index.html>

Registration of companies providing specialized REPSE services

The REPSE is a register of service providers for individuals and legal entities. It is mandatory for all individuals and legal entities, national or foreign, who provide services in the country and are taxpayers of Value Added Tax (VAT). It was created by Decree N.º 6866 dated July 5, 2011, of the presidency of the Republic, and is mandatory.

This registry serves to formalize and promote the activities that are developed in the sector. It was created due to the existing informality in the provision of services, of the unfair competition both of professionals and companies that offer their services without the fulfillment of the existing rules in the market, which, enjoy benefits in detriment of the formal ones that pay their taxes and social charges.

The role of the registry is, among others: to regulate sectors according to national priorities, and the coordination of these in international economic negotiations.

Likewise, with a view to the opening of Mercosur, the Ministry of Industry and Commerce has generated Decree N.º 20.735/98 and Resolution N.º 288/98, by which it regulates the provision of specialized services within the territory of the Republic. The aforementioned decree requires all companies and/or professionals to be registered in the Register of Companies providing Specialized Services (REPSE in Spanish), which reports to the Undersecretary of State for Commerce. Each company or professional, in addition to submitting the corresponding receipts, must submit a certificate from their relevant guild or association, membership to any is not mandatory.

Registrations can be made:

- Online: creating a user request, accessing: <http://www.vue.org.py/AppVUE/faces/REG/RegSolicitud.jspx>
- In office: would be carried out by going exclusively to the VUE (Single Window for Export) building. Address: Cap. Nicolas Blinoff esq. Cap. Pedro Villamayor. Asuncion, Paraguay

The Registration of Service Providers (REPSE in Spanish) is totally free.

Mipymes Card (SME card)

It is a document that certifies the creation of a micro, small or medium enterprise. It allows access to the benefits established in Law 4.457/12 and to everything managed by the Vice-Ministry of Mipymes in compliance with its functions for the development and competitiveness of the sector.

Benefits offered:

- Design and hosting of free websites for mipymes with ID.
- Tracking system of Good Manufacturing Practices (GMP) procedures for MSMEs.
- Training and technical assistance.
- Support in business promotion.
- Starting capital for mipymes.
- Differentiated rates for micro and mipymes with ID in certificates and certificates from the MIC (Industrial Registry, Technical Verification of the Industrial Establishment, fiscal incentives of Law 60/90 in investment projects and certificates of registration of consultants, fiscal incentives of Law 4.838/12 of National Automotive Policy for certificates, reports and annual production programs).
- Access to projects for individual and collective companies promoted by the Vice-Ministry of Mipymes.
- Differentiated rates and simplification of procedures in INAN registers (food).
- Virtual shopping for mipymes.
- Access to the benefits of the State Vendor Information System -National Directorate of Public Contracting (SIPE-DNCP) for State Vendors (Electronic Auction).
- Simplified labor regulations.
- Zero rates in SUACE (Unified System for Opening and Closing of Companies) for mipymes.

www.ofertaspyme.com.py

Requirements to obtain the Mipymes Card

•For new companies:

- Complete the procedures to start the company.
- Fill in the application form for the mipymes card and the annex to the single business form.
- Copy of identity card (holder or legal representative).
- Complete the single form to start a company.
- Proof of employer registration. Employee form submitted to IPS from the last month prior to the date of submission of your application.
- Proof of registration as an employer from the Ministry of Labor, Employment and Social Security.
- Municipal patent.

•For existing companies:

- Fill in the application form for the mipymes card and the annex to the single form for companies.
- Copy of identity card (holder or legal representative).
- Complete the single form to open companies.
- Proof of employer registration. Employee form submitted to IPS for the last month prior to the date of submission of your application.
- Proof of registration as an employer from the Ministry of Labor, Employment and Social Security.
- Municipal patent.
- Income tax affidavit submitted to the SET in the last year preceding the date of submission of application.
- For companies: registration General Directorate of Public Records (DGRP in Spanish)

•For sole proprietorships:

Business owner's license. They are classified as:

a.Category for new companies (without annual turnover)

- Microenterprise, MIE: up to 100 monthly minimum wages worth of assets.
- Small enterprise, EP: up to 500 monthly minimum wages worth of assets.
- Medium enterprise, ME: up to 1,200 monthly minimum salaries worth of assets.

b.Category for existing companies (with annual turnover)

- Microenterprise, MIE: company formed up to a maximum of 10 workers and annual turnover of Gs. 500 million.
- Small Business, PE: up to 30 employees and annual turnover of G. 2.5 billion.
- Medium Business, ME: up to 50 employees and annual turnover of G. 6 billion.

For more information: tel (595-21) 616-3236 o 616-3274, e-mail: registromipymes@mic.gov.py



1.6. ECONOMY

Macroeconomic data

Economic indicators – GDP

Currently, Paraguay has a strong economy. According to the World Bank (WB), it has achieved an average annual growth rate of 4,5% over the last fifteen years, as a result of its good internal dynamics and its good macroeconomic management. According to data from the Central Bank of Paraguay, the local Gross Domestic Product (GDP) increased by over 50%.

Paraguay's economy has traditionally been based on primary production, particularly agricultural and livestock production, with a thriving commercial sector, where the export of products such as soybeans, grains and beef, as well as the production and export of electrical energy, in addition to re-export, play an important role.

However, in recent years a major process of productive transformation towards higher value-added goods has begun. The country is registering a growing industrial production of non-traditional and agro-industrial manufactured products.

Since 2003, Paraguay's economy has been growing steadily, except in 2009 and 2012, when the effects of climate and lower international prices for agricultural goods led to a lower result than in previous years. This economic momentum was largely due to the adoption of major reforms aimed primarily at reducing the fiscal deficit and restructuring the public debt, but also to an improvement in the legislation, adaptation and supervision of the national financial system. The reforms also included measures that led to the adoption of a new model of agro-industrial development, related to strong demands in terms of investment in capital and infrastructure.

During the second half of 2010, Paraguay's economy had an annual average growth of 3,2%, in the midst of an adverse regional context, marked by recessive or low growth periods in Argentina and Brazil.



The growing diversification of Paraguay's economy allowed it to maintain its previous year's result in 2019 with a rate of variation of 0% in the midst of an adverse climatic and commercial context that affected agricultural and energy production.

For 2020, current estimates are conditioned by the crisis generated by the global covid-19 pandemic; however, World Bank estimates maintain that the country would be the South American economy with the least impact.

Projections

PARAGUAY								
	2014	2015	2016	2017	2018	2019P	2020P	2021P
Economic Activity								
Growth, % of Real GDP	4,9	3,1	4,3	5,0	3,4	0,0	-2.6	5.1
Nominal GDP – USD billions	40,3	35,5	36,0	39,0	40,4	38,1	35.8	37.7
Population (millions of inhabitants)	6,7	6,8	6,9	7,0	7,1	7,2	7.3	7.4
GDP per Capita	6.006	5.371	5.303	5.667	5.650	5.333	5,251	5,691
Unemployment Rate (Annual Average)	8,0	6,5	7,7	6,1	6,2	6,7	7.5	7.0
Inflation								
Inflation Index - %	4,2	3,1	3,9	4,5	3,2	2,8	1.5	3.0
Interest Rate								
Interest Reference Rate	6,75	5,75	5,50	5,25	5,25	4,00	0.75	2.00
Balance of Payments								
USD/Guarani Exchange Rate – end of period	4.636	5.782	5.738	5.588	5.964	6.465	6,700	6,800
Trade Balance (USD Billions)	1,0	0,8	2,2	1,9	0,8	0,4	1.2	0.8
Current Account - % of GDP	-0,1	-0,4	3,6	3,1	-0,2	-1,2	1.1	0.3
IDirect Foreign Investment - % GDP	1,0	0,8	1,0	1,2	1,2	1,0	1.0	1.0
International Reserves (USD billions)	6,9	6,2	7,1	8,1	7,9	8,0	8.0	8.0
Public Finances								
Nominal Results - % of GDP	-0,9	-1,3	-1,1	-1,2	-1,3	-2,8	-6.0	-3.1
Net Public Debt - % of GDP	13,4	15,4	17,5	18,4	19,9	23,2	31.4	31.4

Sources: International Monetary Fund (IMF), Haber, Bloomberg, Central Bank, Itaú

Structure by sector

Analysis of GDP by activity

•Agriculture

During 2019, the agricultural sector in Paraguay has suffered a reduction of -6,2% compared to 2018.

The unfavorable result has been mainly due to the lower levels of soybean production in the 2018/2019 season, due to adverse weather conditions. However, these results have been partially mitigated by positive variations in the production of rice, maize, cotton, cassava, sesame and beans.

•Livestock, forestry, fishing and mining

Livestock, forestry, fishing and mining activities in 2019 showed similar performance to 2018, with a participation of 0,9% in the national GDP.

The livestock sector, in 2019 has had a lower performance than expected, although a higher level of slaughter of cattle and other types of production such as poultry and other livestock products was observed in the last quarter of the year. The sector is expected to recover by 2020. The work of genetic improvement and the implementation of high technology, allowed the positioning of Paraguayan beef in 38 countries. Even so, there is still a high dependence on five main destinations (Chile, Russia, Israel, Brazil and Taiwan), which is a challenge for the livestock sector in terms of seeking market niches such as the Asian market, where it may have the option of placing a greater volume and at a better price.

Favorable performances have also been observed in mining, in line with the greater dynamics observed in the construction sector.



•Manufacturing

The manufacturing industry in 2019 had a decrease of -0,9% compared to 2018.

The activities that had a positive impact in 2019 were beef production, chemical products, the manufacture of non-metallic minerals, drinks and tobacco, paper products, dairy production and the manufacture of metal products. However, the production of wood, oils, textiles and clothing had a negative impact.

•Construction

In 2019 the construction sector showed a positive variation of 0,5% in its performance compared to 2018.

The trend has been influenced at the beginning of the year by an unfavorable factor caused by excessive rainfall that has hindered the normal development of both public and private works. However, in the second half of the year the situation was reversed and a greater dynamism of public works was observed.

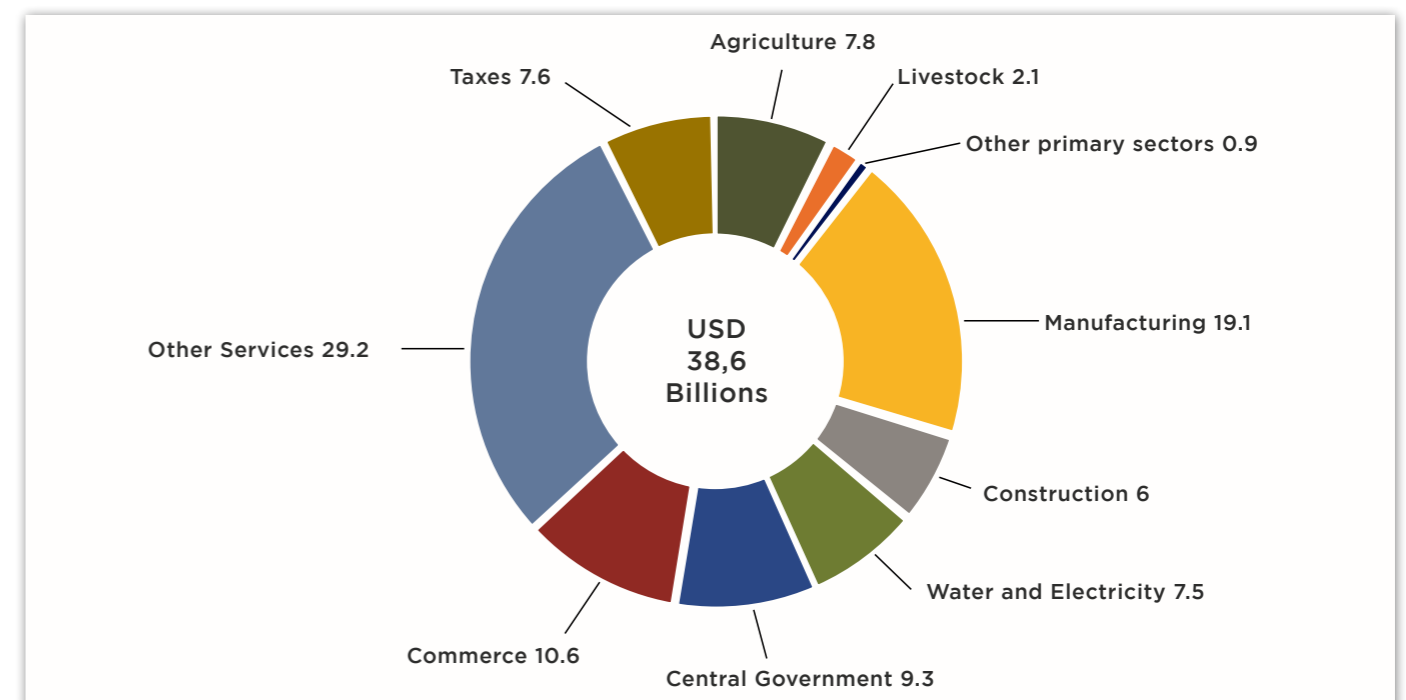
•Water and Electricity

The electricity and water sector (which includes binationals) in 2019 has seen a variation of -8,0% compared to 2018. This result is a consequence of the lower generation of electricity by the binationals, which is still explained by the lower water flow of the Paraná River.

•Services

The services sector continues to show a favorable performance, registering an increase of 3,3 % with regards to 2018. In 2019, government services, household services, financial intermediation, hotel and restaurant services, telecommunications, transport, real estate services and trade all had a positive impact.

GDP Composition



Source: BCP

Expenses

From an expenditure perspective, low GDP growth in 2019 was associated with drops in gross capital formation and net exports.

According to a report by the Central Bank of Paraguay (BCP), consumer spending, or household spending, has seen a year-on-year increase of 1,3%, driven by spending on services such as health, education, recreation, telecommunications, hotels and restaurants, and by spending on non-durable goods, such as food and fuel. On the other hand, Government spending has also grown 5,1% at the end of 2019.

Gross fixed capital formation has decreased by -6,6% compared to 2018. This performance was mainly influenced by the lower level of construction and investment in machinery and equipment, as well as in metal products.

On the foreign demand, exports showed a variation of -2,9%, while imports of goods and services fell by -0,9% when compared to 2018.

Accumulated Variation of GDP

Accumulated Change	I-18	II-18	III-18	IV-18	I-19	II-19	III-19	IV-19
Total Consumption		4,1				1,9		
Private Consumption		4,3				1,3		
Government Consumption		3,0				5,1		
Net Formation of Capital		11,9				-3,0		
Fixed FBK		6,9				-6,6		
Exports		1,8				-2,9		
Imports		8,9				-0,9		
GDP		3,4				0,0		

Source: BCP

Gross Domestic Product, by Type of Expenditure

In millions of constant guaranies - 2014							
Components	2017	2018	2019*	2020**	2018 vs 2017	2019 vs 2018	2019 PARTICIPATION IN COMPONENTS OF GDP
Private Consumption	129.225.139	134.771.860	136.546.061	127.587.672	4,3 %	1,3 %	65,16 %
Public Consumption	22.173.437	22.848.146	24.012.165	26.413.382	3,0 %	5,1 %	11,46 %
Net Formation of Capital	37.707.687	40.301.027	37.659.057	36.340.990	6,9 %	-6,6 %	17,97 %
Variation of existing stock	4.494.772	6.932.508	8.147.454	7.862.294	54,2 %	17,5 %	3,89 %
Trade Balance							
Exports of goods and services	74.230.689	75.593.333	73.373.347	72.294.759	1,8 %	-2,9 %	35,0 %
Imports of goods and services	-65.010.978	-70.819.115	-70.173.034	-66.173.171	8,9 %	-0,9 %	-33,5 %
Gross Domestic Product	202.820.746	209.627.759	209.565.051	204.325.924	3,4 %	0,0 %	100 %

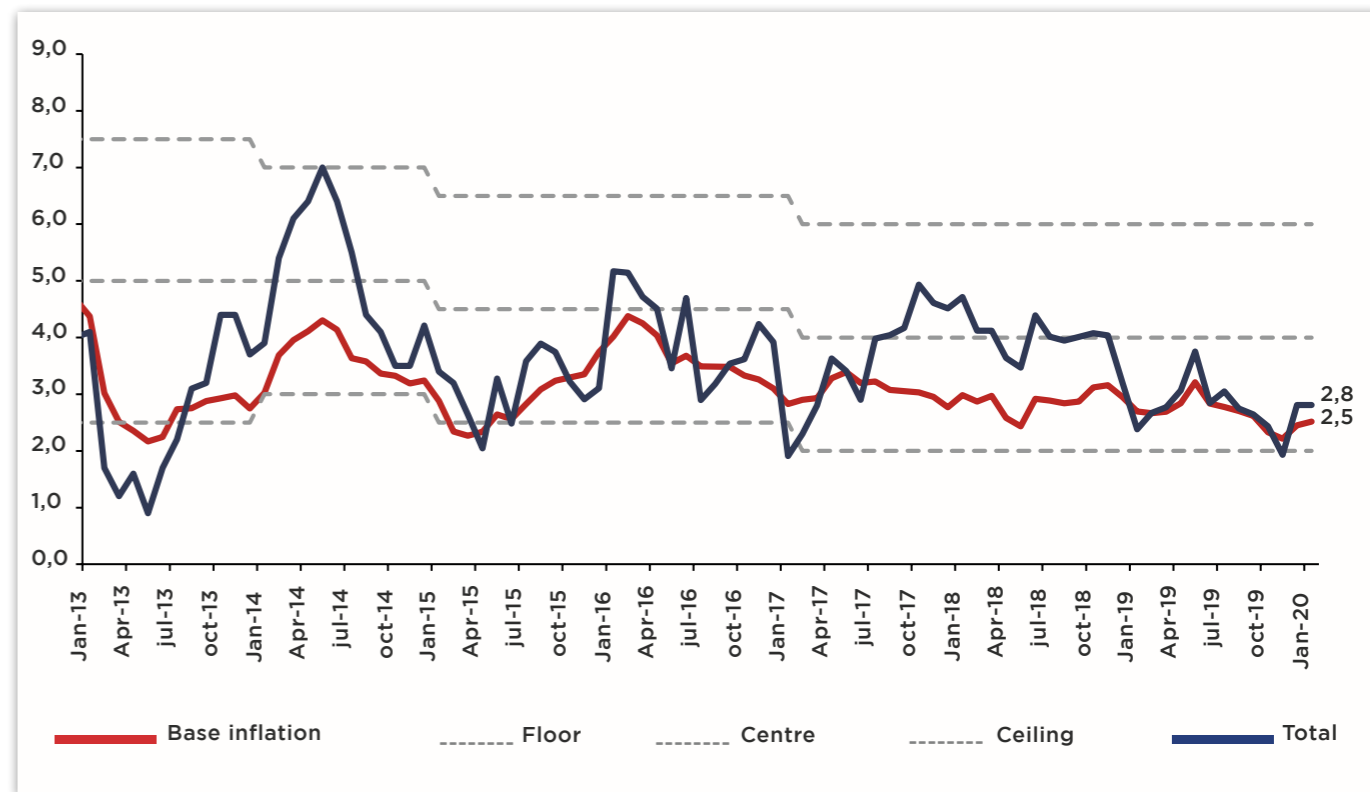
Source: Central Bank - Statistics Department - Economic Studies
(*) Preliminary Data subject to revision / (**) - Projection

Inflation

Monetary policy remained consistent with inflation targets. The Central Bank of Paraguay kept inflation (measured by the variation of the Consumer

Price Index - CPI) below the target range of 4%, while the 2019 rate was 2.8%.

Inflation remains within the target range



Source: BCP

Public debt

According to the report "Preliminary Overview of the Economies of Latin America and the Caribbean", published by ECLAC (Economic Commission for Latin America and the Caribbean, in South America) during 2019, the decline in economic activity in Paraguay was reflected in a lower growth in revenue, while total compulsory expenditure augmented due to increases in expenditure on debt interest payments, use of goods and services, social benefits and employee remuneration. Also, investment, approximated by the net acquisition of non-financial assets, increased by 43.5%, in line with the expansionary fiscal policy to compensate

for the economic slowdown. With the implementation of the Law for the Modernization and Simplification of the National Tax System, which contemplates an increase in both the tax base and rates, it is expected that collection rates, although moderate, will only take place as of the year 2021. The fiscal deficit has been financed, in part, by bond issues. In 2019, the seventh sovereign bond issue was made for US\$ 500 million, ending the year with a public debt of 22.9% of GDP. For 2020, the budget contemplates a new sovereign bond issue for the same amount.

Foreign Direct Investment Index

According to the BCP report, the net flow of Foreign Direct Investment (FDI) in Paraguay was positive in 2018 and reached USD 481 million, resulting from a gross inflow of USD 1,6 billion and a gross outflow of USD 1,2 billion. By components, the net flow for that year is mainly explained by the reinvestment of profits in 48%. It is important to note that despite the retraction of new capital contributions at the global and regional level, Paraguay continued to receive new capital contributions, which represented 30% of net flows; the remaining 22% corresponded to net loans between related companies.

The revised figures for 2016 and 2017 reveal an improvement in flow levels, partly as a result of greater information coverage. Net FDI flows in 2016 reach USD 425,3 million, representing a 38% increase over 2015, resulting from a gross inflow of USD 1,7 billion and a gross outflow of USD 1,3 billion. In 2017, net FDI flows amount to USD 526,2 million, which represents an increase of 23,7% with respect to 2016, and results from a gross inflow of USD 1,5 billion and a gross outflow of USD 996,3 million.

One aspect that has been highlighted on this occasion, has been the high profitability of FDI in Paraguay, which has been 13,6% in 2018, being well above the average profitability of the region 5,5%, according to the latest report of the Economic Commission for Latin America and the Caribbean (ECLAC).

By economic activity, it is worth noting the significant increase in net FDI flows in several activities, such as transport, oil production and financial intermediation, which were mitigated by lower net flows in communications and real estate activities. FDI balances at the end of 2018 amounted to USD 6,7 billion, an increase of 9,1% over 2017. In guaraníes, the FDI balance has registered a growth

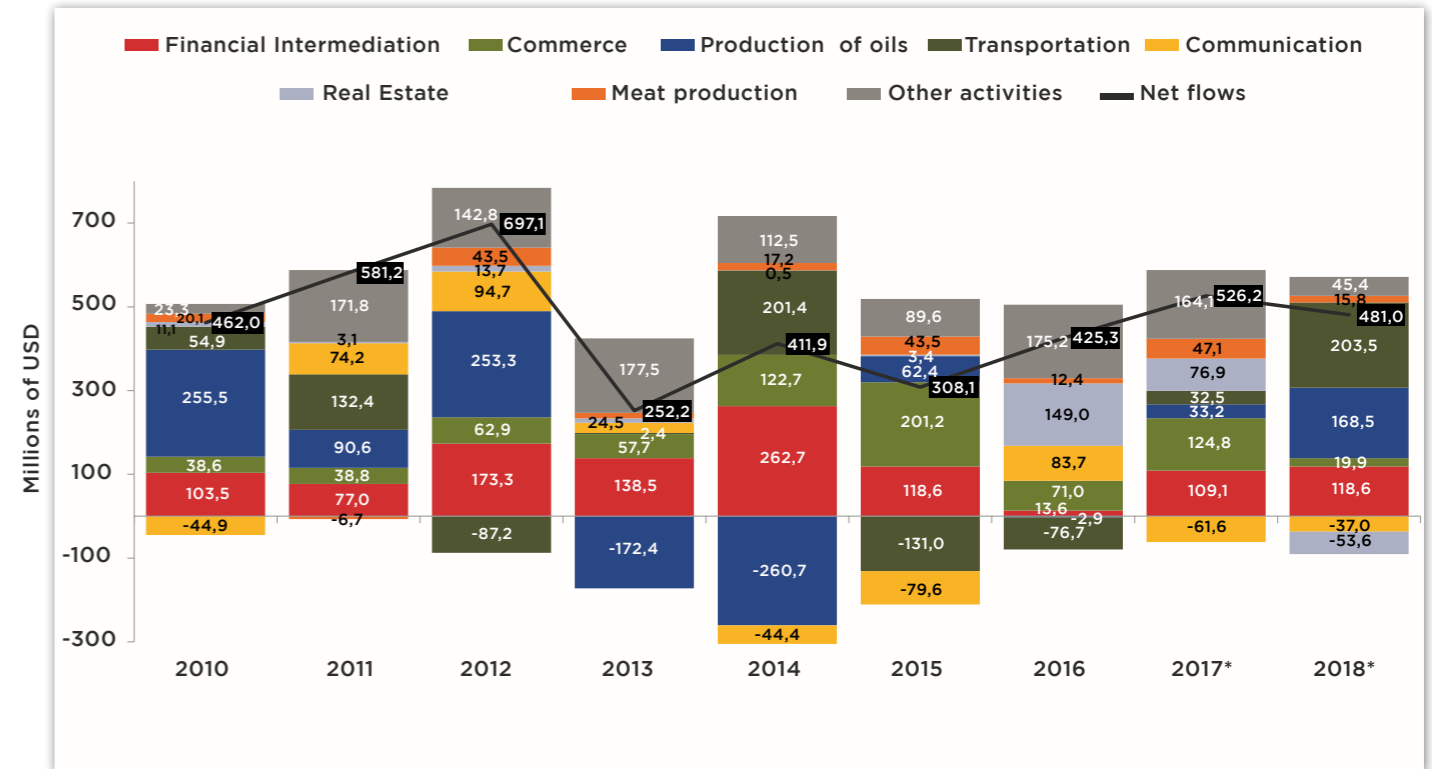
of 16,3% in 2018. The economic activities with the highest share in the FDI stock are financial intermediation (17,1%), trade (16,2%), oil processing (13,6%), transport (11,6%), communications (5,7%) and chemicals (5,3%).

In recent years, Paraguay has received FDI from a growing number of countries. Currently, it comes mainly from investors from the United States, Spain and Brazil. Other countries that have expanded Paraguay's FDI position include the Netherlands, Chile, Luxembourg and Panama. The number of countries investing directly in the country has increased significantly, from 20 in 2008 to 41 in 2018.



Main economic activities experienced positive growth

Net flows per activity



Source: BCP (*) Preliminary numbers

Local currency and dollar equivalent

The local currency is the guarani. At the end of 2019, the dollar-guarani exchange rate closed with an upward adjustment, due to speculative factors in the market, although during the year there were maximum peaks, due to external factors. According to data from Bloomberg, in 2019 the Guarani currency depreciated by 8,28%, similar to other

currencies in the region, such as Brazil (9,2%) and Argentina (59,08%).

The nominal exchange rate closed at G. 6.453 per dollar, remaining stable in real terms. By 2020, the exchange rate is expected to be G. 6.700 per dollar.

Evolution of nominal exchange rate

	2009	2019
Nominal Exchange Rate - Guarani / USD - end of period	4.649	6.450
Variation in PYG		1.801
Depreciation Rate %		39 %

Source: BCP

Labor Force

This part presents the central characteristics of the labor market in terms of the distribution of employment by economic sector and occupational category, income levels, academic degree, among others.

According to data published in the Continuous Household Survey (EPHC), issued by the Census Bureau (DGEEC in Spanish), 3.676.299 people were part of the labor force (economically active population or EAP) in 2019, representing a little more than half of the country’s population (7.110.095). In turn, the employment rate was 94,3%, which meant that 3.466.761 people worked with or without pay for at least one hour in 2019. Consequently, the annual unemployment rate was 5,7% (209.538).

In the distribution of areas, 63,7% of those employed are in urban areas and 36,3% in rural areas.

Consistent with the structure of GDP in 2019, employment is concentrated in the service sector 61,9%, mainly in the sub-sectors of “Trade, restaurants and hotels” (26,7%) and “Communal, social and personal services” (25,4%). On the other hand, 19,1% of the employed population is in the secondary sector, where 11,1% is employed in the manufacturing industry and 7,9 % in construction. Finally, the primary sector (agriculture, livestock, hunting and fishing) represents 19% of employment, except that a large part is concentrated in the rural sector (46,6%).

As for the distribution of the occupation category, 50% of the employed population is formally employed, mainly composed of private sector employees or workers (40,3%) and to a lesser extent of public sector workers (9,9%). On the other hand, a significant proportion of employment is accounted for by the self-employed, who represent 42%, essentially self-employed. Finally, 7,7% of the employed labor force are domestic workers.

The average monthly income, in constant values and in thousands of guaraníes, of the working population in 2019 was around G. 2.400.000, which is lower than the average for the same period in 2018 (G. 2.487.000). The decrease occurred in all economic sectors, mainly in the service sector (-8,0%).

Economic policy

Paraguay has achieved significant economic growth and prosperity in the last 15 years. The economy grew at an average of 4.5% per year (2004-2017), a higher rate than most countries in the region. This economic growth was in turn accompanied by a reduction in poverty. In the same period, total and extreme poverty decreased by 49% and 65%, respectively. In general, the reduction of poverty in Paraguay was greater than the reduction of the regional average, although not as pronounced when considering the rate of economic growth. A remarkable increase in the income of the poorest 40% of the population can also be observed, with an increase of 4,2% per year during the period 2003-2017. The middle class has also almost doubled its income since 2003, reaching 38% of the total population by 2015.

Paraguay’s economy has endured a series of simultaneous shocks for much of 2019, including a drought in the last planting season, flooding, a deep recession in Argentina and a slow recovery in Brazil. These events mainly affected agriculture, livestock, construction and electricity generation, closing, according to data from the Central Bank of Paraguay (BCP), with a growth rate of 0%. It should be noted that the service sector showed a positive variation throughout 2019, with an annual growth of 3,2%, in contrast to the primary and secondary sectors that closed with rates of -3,6% and -3,1%, respectively.

Low growth in Brazil and the contraction of the economy in Argentina (representing 30% and 31% of Paraguay’s exports, respectively), together with a strong depreciation of the peso, contributed to the reduction of Paraguayan exports by 4,6%, while fixed investments fell by 11,7%.

Private consumption or household consumption with a 1,3% increase over the previous year and government consumption with a 5,09% increase. Private consumption accounts for 64,6% of the GDP structure, while government spending accounts for 12,8% (any variation in private spending is significant because of the weight of the GDP). The service sector grew 3,2% see BCP table below.

Evolution of Gross Domestic Product by economic activity, percentage variations

Economic Sector	1992	2016	2017	2018	2019*	2020**
Agriculture	3,2	2,9	7,9	2,2	-4,9	8,5
Livestock	7,6	5,1	2,9	-3,2	1,3	1,5
Forestry, Fishing and Mining Exploitation	3,7	2,7	-1,7	1,1	-2,6	0,0
Primary Sector	4,3	3,3	6,0	1,1	-3,6	6,4
Manufacturing	5,6	4,6	6,2	2,4	-1,0	-0,5
Construction	(3,1)	8,7	3,5	0,3	1,1	0,0
Water and Electricity	(10,9)	10,3	-2,5	1,9	-11,2	-2,5
Secondary Sector	0,4	6,8	3,5	1,9	-3,1	-0,9
Commerce	(0,9)	1,9	10,6	7,4	-0,4	-2,4
Transportation	1,9	4,7	7,8	1,4	0,6	-7,0
Telecommunications	12,1	0,6	5,5	5,1	6,3	5,0
Financial Intermediation	0,4	4,1	0,4	3,9	4,8	1,8
Real Estate Services	1,9	6,2	4,7	3,3	2,3	-1,0
Services for Companies	4,7	6,8	3,8	3,0	2,5	-6,1
Restaurants and Hotels	6,1	4,5	6,8	8,0	5,7	-80,0
Services for Homes	0,8	3,5	5,6	7,3	6,8	-8,0
Government Services	4,7	-0,9	1,6	4,3	5,1	5,0
Services Sector	2,0	2,8	5,3	5,0	3,2	-5,2
Net Value Added	1,5	4,3	4,7	3,4	0,1	-2,3
Taxes on Products	5,1	4,5	8,1	3,3	-1,7	-5,0
GDP – consumer prices	1,7	4,3	5,0	3,4	0,0	-2,5

Sources: BCP – Economic Studies – Department of Real Sector Statistics
*Preliminary numbers subjects to revision
**Projections

The economy in 2019 was weaker, with inflation below the target, closing the year at 2,8%. The flexible exchange rate regime continued to cushion external shocks, and foreign reserves remained at prudent levels, recovering after the temporary decline in the impact of the Argentinean crisis. Paraguay's current account remained in surplus in the first quarter of 2019.

The year 2018 ended with a fiscal deficit of 1,2% of GDP, in line with the limit set by the Fiscal Responsibility Law of 1,5% of GDP. In 2019, at the end of the year the figure was 2,9%, this negative balance was reached after having been authorized by National Congress to exceed the limit established in the Fiscal Responsibility Law, as a mechanism to maintain investments and reactivate the economy, as foreseen in the aforementioned legislation.

Total public debt for 2019 was USD 8,9 billion, equivalent to 22,9% of GDP, an increase of 10,1% over 2018.

By 2020, public debt is estimated to be around 27% of GDP, given that the public budget is above the 1,5% ceiling

International trade (exports and imports)

As of December 2019, the country's foreign trade transactions amounted to USD 18,4 billion, representing a reduction of 6,7% with regards to the accumulated value as of September 2018. Total exports as of the same month reached USD 9,5 billion, 8% less than the accumulated records as of September of the previous year, where a total of 130 countries imported Paraguayan goods. The total accumulated imports for the year amounted to USD 9 billion for the same period, which represented a decrease of 5,3%, and where 146 countries represented the origin of our imports. As a result, the trade balance has closed with a surplus of USD 531,3 million in this period.

The Central Bank of Paraguay (BCP in Spanish) projects an 8% drop in exports and a 6% drop in imports for the end of this year. This is a consequence of the economic downturn that occurred mainly due to lower production in the agricultural sector and the deterioration of prices in the meat sector.

Exports

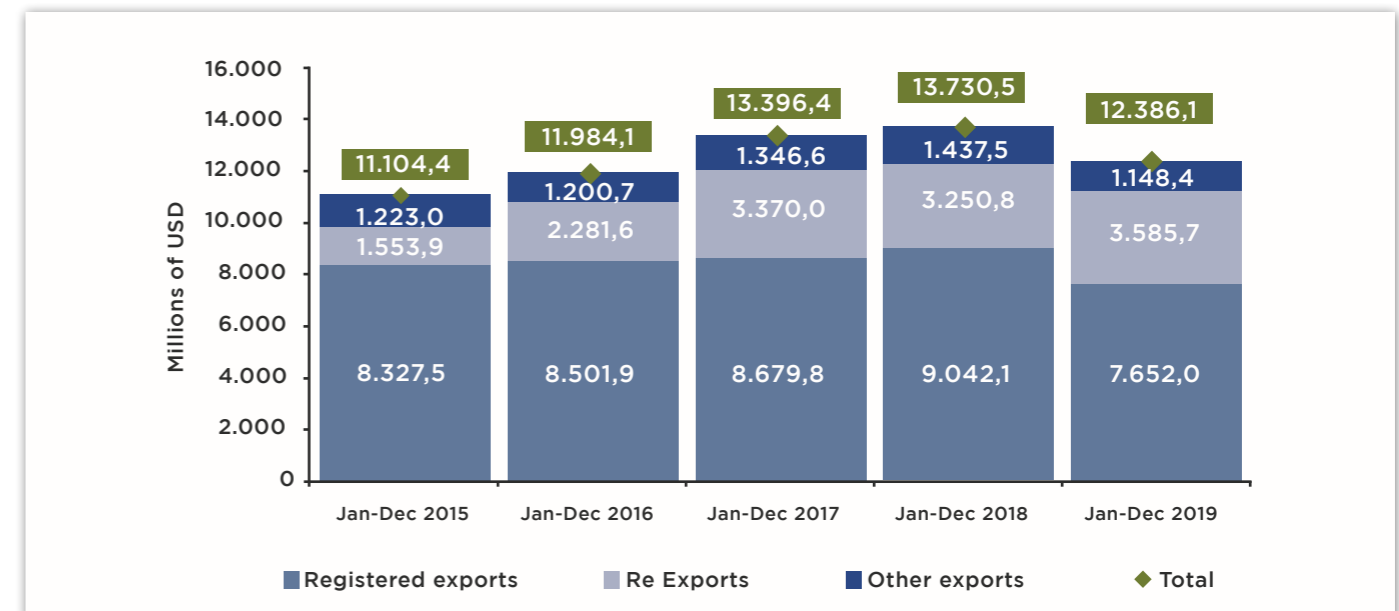
Total exports in 2019 have reached a value of USD 12,4 billion, which represented a reduction of 9,8 % with respect to the previous year, which was USD 13,7 billion. Recorded exports represented 61,8% of the total, reaching USD 7,6 billion, 15,4% lower than the value recorded in the previous year.

Meat exports fell by 7,3%, less than the previous month. The increase in meat shipments to Chile in the last three months is noteworthy, as well as an increase in shipments to Israel and Taiwan of 84,0 % and 108,5 % respectively.

Exports under the Maquila Regime continue to grow and in 2019 amounted to USD 583,6 million, 6,9% more than in 2018. The main products exported are yarns and wires (auto parts), garments and other textile articles, plastics and their manufactures, leather and carpets.

Re-exports accounted for 28,9% of the total, with a value of USD 3,6 billion in 2019, an increase of 10,3%. Other exports accounted for the remaining 9,3%, reaching USD 1,1 billion, 20,1% less than the cumulative value in 2018.

Evolution of exports
Years 2015 - 2019

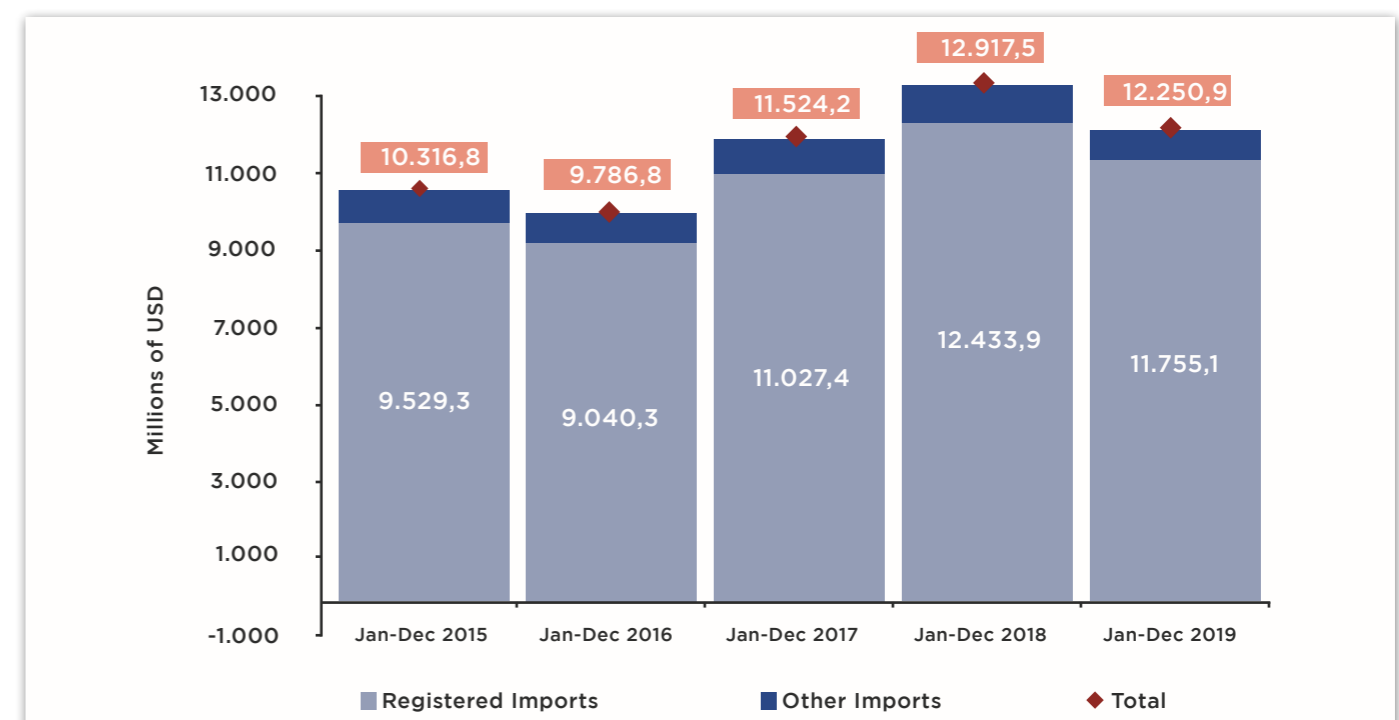


Source: BCP

In 2019, total imports reached USD 12,3 billion, 5,2% less than the previous year, mainly due to a significant drop in consumer durables (-18,3%). Recorded imports represented 96% of the total, reaching

a value of USD 11,8 billion, 5,5% less than in 2018, while other imports represented the remaining 4%, with a value of USD 495,8 million.

Evolution of Imports
Years 2015 - 2019



Source: BCP

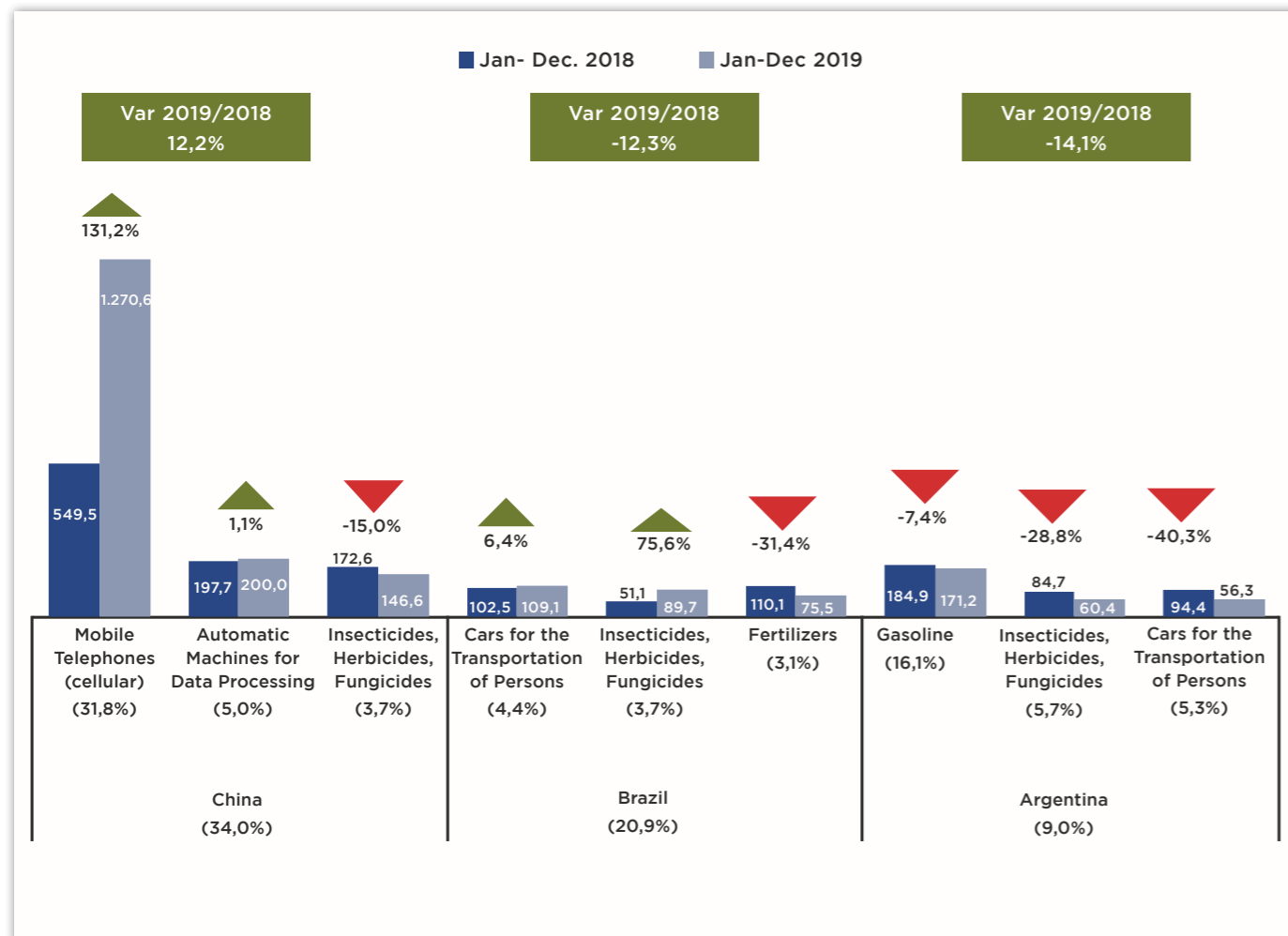
Imports of goods for domestic use totaled USD 9 billion in the year, a decrease of 11,9% over the previous year. Meanwhile, imports under the tourism regime (Decree N.º 6.406/05) represented an increase of 23,9%.

In relation to countries, China has been the main country of origin of imports with a 34% share, equivalent to USD 4 billion, presenting an increase of 12,2% with respect to 2018. Among the main products imported from that country are mobile phones (cell phones), automatic data processing machines, insecticides, fungicides and herbicides. In second order of importance is Brazil, which

participates with 20,9% and with imports for an amount of USD 2,4 billion and showed a decrease of 12,3% compared to the accumulated to 2018. From Brazil, the most popular items are passenger vehicle imports, insecticides, fungicides and herbicides and fertilizers.

Argentina is in third place, with a 9,0% share of total imports, worth USD 1 billion, which has represented a 14,1% reduction compared to 2018. The main products include oil, insecticides, fungicides and herbicides, and automobiles for good transportation.

Principal products imported and by origin



Source: BCP

Financial system and capital market

Until 2018, the financial system was the most steady in the region, with favorable results. However, in 2019 the activities remained weak, explained in part by the impact of supply shocks (climate) and the complex external environment, especially in the region. In this context, the non-performing loan rate increased and the growth rate of the loan portfolio slowed down. In order to mitigate this adverse scenario, the Central Bank issued a package of transitory measures to support the sectors linked to agricultural and livestock activity, provisions aimed at mitigating the adverse effects of the unfavorable climate and economic situation.

It is worth noting that the local banking sector has made progress in the Paraguayan market, following updates to the regulations, as well as the entry of new players and, most importantly, technology. Digital banking today is the priority agenda of Paraguayan banks, which is vital for increasing banking penetration.

According to data from the Central Bank of Paraguay, at the end of December 2019, the banking system had a growth in profits, despite the adverse situations faced during much of the year, where the total system generated profits worth 2.9 trillion guaranis versus 2.4 billion guaranis in the previous year.



Paraguay has had an important development in the capital market in the last ten years. The national market has a stock exchange, called Bolsa de Valores y Productos de Asunción (BVPASA), which has grown steadily since 2010, with the implementation of the Electronic Trading System (SEN).

BVPASA provides the infrastructure for intermediaries to negotiate titles according to the order received from their clients. New products have also been launched in recent years. As in most countries in the region, it is an exchange that negotiates mostly fixed income securities. It currently has 13 brokerage houses, including Cadiem CBSA, BASA Capital, Puente Casa de Bolsa, Avalon and Investor, among the main ones.

The regulatory body in Paraguay is the National Securities Commission (CNV), which is responsible for ensuring its competitive, reliable and transparent operation.

The capital market has a lot of potential, both at the level of demand for investment instruments or securities or in the offer of new investment options. At present, at the local level it is still small for the financial system of Paraguay, although at this moment the investor feels comfortable with local issues and local issuers begin to find good rates and opportunities for long-term financing.

In 2019, the stock market sector stood out as one of the most dynamic sectors of the national economy. According to a report by BVPSASA the volume traded was more than USD 1 billion, which meant an increase of 87% in the volume traded in the previous year, and all this in a context of lower economic activity.

Global, Regional and National Economic Outlook

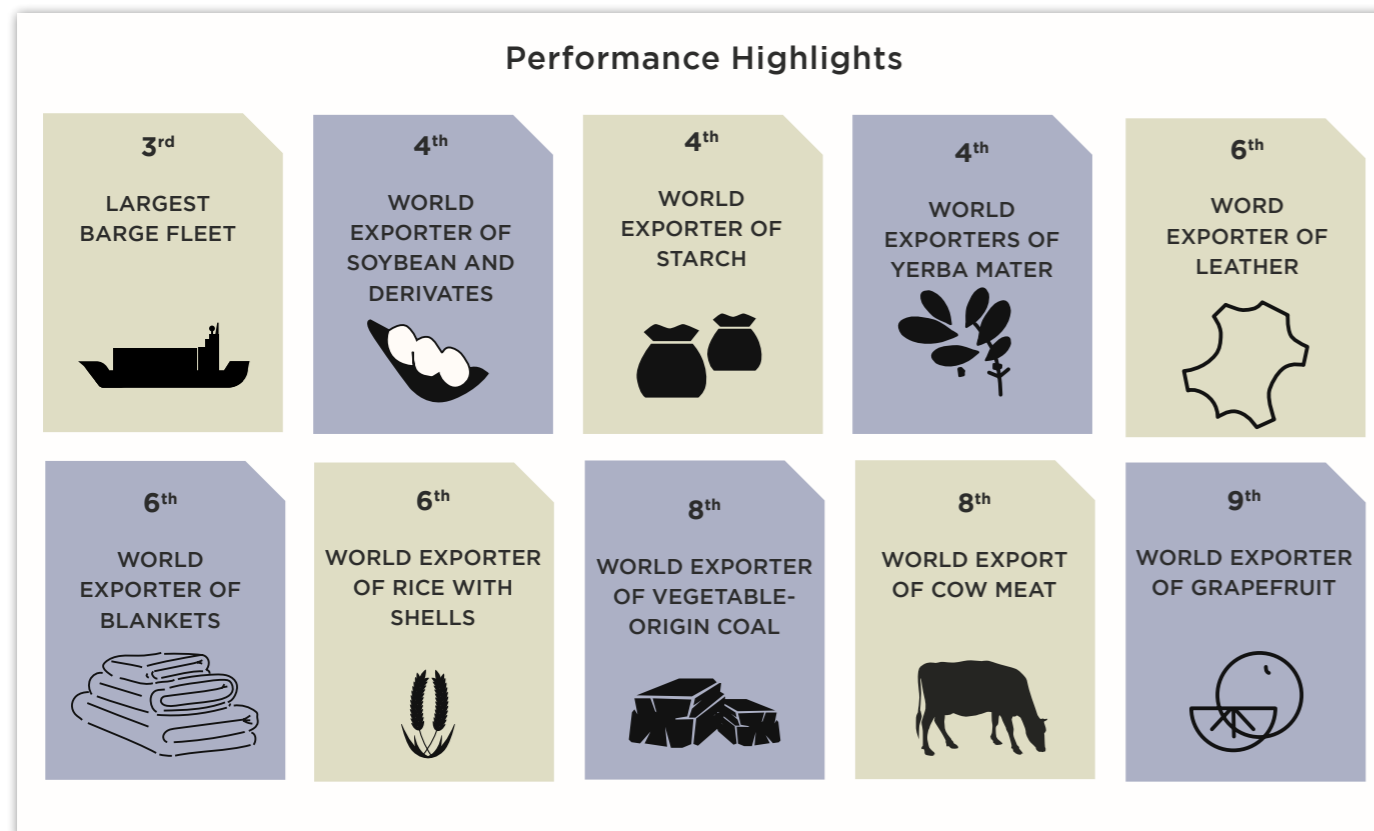
The world economy was hit by several unfavorable factors, including the covid-19 pandemic, as well as the trade war between the United States and China. There were geopolitical tensions, especially between the United States and Iran; the United Kingdom's exit from the European Union, political and economic complications in Argentina and Brazil, events that deepened the economic slowdown for most of 2019.

At the end of 2019, the United States reached a "phase one" agreement with China regarding the trade dispute, to which market indicators were favorable.

However, due to the impact of prolonged trade conflicts, the global economy has experienced its lowest growth in a decade, estimated by the International Monetary fund (IMF) at 2,9% in 2019.

Prolonged fragility in global economic activity can lead to significant setbacks to sustainable development, including the goals of poverty eradication and the creation of decent jobs for all. At the same time, prevailing inequalities and the deepening climate crisis are fueling growing discontent in many parts of the world.

Paraguay's Most Competitive Sectors



Source: REDIEX - 2019

Regional comparative ranking of the main competitiveness indicators

In the 2019 edition of the (Global Competitiveness Index 4.0), which assesses the competitiveness landscape of 141 economies, providing a unique insight into the drivers of economic growth in the era of the fourth industrial revolution, Paraguay ranked 97th, scoring 53,6.

This rating is very close to the average of 55 points (out of 100) for upper-middle income countries*. It is also in the average for Latin American and Caribbean countries. As for the Mercosur countries, they fell back in the ranking with respect to 2018, with the exception of Brazil, which climbed one position. In this sense, Paraguay dropped two positions.

The aspects that the World Economic Forum rated as strongest in Paraguay were health (81,4 points), macroeconomic stability (74,8 points) and infrastructure (59,8 points). The least valued factors were innovation capacity (22,4 points), airport connectivity (24,7 points), quality of road infrastructure (26,7 points), institutions (44,3 points) and market size (47,3 points).

The top places in the 2019 ranking went to: Singapore with 84,8 points, United States with 83,7 points and Hong Kong with 83,1 points.

In South America, Chile obtained the best ranking, placing 33th, followed by Uruguay as 54th, Colombia as 57th, Peru as 65th, Brazil as 71th, Argentina as 83th, Ecuador as 90th, Paraguay as 97th, Bolivia at 107th and Venezuela at one hundred and 133th.

(*) The World Bank classifies the Republic of Paraguay in the group of upper-middle income countries.

Tax scheme

Paraguay has the most competitive and simplified tax and benefit regime in the region. The current taxes** are:

- Value Added Tax, VAT 10 %.
- Business Income Tax, IRE 10 %.
- Personal Income Tax, IRP 10 %.
- Tax on Dividends and Profits, IDU 8 % when the recipient of the dividends, profits or income is an individual, legal entity or resident in the country; or 15 % when the recipient of the dividends, profits or income is an individual, legal entity or non-resident in the country, including those obtained by the parent company from abroad.
- Income tax for non-residents, INR 15 %.

() in force since 01/01/2020**



Tax regime

As of January 1, 2020, the new Tax Reform Law 6.380 comes into effect for taxpayers.

The changes in the Tax Reform Law are: increases in the maximum rates of the Selective Consumption Tax (ISC), the unification of the IRACIS with the IRAGRO through the creation of the Corporate Income Tax (IRE), at 10%; creation of the Dividend and Profit Tax (IDU), with rates of 8% and 15%; elimination of some deductible expenses in the Personal Income Tax (IRP), with a fixed annual incidence range of G. 80 million, and progressive rates from 8% to 10%.

Likewise, a simplified regime is created for medium and small enterprises, with fixed monthly payments for small taxpayers, according to the amount of invoicing in the previous year; Income Tax for Non-residents (IRNR) is established, and VAT refunds to agro-exporters are eliminated, among other tax adjustments. (See table below)

Tax Regime

Taxes	PY	AR	UY	BR
Corporate Tax Rate (IRE) (Maximum)	10 %*	30 %	25 %	34 %
Personal Tax Rate (IRP) (Maximum)	10 %	35 %	36 %	28 %
Value Added Tax (IVA) and related taxes	10 %	21 %	22 %	18 %
Total Aggregate Taxes and Social Contributions (according to World Bank)	38 %	106 %	42 %	68 %

Sources: FDI Intelligence, Ministry of Finance / Internal Revenue Service (SET)

***Observation:** In the case that dividends are distributed, a tax of 8% is applies (IDU) over the net utility. If dividends are remitted overseas, a tax of 15% is applied. Exceptionally, until October 2020, the profits of which distribution was approved before Law 6.380 / 2019 and whose payment was made will be covered by the IDU, on which a unique and extraordinary rate of 5% for residents and 10% for non-residents must be applied.



2.1. GENERAL INFORMATION

Contextualizing the scenario for investors, with regards to the favorable sectors for investment in Paraguay, it is appropriate to emphasize that the National Government has implemented a ten year strategic plan, called the National Development Plan 2030 (NDP 2030), with the vision of “being a food production powerhouse with additional value; be the logistical center of the region; and be a country led by young people.”

Vision Paraguay 2030

A Paraguay in which everyone can live with dignity within a democratic, supportive, and transparent state which promotes individual freedom and equal opportunities, through a broad alliance between an Open Government, socially responsible private enterprises, and an active civil society. A competitive country, among the most efficient food producers in the world, with thriving and innovative industries, employing a skilled labor force, providing products and technological services, progressing towards a knowledge-based economy; with rates of social development at the highest rank for South America; connected and open to neighbors and the world; environmentally and economically sustainable; with high rates of legal security for citizens, with attention to indigenous peoples, strong prominence of women; with young and trained visionaries leading the country.

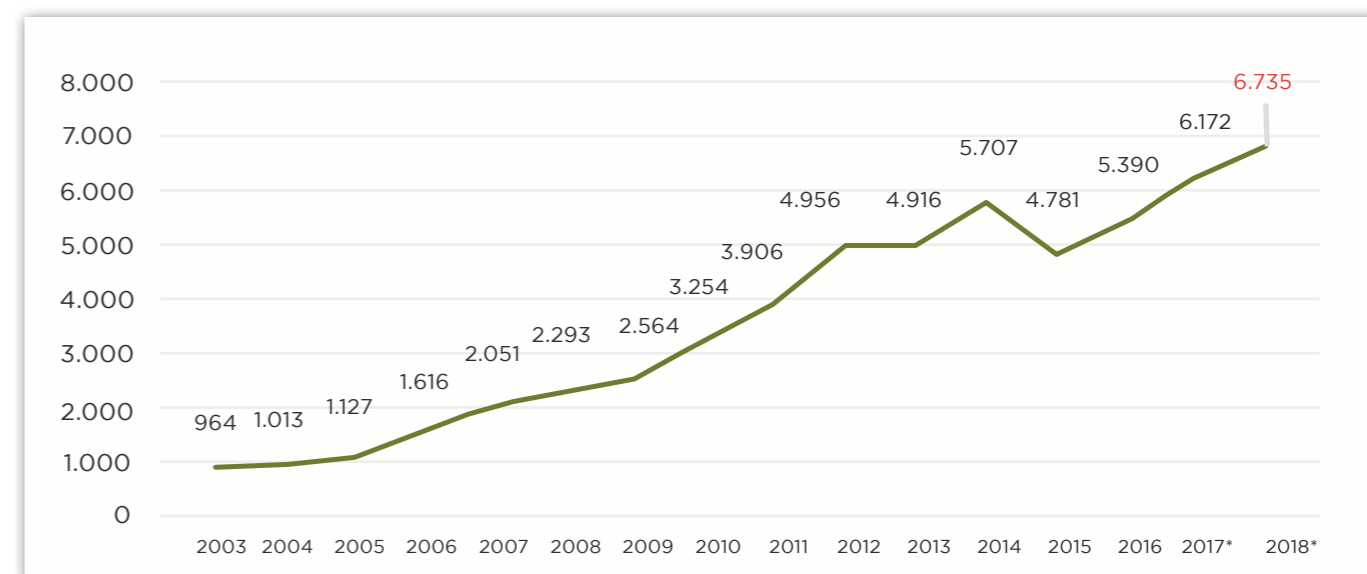
NDP 2030, approved by Presidential Decree N.º 2.794/2014, has three strategic axes consisting of: poverty reduction and social development; inclusive economic growth; and the insertion of Paraguay into the world. From these axes are 12 strategies to achieve development and increase the quality of life of the population. Strategy 2.2. includes targets to attract more international foreign direct investment and diversify exports.

Comment: The original NDP was subjected to a review process in December 2018 and was completed in 2019, providing four strategic axes: poverty reduction and social development; inclusive economic development; Paraguay's projection to the world, and finally strengthening institutional policy. Axis 3.1 includes objectives that refer to the strengthening of international cooperation. As of the date of publication of this material, the revision is subject to a new decree.

Investment Attraction

The country's main aspects attracting investment are connected to its macroeconomic stability, low social/labor burden (compared to other countries in the region), and the various tax benefits that the government offers investors. Other significant aspects include Paraguay's abundant fertile land, 41 million hectares suitable for food production, and a highly favorable climate for agriculture, so the agribusiness and food production sector is undoubtedly the area of most potential. Its strategic geographical location offers a platform for industrial production, with access to the markets of the region and the world, at advantageous costs, also the opportunity to be a logistics center of the region, combining the road and river networks allowing for high transport capabilities.

Evolution of Foreign Direct Investment (FDI)
(In Millions - USD)



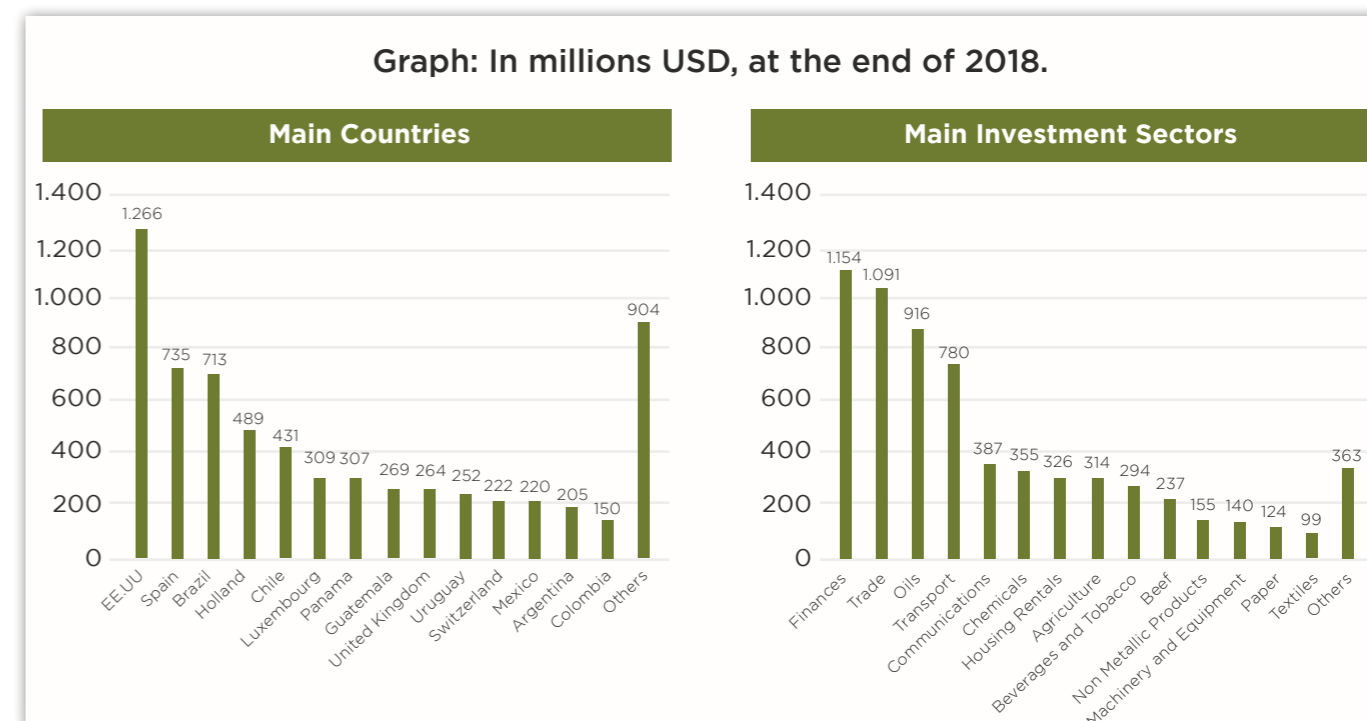
Source: MIC/ BCP (*) Preliminary numbers

The FDI balance in the country reached a value of USD 6,7 billion in 2018. Compared to the balance in 2017 of USD 6,2 billion, the growth was 9.12%.

The average annual investment over the last 10 years was USD 4,8 billion.

2.2. COUNTRIES INVESTING IN PARAGUAY

Composition of Foreign Direct Investment (FDI)



Source: MIC/ BCP

2.3 INVESTMENT SECTORS

Agriculture

Agriculture plays an important role in Paraguay's economy. According to a report of the Central Bank of Paraguay (BCP in Spanish), the sector represented 6,8% of the GDP in 2018 and 7,8% in 2019.

A large part of agriculture is developed in the Eastern Region (which occupies almost 40% of the territory), although in recent years agricultural crops have been successfully developed, with the application of technology, in the Western Region or Chaco (which occupies 60% of the territory).

The country's main agricultural crops are soybean, corn, wheat and rice.

Soy is the main agricultural product and one of the main foreign exchange producers for the country. According to a report by Paraguayan Chamber of Cereal and Oilseed Exporters and Traders (CAPECO in Spanish), in the 2018 / 2019 campaign, production was 8,5 million tons in an area of 3,54 million hectares (ha), with a yield of 2.401 kg/ha.

The Union of Guilds of Production (UGP) estimated that the campaign 2019/2020 was 10,5 MM ton in an area of 3,63 MM ha and yield of 2.800 kg/ha.

Soybean cultivation has been developed, mainly, in the extreme east of the Eastern Region with two productive focuses outside the traditional area, one in the northern portion, in the departments of San Pedro and Amambay, another in the south, in the department of Misiones. The highest yields per hectare are found in the departments of Alto Paraná, Canindeyú, Itapúa and Caaguazú.

Paraguayan soybeans are mainly destined for the foreign market. Paraguay is one of the world's leading soybeans exporters. In 2019, it ranked fourth.

In terms of markets, Argentina is the main destination for soya with 68,2% of the total, followed by Russia with 15,6%.

Corn also stands out in national agriculture, although the farming system is inter-cropping. In 2018, production was 4.6 million tons in an area of 925 million hectares. The cultivation area is in several regions of the country, with greater concentration in the departments of Alto Paraná, Caaguazú, Canindeyú, Itapúa and San Pedro.

Corn production is also destined for export, with Brazil being the main market.

Wheat is also positioned as one of the most important crops in the country. In 2019 its production was 1.2 MM ton in an area of 430 M ha (CAPECO statistics). The area of wheat cultivation is developed in the east and south of the country, in the departments of Alto Paraná, Canindeyú, Itapúa.

Finally, the production of rice in 2017/18 was 897.2 metric tons and the sowing area reached 143 million hectares. Rice farming is concentrated mainly in the departments of Itapúa, Misiones and Ñeembucú. According to data from the Federation of Rice Growers of Paraguay for the year 2019 it reached a production of about 1.0 million tons in an area of 165 metric hectares, with average yields of 5.900 and 6.000 kilograms per hectare. The production is mostly for export (85% of the total was for the external market). The main destination is Brazil, with 60% of exports; Chile, with 8%; the United States, with 6%; and Iraq and other Asian countries with about 5%.

Favorable factors for agriculture: Rainfall, abundant water reserves, soil fertility and comparatively low costs in regional terms have made Paraguay a prosperous agricultural country. There are numerous investment opportunities in grain collection, road and port infrastructure and commercial chains. Paraguay has begun an ambitious hydrocarbon exploration plan that if successful could significantly improve existing infrastructure. Some other crops in which Paraguay stands out are cotton, sorghum, sweet potato, sunflower, cassava,

fruits and vegetables for self-consumption, peanuts, beans, sesame, tobacco and tartar.

Below are the projected values for 2020 / 2021 of the following items:

Soy

- Producer sales price: 300 USD/t.
- Production cost: USD 520 x ha.
- Yields: 2.700 kg/ha.

Corn

- Producer sales price: 120 USD/t.
- Production cost: USD 475 x ha.
- Yields: 5.000 kg/ha.

Wheat

- Producer sales price: 190 USD/t.
- Production cost: USD 400 x ha.
- Yields: 2.300 kg/ha.

Rice

- Producer sales price: 200 USD/t.
- Production cost: USD 900 x ha.
- Yields: 7.000 kg/ha.

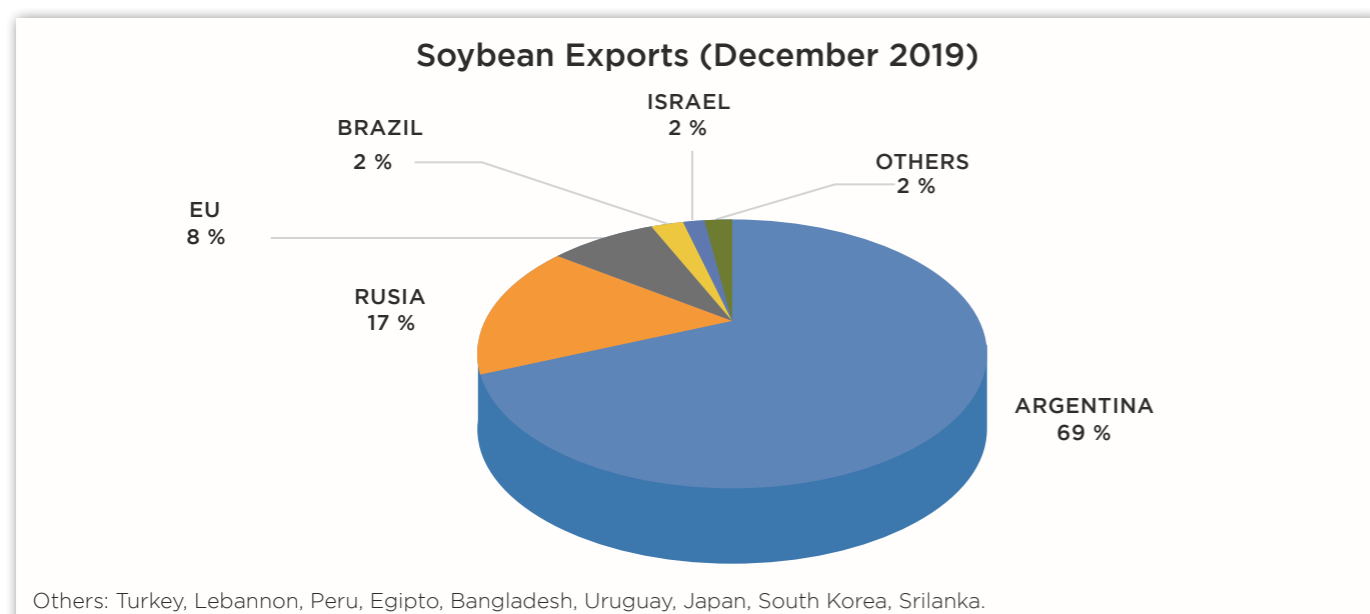
Source: the Chamber of Commerce Paraguay Brazil

Livestock

The cattle population in Paraguay rose by about 20% in the last 10 years. According to SENACSA's register, the cattle balance in 2019 was 13.8 million heads. The plan for 2020 is to reach 15 million head of cattle. The Rural Association of Paraguay (ARP in Spanish) is prioritizing among its actions the procreation rate program, or the artificial insemination of animals from small and medium producers as well as improvements in the handling of animals and pastures.

Paraguayan livestock breeding has an interesting spectrum of development. The main advantages are the natural conditions and production capacity, however, the biggest local challenge is to introduce full traceability of all its herds in a fast and well-planned way, as well as the opening of new markets.

International markets



Source: CAPECO (<http://capeco.org.py/exportaciones-por-destino-final-es/>)

Investments in cattle breeding are carried out in fields with lower productivity rates where mega thermal pastures perform less, both in the Eastern Region and in the Chaco region, especially in the basin of the Paraguay and Pilcomayo rivers, in the department of Presidente Hayes. An extensive production system is used in the field with adequate veterinary and sanitary control, with access to genetic improvement, via artificial insemination.

Genetic improvements have made it possible to take advantage of crosses with Zebu, Brahman or Nelore, which are widely used because they adapt better to the climate. The Braford and Brangus breeds are very well established and have productivity rates per hectare of artificial pasture of pan-cum maximum varieties, which adds much higher yields than other more traditional livestock areas, such as the humid pampas of Argentina.

The area of greatest livestock growth in the last decade has been the Chaco, with a growth of 83%, especially in the departments of Boquerón and Alto Paraguay.

The following are the projected values for 2020:

- Average purchase cost of a weaner: USD 300.

- Cost of animal production / year **: USD 75.

- Average sale price of steer: USD 640.

- Average selling price of bull: USD 850.

- Over-the-hook price: USD 2.85.

** Not including initial investment of the field.

Source: the Chamber of Commerce Paraguay Brazil

Meat production

Paraguay is among the top 10 exporters of bovine animal protein. In 2019, it ranked 8th in the world as a beef exporter. In 2018, beef production was 449.232 tons of beef and 257.414 tons were exported, equivalent to approximately 57%, generating a total of USD 1 billion. In 2019, beef production was 436.226 tons and 247.167 tons were exported, about 56% of the total. (data from the Department of Statistics DPE – SENACSA, Department of statistics and National Service of Quality and Animal Health).

The main export destinations for meat and offal: Chile, Russia, Israel, Brazil, Republic of China-Taiwan, Kuwait, Vietnam and the European Union. For the year 2020, there are negotiations to export to USA, Saudi Arabia, Japan and Turkey.

Relevant Fact:

Related to the new agreement signed between Mercosur and the European Union and the Hilton Quota, which will represent a strategic opportunity for Paraguay, since it is one of the countries that exports the least to the Euro zone. In the case of beef, the South American bloc will have a quota of some 99.000 tons (carcass weight), which is equivalent to approximately 70.000 tons shipping weight for Mercosur, with a preferential tariff of 7,5%, of which 55% will be for chilled meat and 45% for frozen meat.

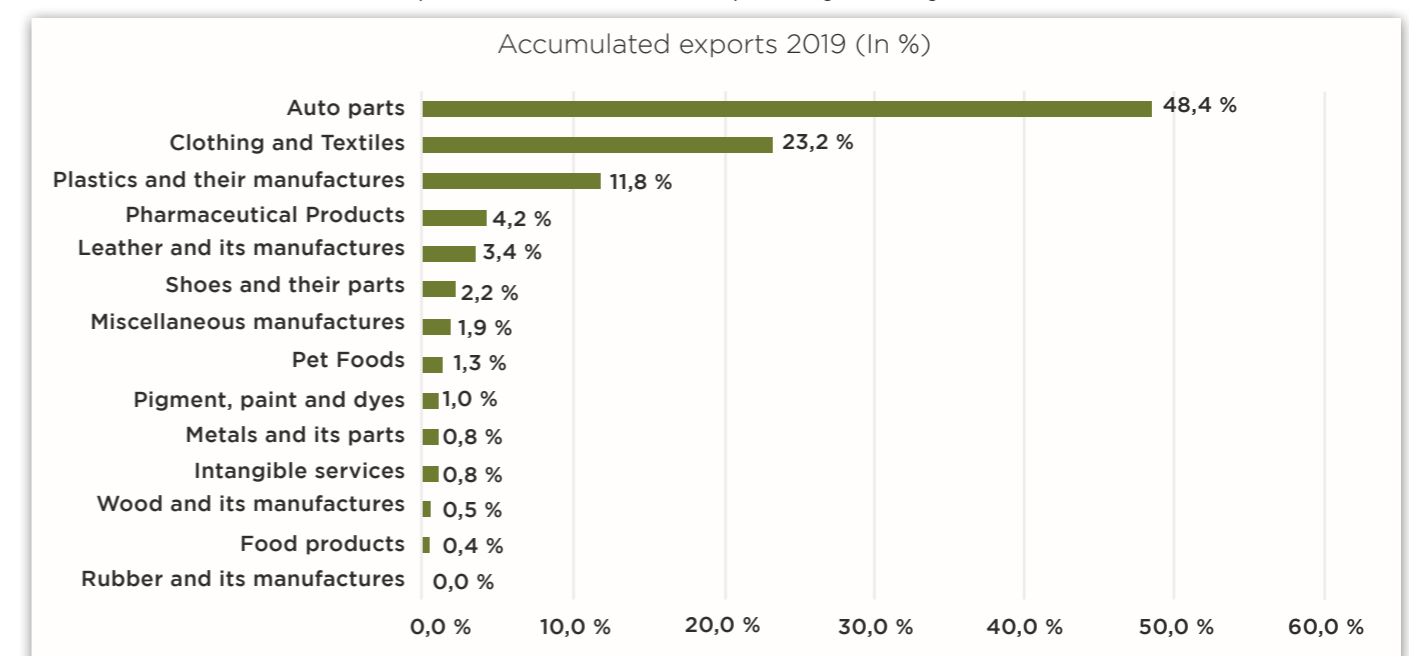
The degree of benefit for Paraguay will be determined by negotiations at the regional level for the distribution of this quota, and the country's position will be to ask for equitable distribution, according to information from the Paraguayan Meat Chamber and the Rural Association of Paraguay (ARP). If it obtains 25% of the quota established for Mercosur, which is what will be considered, Paraguay will be the most benefited as it currently only has a preferential quota of 1.000 tons per year in the Hilton quota.

Auto parts and assembly

This has been a growing sector in Paraguay in recent years. Currently there are several multinational industries in the auto parts sector installed in the country, mostly under the Maquila Regime, among them: Yazaki (Japanese), Leoni (German), THN (Korean), Sumidenso (Japanese), MSK S.A. (Brazilian), BP Américas (German), Kromberg & Schubert (German) and Fujikura (Japanese). The production is intended for export, expanding to over 12 countries in America, Europe and Asia.

The auto parts sector represented more than 50% of the total volume exported under the Maquila Regime in the years 2016, 2017 and 2018 and 48.4% in 2019, leading the ranking of exported products, according to reports from the National Council of the Maquila Export Industry (CNIME in Spanish).

Exports under the Maquila System year 2019



Source: CNIME

The assembly industry includes vehicles, motorcycles, trucks and buses. The assembly companies are:

- In the utility vehicle line: AM Reguera SA, for Changan-Yamazuky; Alex SA, for Star; and Reimpex SRL for JAC, Changhe, Forland.
- In the bus line Ruvicha, by the Lince Group.
- On the motorcycle assembly line: Inverfin – brands Taiga; Reimpex S.R.L for Leopard; Alex SA, for Star; and Chacomer for Kenton.

- Trucks: Timbó Group for Sinotruk; Alex SA for Star and Reimpex S.R.L. for Forland and Changhe.

Factors conducive to investment in the sector, as mentioned by some industries are low tax burden, low cost of labor and energy compared to other countries in the region.

The auto parts industries are mostly concentrated in the Central and Alto Paraná departments.

Relevant facts:

In October 2019, Paraguay and Argentina signed a bilateral free trade agreement to regulate production and trade in the automotive sector, valid until 2029, for the administered exchange of vehicles. The agreement establishes the continuity of trade compensated with a percentage of flex vehicles and parts exchange. The “flex” percentage is decreasing year by year until it reaches free trade in 2029.

On February 11, 2020, Paraguay and Brazil signed an agreement for the auto parts sector. This agreement highlights the incorporation of opportunities for the development of vehicles with new engines (electric, hybrid, gas, hydrogen, etc.), with Special and Differential Treatment - S&D for Paraguay, starting with a regional content index of 30%. In addition, preferential access for maquila products with Regional Index of Content (ICR in Spanish), less than 50%, for an initial amount of USD 350 million in the year 2020 and ICR 40%, with an annual increase in the amount, and a gradual increase in the ICR, and by 2027, the final amount of USD 750 million, ICR 50%.

It also provides for preferential access for both countries for 1.000 passenger vehicles with a reduced regional content index, with special treatment for Paraguay (30% ICR for Paraguay and 35% for Brazil).

The commitment also sets out the definitions of tariff preferences, preferential trade, convergence to the Common External Tariff (AEC in Spanish), which will allow the export and import of automotive products. This allows local assembly industries to aspire to start an export process with a fairly competitive content index.

These agreements provide legal coverage for the current exchange of automotive products that were not included in Mercosur, and lay the groundwork for regional integration, with a free trade model and creating opportunities for production integration.

Among the most important issues are: free trade in automotive products between the two countries; preferential access to the Brazilian market for goods manufactured in Paraguay under the Maquila Regime; and, preferential access for vehicles with alternative motorizations and for high-end vehicles.

Disclaimer: As of the date of publication of this Guide, the agreement is available on the web page of ALADI's General Secretariat, where its implementation will be established, once the internal legal procedures in each of the parties to this agreement and its first additional protocol are fulfilled.

Agreement with Argentina

<http://www2.aladi.org/nsfaladi/textacdos.nsf/ca05a6ae01cc969583257d8100416d1e/7e1f2e3cddafb696032567ec007c6823?OpenDocument>

Agreement with Brazil

<http://www2.aladi.org/nsfaladi/textacdos.nsf/4d5c18e55622e1040325749000756112/84ab9046789ed22703258367004758d4?OpenDocument>

Negotiations with Uruguay are scheduled to begin in 2020.

Construction

This sector is divided into two groups:

a. Infrastructure: with greater government contribution for large works, mainly roads in different parts of the country. In 2019, the investment was USD 812 million. Most of the works are carried out under the modality of public bidding, although there is also the modality of Public-Private Alliance (APP in Spanish).

Important projects will be implemented over the next four years, the most important of which are: Botanical Road Corridor, Government Buildings (five buildings for six ministries), Costanera Sur, 3 Bocas Tunnel, Asunción - Chaco'i Bridge, Doubling of the PY09-Transchaco Route, Milk Route,

Bioceanic Route, Bioceanic Bridge, Paving in the Chaco'i- Gral. Bruguéz, Sovereignty Route (Fonplata), East and West Export Route, Integration Bridge (between Presidente Franco, in the Upper Paraná area, and the Brazilian city of Foz de Iguazú), Intervention on Route PY01 (project includes intervention, duplication, and reconstruction and maintenance), among other works.

b. Housing: In 2018 and 2019, private sector investments were made in housing for segments A/ B/C /D, although several constructions and projects were decisions made two or three years earlier.

According to data from the Permanent Household Survey (EPH in Spanish) for the year 2018, conducted by the General Directorate of Statistics, Surveys and Censuses (DGEEC in Spanish), only 79,5 % of the population owns a home. It is estimated that close to 100.000 people in the country do not have their own home.

Through Law 5.638* on “Housing Development”, the Ministry of Urban Planning, Housing and Habitat - MUVH, has planned 10,000 housing subsidies to be implemented until 2023, which will be allocated to the construction of housing for the middle and lower middle class.

(*) Disclaimer: At the date of publication of this Guide, the Act is not yet regulated.

The following are the reference values for construction in 2019:

b.1. Single-family housing

Covered surface: 360 m.

Total cost of construction: G. 653.094.083

General expenses / profit / other: G. 293.892.337

Administrative expenses: G. 95.687.047

Total cost of the work: G. 1.042.673.468

b.2. Storage shed

Covered surface: 240 m.

Total cost of construction: G. 263.779.930

Cost of the m. in Asunción: G. 1.057.416 (without considering the costs of the client, general expenses and business profits)

General expenses / profit / other: G. 63.444.982

Administrative expenses: G. 27.168.977

Total labor cost: G. 344.393.890

Source: Revista Costo, Ed. Dec 2019.

Exchange rate as of 12.30.19 BCP: 1 USD = G. 6.453

Electrical and electronic devices

This area has attracted foreign investors, mainly manufacturers of automotive wiring and electrical conductors, in the model of export maquila industry.

Favorable factors for investment in the sector also refer to the benefits on the tax side, low labor and electricity costs compared to other countries in the region.

The electrical and electronic products industries are concentrated in the Central and Upper Paraná departments.

Creative Economy

Also known as the orange economy, it offers an infinite opportunity, with clear potential in Paraguay. According to data from the Diagnostic Study carried out by the IDB LAB/CIRD Project “Orange Economy, Creative Force”, the creative sector has an impact of 2.5% on the national GDP and employs around 50.000 people directly. The creative industries are all activities that have intellectual property as their fundamental basis, in other words, the raw material is creativity, as well as intellect and ideas. Architecture, performing arts, audiovisual, music, video games development, software, design, 3D programming are part of the orange economy, understanding that they all produce a specific product or service despite having particular processes. In order to increase this economic activity, the Audiovisual Promotion Law was created in July 2018 and regulated in October 2019.

In 2018, the Federation of Creative Industries (FIC in Spanish) was created seeking to bring together the different industries and promoting the creative economy in the country. The FIC currently brings together nine guilds from eight sectors (audiovisual, software, fashion design, video games, visual arts, inventions, music, advertising).

Entrepreneurship and creative economy:

- The Ministry of Industry and Commerce (MIC in Spanish), through the Vice-Ministry of SME´s and according to the provisions of Law 5.669/2016 “On the Promotion of Entrepreneurial Culture”, must promote the entrepreneurial spirit and culture. In this sense, by means of ministerial resolution N.º 912 dated 26/10/2018, the institutional operation of the National Directorate of Entrepreneurship is formalized (DINAEM in Spanish).
- REDIEX has a Creative Industries and Services platform with the purpose of diversifying the exportable offer, opening new markets and positioning the country as a destination for foreign investment in this sector. Since last year we have been working mainly with the audiovisual, advertising, video games, music and software sectors.
- The National Plan for SME´s includes the Thematic Tables on Entrepreneurship and the Creative

Economy with the aim of coordinating with similar institutions and providing support to the sector.

The National Government, through the Ministry of Industry and Commerce, recognizes the audiovisual sector as an industry, which will allow the companies linked to the sector to access all the existing benefits for the industries at a national level: investment incentives (Law 60/90), tax exemptions, credit lines from the National Development Bank, etc.

Renewable Energies

According to the Energy Balance for 2018, issued by the Vice-Ministry of Mines and Energy, the country’s energy consumption matrix is composed of 44% biomass (almost native wood, not reforested), 40% imported fossil fuels, and only 16% electricity. Of this electricity, 60% is used in residences, 25% in industry and the rest in commerce.

At present, hydroelectric power forms almost 100 % of total electricity production in Paraguay; the production of this energy is renewable in installed capacity of 9.000 megawatts (MW).

Power plant potential in MW

Damn	Total Power (Nominal)	Power for Py (Nominal)
Itaipú	14.000 MW	7.000 MW
Yacyreta	3.200 MW	1.600 MW
Acaray	210 MW	210 MW
Total installed power		8.810 MW

Source: MIC / REDIEX

Hydroelectric potential in rivers in shared with Argentina

Damn	Total Power (Nominal)	Power for Py (Nominal) *
Aña Cua	270 MW	135 MW
Itacorá-Itati	1.660 MW	830 MW
Corpus Christi	2.880 MW	1.440 MW
Total		2.405 MW

Source: MIC / REDIEX

Hydroelectric potential with medium CHE in inland rivers

Emplacement	Total Power (Nominal)
Yguazú	200 MW
Acaray III	150 MW
Monday	180 MW
Ñacunday	160 MW
Paraguay River I and II	168 MW
Total	858 MW

Source: MIC / REDIEX

In this context, in the near future, Paraguay will be a place for investments in power generation plants, which is complemented in a framework of sustainability, with great energy potential, not only hydroelectric, but also other renewable sources such as biogas and solar energy.

Another niche with great potential for investment in Paraguay, in terms of renewable energies, is that of electric transport. Only the import of electric vehicles and the transformation of the public transport network (buses and taxis) will have a positive impact in terms of better use of energy that is not being consumed today. The initial concept of buses and taxis can be extended to the individual transport and, even more, this need can be combined with the national industry of auto parts and assembly, for example, so that assemblers of auto parts and batteries, come to the country for both the local market and Latin America (considering the advantageous geographical location of Paraguay). This is a virgin market full of opportunities.

Biofuels

Considering that 100% of fossil fuels in Paraguay are of foreign origin, the inclusion of biofuels in both transport and industry is an opportunity to develop and to achieve national autonomy. Currently there are producers of ethanol and biodiesel, the former to serve the local market and for export, and the latter with sales of their entire production in the local market.

The year 2019 can be taken as a good reference, as there were no major frosts and prices did not vary significantly. In that year, petrol required a mixture of 25% ethanol (RON 85, 90 and 95) it reached a total of 1.223.132.935 liters marketed (of the mixture), whose 25% fraction in demand yielded a total of 305.783.234 liters of ethanol. In the same year, the mixture of E85 petrol (with a composition of 85% absolute alcohol + 15% RON 85 petrol) - also commercially known as FLEX - reached a total sale of 9.577.835 liters of mixture, the 85% absolute alcohol fraction which added to 8.141.159 liters. The total of both figures (RON 85, 90, 95 and E85) added up to a demand of 313.924.393 liters of ethanol for the automotive market.

The market for biodiesel is still in its early stages, with a demand for a 2% blend in diesel, and an estimate growth of up to 5%. At present, with demand for 2% diesel blend, the installed production capacity is sufficient to meet the demand for 2% diesel blend. There is no greater demand because the price of biodiesel is high. We need large scale production of biodiesel and varied raw materials (not only soybean oil and animal fat), to be competitive in price. It does not exclude the possibility of biodiesel processors being installed in Paraguay, with a view to both the local and export markets, thus justifying large-scale production.

Food industry

Paraguay offers abundant raw materials, qualified labor, applied technology, fiscal incentives, international business, quality and variety of products, productive capacity, new growing businesses, which give the country enough competitiveness.

Currently, national companies produce a wide variety of high-quality foods, such as beef, poultry and pork, dairy products, peanuts, flour, rice, medicinal herbs, mate tea, vegetable oils, organic sugar, fruit juices, mineral waters, soft drinks, cassava starch, spices, and high-quality processed foods.

In terms of the industrial exportable supply, the agro-industrial items stand out, more specifically vegetable oils and pellets (USD 1,4 billion in 2018), beef (as mentioned above) and other food products (USD 199,6 million in 2018). The food industries are mostly concentrated in the Central Department.

Financial Intermediation

This sector had the highest and best yields in the last 20 years in Paraguay. According to the Central Bank of Paraguay (BCP), the financial intermediation sector represented 5,8% of GDP in 2018 and 5,9% in 2019. In turn, according to the BCP's report on foreign direct investment, this sector was the one with the largest share of the FDI balance (17,1%) of the total in 2018.

The financial sector is well regulated. The rate of non-payment (default and late payments) is low. Although financial institutions have a loan limit per client of 20% of their net worth, this limit can be increased to 30% of the net worth of the financial institution, depending on the existence and type of collateral securing the loan, including:

- Mortgage guarantee for up to 70% of the assessed value.
- Collateral up to 50% of the appraised value.
- Guarantees included in the ALADI (Latin American Integration Association) Agreement on Reciprocal Payments and Credits).

- Warrants issued on different products according to net asset value.
- Stand-by letters of credit issued by leading financial institutions.
- Subsidiary guarantees issued by first line financial entities.
- Pledged bank deposits issued in favor of the financial entity granting the loan.

The financial entities with foreign investment are: Banco GNB, Banco Itaú, Banco do Brasil, Banco BBVA, Citibank and Sudameris Bank.

Paper products

According to a 2018 FDI report by the Central Bank of Paraguay, investment in the paper and paper products industry sector was USD 124,4 million. In this area, the production and export of craft paper or cardboard, corrugated cardboard and technical paper for the manufacture of gypsum boards are noteworthy.

The national paper industry is supplied with the raw material paper or cardboard for recycling (waste and scrap) from the local market for the production of paper and cardboard.

Metallic products

This sector has an incipient participation in the export of manufactured goods. The products manufactured are diverse and range from materials applied to construction, containers or items for the beverage industry, car manufacturing accessories, machinery, among others.

There are several foreign capital industries installed in Paraguay, mostly under the Maquila Regime, some of them are: Xplast (Brazilian), Barbieri (Argentinean), Brascaps (Brazilian), Compañía Sur Americana de Aceros SA (Brazilian), Real Metales (Brazilian), HCSA (Brazilian), Egea SA (Uruguayan), Enercorp S.A. (Brazilian), Ball Corporation (American - USA). The destinations of the production go mainly to Brazil and Argentina.

The metal industries are mostly concentrated in the Central and Upper Paraná departments.

Chemical products

Overall, the chemical industry is made up of several sub-sectors. Some chemical product industries operating locally are involved in household products, manufacture of paints, enamels and other chemicals, household products, pharmaceuticals and plastics.

Some existing industries in the sector are:

- Puras pinturas paraguayas S.A (Venezuelan),
- Inesfly (Spanish),
- XPlast (Brazilian),
- Nova Par S.A. (Uruguayan),
- Estelar S.A. (Brazilian),
- Amamplast (Brazilian),
- Uniplast (Brazilian),
- Megaplásticos (Brazilian), among others.

The chemical, pharmaceutical, domestic and cosmetic industries are located in the Central Department, with branches in the borders. They also export to several countries such as Bolivia, Peru, Ecuador, Brazil, Argentina, Uruguay, Dominican Republic, Costa Rica, Nicaragua, Guatemala, Mexico, as the main destinations in Latin America, some African countries and the Middle East.

Restaurants and hotels

These two sectors played an important role in Paraguay's economy, with significant foreign investment.

Restaurants:

The boom in the opening of restaurants occurred between 2016 and 2017, mainly in the city of Asunción.

In 2019, the restaurant sector was affected by the economic slowdown that the country experienced and the retraction in consumption, however, new premises were opened. The opening pace is not the same as in previous years (2016-2017).

According to data from the Paraguayan Restaurant Association (ARPY in Spanish), for every new establishment that opens, two, three or more are closed at the same time. Generally, 60% of new gastronomic ventures are closed before the first year.

The main investments carried out in the last four years to 2019 were:

- Negroni – Rooftop Dazzler Hotel: opening in December 2016, with a capacity of up to 200 people and an approximate investment of USD 500.000.
- TAJ: opened in July 2017, with a capacity of 240 people. Investment USD 900.000.
- Alma Cocina con Fuegos: inaugurated in September 2017, with a capacity for 194 people. Investment not disclosed by the company.
- Luna 21: opened in October 2017, capacity approx. 150 people. Investment USD 1.200.000.
- Zulu: opening in August 2018 with a capacity of 200 people Investment USD 1.000.000.
- Hard Rock Café, reopening on 10 December 2019, with a capacity of 340 people. Approximate investment of USD 3.000.000.

Hotel industry:

In 2017, Paraguay registered a boom in the hotel sector with many new projects in the country's main cities. According to the National Secretariat of Tourism (Senatur in Spanish), between 2013 and 2016 the number of hotel establishments in Paraguay grew by 38%, a trend that was reinforced during 2017, with the expansion and improvement of existing ones. One of the main reasons for this increase was due to the country's sustainable macroeconomic indicators.

A phenomenon that accompanied this was the growth of corporate tourism. More and more international events are being organized in Paraguay, which leaves an important economic flow in the country. Its great advantage is that tourism for meetings or congresses does not depend on seasonality, generating hotel occupation throughout the year with average stays of four days or more.

The main investments carried out in the last four years to 2019 were:

- Aloft: opened in January 2016, with 120 rooms. Investment: USD 12.000.000.
- Dazzler: opened in April 2016, with 300 rooms and an investment of USD 35.000.000.
- Esplendor A Wyndham Grand Hotel: opened in April 2017, with 206 rooms. Investment: USD 25.000.000.
- Río Hotel By Bourbon Ciudad del Este: opened in October 2017, with 116 rooms. Approximate investment of USD 15.000.000.
- Hotel Five Asunción: opening in February 2018, with 40 rooms Investment USD 5.000.000.
- Holiday Inn: opened in February 2019, with 116 rooms. Investment: USD 12.000.000.
- Palmaroga Hotel (Grupo Barcelona): opened in May 2019, has 107 rooms, with an investment of USD 12.000.000.

These large hotels renovate the areas where they are installed: Ycuá Satí, San Jorge, Villa Morra and above all Manorá, which also has the presence of the Del Sol Shopping Center and the World Trade Center, and has positioned itself as the business and financial area of Asunción. In addition to the large chains, there are also small boutique hotels with more guest driven service. On weekends the hotels also receive tourists who come to shop for technology devices in downtown stores.

Real estate services

This sector represents the national economic structure, in 2018 it had 6.6% share of the GDP and in 2019 it had a 6.7% share. In the last 10 years, Paraguay has developed a great amount of real estate, marked by an important evolution in terms of construction and private investments in the real estate market, focused mainly on the upper-class population and the corporate sector.

This happened due to different factors, where we can highlight the increase in the Paraguayan middle class that occurred as a result of the reduction in poverty levels, which has served to boost demand and generated significant supply in the real estate sector, mainly in the country's capital.

In Asunción's corporate sector, between Santa Teresa and Aviadores del Chaco avenues, over USD 1 billion was invested in private development of shopping centers, offices and residences, according to data from the Paraguayan Chamber of Real Estate Developers (CAPADEI in Spanish). Also, according to the Chamber, 10.000 new homes are needed each year. The challenge for the sector is access to long-term credit, mainly for the middle and lower classes.

Through Law 5.638 on Housing Development, passed in 2016, one of the objectives is to allow for access to decent, affordable housing in urban areas through a financing system geared to middle-income families, with loans and preferential conditions. This will make it possible to carry out a program to enable people in the middle-class to have access to their first home, once the decree regulating the Law has been adopted.

Currently, there are two real estate franchises in Paraguay: RE/MAX (operating since 2011) and Century 21 (operating since 2018).

Textile and clothing

The textile sector ranges from cotton fiber processing to clothing. It had growing private investment, mainly in the industry under the Maquila Regime, and is the second most important item in exports. According to data from the BCP, in 2018 it represented 25.6% of annual exports, with a volume of USD 107.2 million, and in 2019 it was 18.7%, approximately USD 108.9 million.

The competitive advantages pointed out by the entrepreneurs, highlight lower costs in terms of energy and labor, compared to the region.

The main investments were: Grupo Texcin S.A. (Brazilian), San Antonio Textil S.A. (Brazilian), Queen Anne S.A. (Brazilian), Soft Dreams S.A. (Brazilian), Salinas Textil Import Export SACI (Brazilian), Sudamerica Textil SA (Brazilian), Compañía Textil Guaraní S.R.L., Hogar Textil - Grupo Altenburg (Brazilian), Lunelli Industria Textil SA (Brazilian), Asturias (Brazilian).

The textile and clothing industries are mainly located in the Central, Alto Paraná and Amambay departments.

Transportation

Investment by private companies in the last five years has become more dynamic, especially in land transportation, both for public transport and trucks for logistics services, and in river transport (barges). The railroad is one of the least developed means of the Paraguayan sector, but it could change in the medium term if the Bioceanic Train, which will connect the port of Santos in Brazil with that of Ilo in Peru, is completed.

Ground transport:

In terms of infrastructure, the work of doubling the PY02 Route stands out, which once completed will reduce by 50% the travel time between Asunción and Ciudad del Este, which will represent an increase in efficiency in transport and logistics, considering that 70% of the country's economy flows in the Central-High Paraná Corridor.

Likewise, the Bioceanic Route is considered strategic and aims to transform the Western Region of Paraguay into an important International Logistic Center. This route, in its journey through the Paraguayan territory will involve a road of 277 km of pavement (from the city of Loma Plata - Boquerón to Carmelo Peralta - Alto Paraguay).

These routes will undoubtedly demand an increase in transport capacity, primarily for cargo. The entry of oil trucks is still under study, which will double the capacity of cargo transported and reduce the logistical cost.

Water transport:

River transport is used for the logistical movement of exports and imports, largely for the transport of agro-industrial products, beef, grains and products of the maquila industry.

Paraguay's river barge fleet is the third largest in the world, after the U.S. and China, and is operated by some 46 international and seven national companies, with more than 3.000 active vessels. The guilds that make up the Paraguayan shipping industry are responsible for 2.3% of the Gross Domestic Product in services.

Private investment in this sector exceeds USD 5 billion, invoicing some USD 800 million per year in freight and generating more than 5.000 direct jobs.

According to data from the Paraguayan Shipowners' Center Association, 38 companies (owners of the vessels) represent 90% of the total warehouse on the Paraguay and Paraná rivers.

This 90% transports approximately 95% of all the cargo that moves through the Paraguay - Paraná Waterway. Not only from and to Paraguay, all intra-zone imports and exports, that is, from all the countries that sign the agreement for the use of the rivers, which are: Brazil, Bolivia, Paraguay, Argentina and Uruguay.

2.4. INVESTMENTS

Investments carried out during 2019 under the incentives regimen of Law 60/90 and the Maquila Law according to sectors

Sector	National Investment In USD	Foreign Investment In USD	Overall Investment	Potential Jobs
Metal products	2.769.772	205.445.017	208.214.790	976
Building Materials	197.552.344	-	197.552.344	234
Textile and clothing	18.329.371	27.447.239	45.776.609	2.147
Food and Beverage	23.943.994	11.543.956	35.487.950	295
Chemical and pharmaceutical	16.605.539	8.390.405	24.995.944	283
Agricultural and livestock farmer	17.034.988	4.755.049	21.790.037	145
Plastics	5.708.573	5.308.389	11.016.962	202
Paper and cardboard products	1.596.584	7.440.595	9.037.180	133
Services	3.750.038	4.562.706	8.312.744	580
Auto parts	107.149	6.670.526	6.777.675	337
Recycled	1.188.988	833.400	2.022.387	29
Mining and quarrying	1.114.198	-	1.114.198	32
Fuels and Energy	478.466	522.233	1.000.700	41
Furniture and wood products	389.209	359.205	748.414	28
Others	20.211.116	633.084	20.844.200	141
Total	310.780.331	283.911.804	594.692.135	5.603

Source: Vice-Ministry of Industry
(*) Includes investments made through Law 60/90 and the maquila regime



3 INCENTIVES FOR FOREIGN INVESTMENT

3.1. FOREIGN INVESTMENT

Paraguay has several laws and regulations that provide extensive benefits to investors, including:

- Expedited process to set-up companies.
- Guarantee to the right to property, equal treatment of national and foreign investments, freedom of exchange and free trade.
- Expedited residency documents in the country via short procedures.
- Exemption or temporary suspension of customs duties on imports of raw materials and machinery.
- Exoneration or temporary suspension of the Value Added Tax applied to the import of machinery and raw materials for industries.
- Exemption from all national taxes in exchange for a single tax in the cases of the Free Trade Zone Law and the Maquila Law.
- Public-Private Partnership Law, for public-private partnership contracts.
- Value Added Tax exemption on exports.
- Recovery of the tax credit for Value Added Tax payments made locally to local suppliers.
- Reduction or exemption of national taxes, rates and contributions.
- Guarantee of tax stability for a period of up to 20 years, depending on the amount of the investment.
- More favorable Mercosur rules of origin in relation to the percentages of use of raw materials from outside the zone.
- Reduction of Value Added Tax on sales in the local market.

•Reduction of real estate taxes, industrial patents and VAT exemption, in the development of factories that allows to stimulate the establishment of industrial companies in areas that need to generate development and therefore jobs and social and economic welfare.

In addition, Paraguay has an open economy, a free exchange market, with the possibility of using bank accounts in various currencies such as the US dollar, the Euro and the Real; a strategic geographical position from a logistical point of view, abundant and affordable energy, and a young workforce eager to learn and work.



3.2. INCENTIVES OFFERED BY PARAGUAY TO THE INVESTOR

The purpose of Law 117/91 on Investment is to stimulate and guarantee, within a framework of total equality, national and foreign investment to promote the economic and social development of Paraguay.

The law also establishes the following principles:

- Equality:** foreign investment is treated as domestic investment. Consequently, no discriminatory or more favorable conditions or treatment may be imposed on foreign investors.
- Property right:** for national and foreign investments, without any other limitations than those established by the Constitution and the laws.
- Exchange freedom:** the entry and exit of capital is guaranteed, as well as the remittance abroad of dividends, interest, commissions, royalties for the transfer of technology and other concepts without restrictions, with the exception that all exchange, remittance or transfer operations will be subject to the taxes established by law.
- Free insurance contract: of investment in the country or abroad.**
- Free trade:** free trade is guaranteed which includes:
 - a.Freedom to produce and market goods and services in general,
 - b.Free pricing, except for those goods and services whose production and trade are regulated by law, and
 - c.freedom to import and export goods and services other than those prohibited by law.

But these guarantees are subject to investors, both national and foreign, complying with both the Tax Regime and the Labor and Social Security Regime in force in the country.

•**Universality:** foreign investments are welcome in all sectors of the economy, except for the exceptions established in specific local laws such as the hydrocarbon sector, mining, telecommunications, forestry, among others that require permits, licenses or concessions, especially granted by the competent authority.

•**Automaticity:** Except for the above-mentioned, foreign investors are authorized to invest in the other sectors of the economy without prior authorization, unless they are subject to a special framework. In this case, the investor abide with the rules laid down for such investments.

•**Exchange regulation:** The Investment Law, among its guarantees includes freedom of exchange, among others. By virtue of which exchange operations are carried out within a free exchange market. The exchange rate will be freely established by the parties, according to supply and demand. Exchange operations are the purchase and sale of foreign currency and, in general, obligations payable in such currency, even if they do not involve the transfer of funds or drafts from the country to abroad or vice versa. Legal acts, obligations and contracts made in foreign currency are valid and enforceable in the agreed currency.

Paraguay has signed investment guarantee agreements with several countries. There are many incentives, such as the maquila program, the Investment Incentive Law, the free zones, among others.

3.3. INVESTMENT GUARANTEE ACT

Law 5.542/15 on “Guarantees for Investment and Promotion of Employment Generation and Economic and Social Development” institutes the protection of capital investment in the creation of industries or other productive activities established in the national territory, when they contribute to create employment and the economic and social development of the Nation, mainly through the incorporation of added value to the local or imported raw materials.

This benefit is available to national and foreign individuals and legal entities investing capital in the creation of companies, which meet the above-mentioned requirements, or which adapt existing companies to these requirements.

The approval of the investment project within the framework of this law shall be set out in contracts between the State and the company. These contracts will be drawn up by public deed and signed by the representative of the Paraguayan State and the legal representatives of the company.

As a prerequisite for the execution of such contract, the investors will set up a company, created for the development of the activity that is the object of the contract with the State. In this company, the term for the integration of the capital will be calculated from the approval of the investment project by Resolution of the Authority of Application. In the case of existing public limited companies, they will have the same requirement for the adaptation of their statutes and compliance with the deadlines relating to the increase in capital. The regulations shall lay down the procedure to be used for that purpose.

The contracts shall specify the period within which the undertakings must complete the integration of the capital. This period may not exceed five years for investments of more than USD 5.000.000 (five million US dollars) or its equivalent in national currency and two years for investments of less than this amount.



3.4. INTERNATIONAL AGREEMENTS

Agreements for the reciprocal promotion and protection of investment and other
Paraguay has signed investment guarantee agreements with several countries.

Signed with:	Signed		Ratifications		Effective date MM/DD/YYYY
	Place	Date MM/DD/YYYY	Law N.º	Date MM/DD/YYYY	
Brazil	Asuncion	10/27/1956	127	03/02/1957	09/06/1957
Argentina	Buenos Aires	08/20/1967	18	10/22/1968	10/03/1969
South Africa	Pretoria	04/03/1974	443	08/09/1974	08/16/1974
Uruguay	Montevideo	03/25/1976	575	06/11/1976	08/01/1976
France	Asuncion	11/30/1978	804	08/19/1980	01/12/1980
Great Britain	London	04/05/1981	92	12/20/1991	04/23/1992
	Asuncion	06/17/1993	798	12/27/1995	06/13/1997
Switzerland	Bern	01/31/1992	17	31/08/1992	28/09/1992
China	Taipei	06/04/1992	29	09/11/1992	05/25/2001
United States of America	Asuncion	09/24/1992	155	05/03/1993	05/19/1993
Luxembourg	Brussels	10/06/1992	200	07/07/1993	01/09/2004
The Netherlands	The Hague	10/29/1992	349	06/08/1994	08/01/1994
Korea	Asuncion	12/22/1992	225	08/19/1993	08/06/1993
Hungary	Asuncion	08/11/1993	467	11/14/1994	02/01/1995
Germany	Asuncion	08/11/1993	612	06/30/1995	08/03/1998
Austria	Asuncion	08/13/1993	1180	12/02/1997	12/01/1999
Spain	Asuncion	10/11/1993	461	10/21/1994	11/22/1996
Ecuador	Quito	01/28/1994	469	11/11/1994	09/18/1995
Peru	Lima	01/31/1994	468	11/14/1994	12/13/1994
Romania	Asuncion	05/21/1994	527	12/30/1994	04/03/1995
Chile	Asuncion	08/07/1995	897	08/04/1996	12/17/1997
Venezuela	Asuncion	09/05/1996	1058	06/16/1997	11/14/1997
Costa Rica	San Jose	01/29/1998	1319	09/11/1998	05/25/2001
San Salvador	San Salvador	01/30/1998	1316	09/15/1998	11/08/1998
Czech Republic	Asuncion	10/21/1998	1472	09/13/1999	03/24/2000
Portugal	Lisbon	11/25/1999	1722	06/28/2001	11/03/2001
Cuba	La Habana	11/20/2000	1900	05/31/2002	12/06/2002
Bolivia	Asuncion	05/04/2001	1891	05/24/2002	09/04/2003
Italy	Rome	07/15/1999	4904	04/25/2013	06/30/2013
Arab Emirates	Abu Dhabi	01/16/2017	6633	11/19/2018	01/20/2019
Qatar	Doha	02/11/2018	6271	02/13/2019	01/25/2019

Source: Ministry of Foreign Affairs

Agreements to avoid double taxation, signed by Paraguay

Paraguay has signed agreements with several countries to avoid double taxation, listed below:

Law 1.087/1984 - between the Republic of Paraguay and Germany to avoid double taxation on the revenue from the operation of international air transport routes.

Law 1.236/1987 - between the Government of Paraguay and the Government of Belgium.

Law 55/1991 - Approving and ratifying the Agreement to Avoid Double Taxation of Income from the Operation of International Air Transport Lines between the Governments of Paraguay and Uruguay, signed in Asuncion on May 14, 1991.

Law 6.276/2019 - between Paraguay and Uruguay to avoid double taxation and prevent tax evasion and avoidance in respect of income and wealth taxes.

Law 1.105/1997 - to avoid double taxation in connection with international air, river and land transport, between Paraguay and Argentina.

Resolution N.º 87/2012 SET - regulates the issuance of certificates accrediting the permanent establishment in the national territory of international air, river and land for transportation companies, in accordance with the provisions of Law 1.105/97 "Which approves the agreement to avoid double taxation between the Republic of Paraguay and the Republic of Argentina in relation to international air, water and land transportation."

Law 2.965/06 - between Paraguay and Chile to avoid double taxation and to prevent tax evasion in relation to income and wealth tax, and the respective additional protocol.

Law 3.972/2010 - between Paraguay and the Republic of China to avoid double taxation and prevent tax evasion with respect to income taxes and the agreement by supplementary reverse notes thereto.

Law 6.230/2018 - between Paraguay and the Government of the United Arab Emirates for the Avoidance of Double Taxation and the Prevention of Tax Evasion on Income.

3.5. GUARANTEE OF INVESTMENTS

Overseas Private Investment Corporation (OPIC)

Paraguay signed an investment incentives agreement with the government of the United States of America, under which, among other things, the Paraguayan government accepts the terms and conditions of the Overseas Private Investment Corporation (OPIC), an organization that aims to promote U.S. investment in developing countries. To this end, it finances and insures investment projects to be signed with any Paraguayan public entity against risks such as currency exchange rate inconvertibility, expropriation, political violence, among others.

Multilateral Investment Guarantee Agency (MIGA)

Paraguay is a member of the Multilateral Investment Guarantee Agency (MIGA), an agency of the World Bank. It is a multilateral agency that provides guarantees to foreign investment against non-commercial risks, such as currency inconvertibility, discriminatory expropriation and similar measures, breach of contract, war and civil disturbance.

International Center for Settlement of Investment Disputes (ICSID)

Paraguay ratified the convention establishing the International Center for Settlement of Investment Disputes (ICSID) between states and between nationals of other states, in order to have access to a mechanism for international conciliation and arbitration.

Alternative Dispute Resolution:

It was not until 2002 that mediation and arbitration were introduced in Paraguay as a means of resolving disputes. However, as early as 1992, with Investment Law 117/91, national and foreign investors, as well as State entities contracting with the foreign investor, were able to agree to submit their disputes to national or international arbitration tribunals.

The Arbitration and Mediation Center of Paraguay, a private non-profit entity, was established by the National Chamber of Commerce and Services of Paraguay to promote the application of alternative dispute resolution methods for the resolution of conflicts in Paraguayan society since 1998.

Judicial System:

The Paraguayan judicial system is governed by the following principles:

- Principle of equality governing all Paraguayans and foreigners, whether they are individuals or legal entities.
- Principle of three-tier jurisdiction (Trial Court, Court of Appeals and Supreme Court of Justice)
- Principle of the separation of powers whereby neither the legislative nor the executive branch has the authority to influence decisions made by judges.



3.6. INVESTOR BENEFITS

TAX INCENTIVES REGIME

LAW 60/90 Establishing a Tax Incentives System for Investments of Domestic and Foreign Capital

Concept, objectives and operation of the rules

This law is one of the oldest regarding the promotion of foreign investment and its main objectives are:

- Increase the production of goods and services.
- Creation of permanent jobs.
- Promotion of exports and import substitution.
- Incorporation of technology to increase productive efficiency and enable greater and better use of domestic raw materials, labor and energy resources.
- Investment and reinvestment of profits in capital goods.

The exemptions established in the law apply, among others, to investments in: financing, capital goods, specialized technical assistance, mining, hotels, leasing, provision of services in air cargo and passenger transport, river transport, land cargo transport in general, public passenger transport, health, radio, television, press, rural and urban fixed telephony, mobile communications, scientific research, silos, storage, and data transmission services.

The duration of the benefits granted by the law is 5 (five) years, however, it can be extended in the following cases:

- Ten (10) years when investments come from capital repatriation resources or when investments are located in preferential development areas or when investments exceed USD. 5.000.000 (five million dollars).

- Seven (7) years when investments come from domestic capital goods.

Tax considerations

Depending on the characteristics of each investment project, approved investment projects may be exempt from the following taxes:

- Value-added tax on the acquisition of imported capital goods (as well as capital goods produced in Paraguay) used in the facility for industrial or agricultural production
- All taxes levied on the incorporation and registration of companies and enterprises.
- Tariffs and internal taxes on imports of capital goods, raw materials and inputs to be used in investment projects for the manufacture of capital goods.
- Taxes and other charges on remittances, and payments abroad for interest, commissions and capital thereof when the investment is financed from abroad and is at least USD 5.000.000 (five million dollars), and the tax on such dividends and profits is not a tax credit for the investor in the country from which the investment originates.

Frequently Asked Questions

What are the requirements to apply for the benefits of the law?

- Presentation of the investment project.
- Filing of application signed by one of the entrepreneurs and responsible for the project, indicating:
 - a.Name and surname (attaching a photocopy of the police identity card), address, role in the company, specifying the activity that the project will develop, location of the establishment, the advantages for the country, details of the benefits requested, their justification and quantification of the amounts subject to exemption when appropriate.

- b.Consignment of the person authorized by the firm for the procedures, telephone and/or fax number.

- c.Presentation of a project concerning the investment project. Hiring responsible technicians or professionals is necessary for investments over USD 5.000.000. In this case, the name, address and professional title of the applicant must be indicated.

- d.Articles of Association or commitment to incorporate the company authenticated by notary public.

- e.Balance sheet for the last financial year endorsed by the Directorate General for Taxation, as well as the number of the Single Taxpayer Registry. If the company is new, an opening balance sheet or a sworn statement will be required.

- f.Certificate of Tax Compliance.

- g.Invoice in Spanish, or translation by a registered professional.

- h.Machinery and equipment catalogue.

- i.Environmental impact license granted by favorable resolution of the Secretariat of the Environment.

- j.In the cases of civil works and installations, the presentation of the pertinent plans will be mandatory, with the corresponding spread sheets, estimates in the metric system and budget prepared by a competent professional in the subject matter.

What is the time frame for project approval and authority in charge?

Approval is granted by a resolution of two ministries (Industry and Trade - Treasury) within 75 days of the presentation of all required documents.

What are the administrative costs?

The cost are:

- Project up to USD 5 million, without MSMEs, 6 (six) days' wages.
- Project up to USD 5 million, with MSMEs, 1 (one) day's wage.
- Project greater than USD 5 million, without MSMEs, 7 (seven) days' wages.
- Expansion of investment project without MSMEs, 4 (four) days' wages.
- Expansion of investment project with micro and SME's, exempt.

- Extension of resolution without micro and SME's, 3 (three) wages.

- Extension of resolution without micro and SME's, 3 (three) wages.

- Investment project approval certificate of with and without MSMEs, 1 (one) day's wage.

- Explanatory certificate (of the capital goods) with and without MSMEs, 1 (one) day's wage.

- Registration of consultants with and without MSMEs, 1 (one) day's wage.

MAQUILA

LAW 1.064/9 "Maquiladora Export Industry"

The Maquila Regime in force in Paraguay allows a foreign company to set up in the country, or to subcontract existing Paraguayan companies, to process goods and services to be exported with added value. This includes importing raw materials, machinery and necessary inputs under the temporary admission regime (suspension of customs duties) and exporting the product to the regional or international market.

Maquila operations are exempt from any tax or fee that affects the process from the import of raw materials and inputs, the manufacture of the products, to the export of the same, including VAT. The law establishes a single tax, with 1% applied to the value of the invoice for services issued by the maquiladora to the head company, or to the value of the export invoice when the goods are sold directly to the head company's end customer (on its own account and order). The tax is applied to the value that is greater.

These operations are carried out under the maquiladora contract, signed between a company located within the country (maquiladora) and another company located abroad (head office).

Through maquila, national or foreign investors can introduce raw materials into the country to be assembled, repaired, improved, worked or processed for export once the value is added.

Paraguayan legislation does not impose restrictions on the types of products or services covered by the maquiladora industry. National policy on maquiladora activity in Paraguay is regulated and controlled by the National Council of Maquiladora Export Industries (CNIME in Spanish).

Individuals or legal entities, national or foreign, domiciled in the country, may avail themselves of the benefits granted by law.

The most important benefits are:

- 1% Single Maquila Tax (on the national added value, or on the export invoice value issued by the maquiladora on behalf of the head company, whichever is greater)
- Exemption of tariffs and taxes on imports of raw materials and inputs, and capital goods.
- Recovery of VAT (tax credit) paid on the purchase of goods and services in the domestic market.
- Possibility of developing maquila in Paraguayan industries with idle capacity.

The Paraguayan maquila is now operational and in full expansion, with the joint work of the private and public sectors, through the National Council of Maquiladora Industries for Export (CNIME in Spanish), the Chamber of Maquiladora Companies of Paraguay (CEMAP in Spanish), and other interested unions.

The Maquila Regime, together with other comparative advantages of the country, offers investors excellent conditions linked to lower tax and production burdens that make Paraguay a strategic ally for production and participation in international trade.

Exports registered during 2019 under the Maquila Regime amount to USD 722.652.168, registering an increase of 7%, compared to 2018 when it reached the sum of USD 675.067.080. The National Coun-

cil of Maquiladora Industries for Export (CNIME in Spanish) states that the main items exported in the aforementioned period were: auto parts with 48,4 %, clothing and textiles with 23,2% and plastics and their manufactures with 11,8 %.

Concept and operation of the regulation

Maquila: is a special production regime seeking to generate labor, the transfer of know-how and the increase of industrial activity in the country through the granting of customs and tax benefits.

The “contract” is made between two people:

1.The Head Office: individual or legal person who resides abroad and contracts the services of the maquiladora so that the latter can manufacture the requested products.

2.The Maquiladora: person or company in Paraguay, set up in any part of the country and which provides manufacturing services for the head office.

The maquiladora can in turn subcontract another company (sub-maquiladora) in order to develop processes contemplated in the maquiladora program contract.

The head office may send capital goods, raw materials and inputs to the maquiladora directly or from other countries; these goods enter the country under the figure of temporary admission for the time established in the program, which may not exceed 12 months, extendable by the same period for duly justified cases, with tax payment suspension (Law 5.408/15, extended the maximum period initially established in the law). It is important to note that the suspended taxes must be secured by an insurance policy.

The maquiladora, in turn, may contract goods, services, labor and others within Paraguayan territory or import capital goods, raw materials and inputs from other countries.

The products resulting from the maquiladora service are sent back to the head company or to the clients indicated by the head company; or as part of the program they may be exported temporarily to carry out complementary processes abroad.

By-products and waste can be exported, destroyed or nationalized for further donation or sale in the local market. Nationalization implies the payment of all suspended taxes.

The entry and exit of all goods under the maquila program is managed by a system of current accounts that handles temporary admission, processing and return abroad, and where the maquiladoras are structured as production cost centers. The guarantee offered by the maquiladora must always be sufficient to cover the sum of the temporarily suspended taxes, indicated by the balance in the current account. The same records debit with each import and credit with the respective exports, destruction or nationalization; in a continuous process.

Both maquila and sub-maquila contracts are subject to a single tax of 1% (one per cent) on the value added in the national territory or on the turnover made on behalf of the head company, whichever is greater.

“Value added in the national territory” means the sum of the goods acquired, the services contracted, the wages paid to comply with the maquila and submaquila contract, the depreciation of the capital goods of the maquila or submaquila and the price of performing the maquila and submaquila service.

The maquila contract and the activities carried out in execution thereof are exempt from any other national, departmental or municipal tax.

Types of maquila

Paraguayan legislation provides for the following types of maquila:

Maquila by idle capacity: for operating companies that have the possibility of implementing maquila production processes with remaining, surplus or idle factors to those normally used.

Sub-maquila: maquiladora companies are authorized to enter into submaquila contracts, when these involve a complement to the production process of the activity covered by the program, in order to later reintegrate it into the maquiladora that originally contracted the service and that will complete the product for export. Companies dedicated exclusively to submaquila operations may be established.

Maquiladora of intangible service: intended to provide intellectual or other similar value-added to intangible goods temporarily imported by any electronic means. It includes the import of tangible or intangible goods for processing, adding local value, for export by electronic means (for tangible and intangible goods) or tangible (only for intangible goods).

Maquila with hostel program or “Shelter”: consists of the approval in favor of a company of a program that serves to carry out export projects by foreign companies that provide technology and productive material, without directly operating them. To carry out this program, foreign companies must set up a branch in Paraguay or form a consortium with a Paraguayan company. In the latter case, it is not necessary for the company to be based in Paraguay.

Tax considerations of the maquila

Value Added Tax

As for the Value Added Tax (VAT), the maquiladora is exempted from paying for imports of capital goods, raw materials and inputs that it makes in order to produce the goods included in the program. Their sales are also exempt from VAT. However, local suppliers and service providers will invoice the maquiladora including VAT. All the VAT paid will be recovered by the company as tax credit. Maquiladoras are exempt from any other national, departmental or municipal tax, except for the 1% flat tax.

The VAT exemptions provided for in the Maquila Law extend to:

- a. The import of goods provided for in the maquila contract.
- b. The re-export of goods imported under such contract.
- c. The re-export of goods processed, elaborated, repaired or assembled under such contract.

Exempted taxes

For the purposes of the exemptions provided for in Article 30 of the law, mentioned above, the following taxes are included:

- a. Customs taxes established in Law 1.173/85 "Customs Code" and its amendments.
- b. Payment of fees for customs valuation services.
- c. Consular fees.
- d. Fee of the National Institute of Indigenous Affairs (INDI in Spanish).
- e. Port and airport taxes.
- f. Payment of computer fees.
- g. Any other tax, rate or contributions existing or to be created, that tax the income and/or expenditure of the goods protected under the Maquila Regime.
- h. All taxes, rates and contributions on guarantees granted by companies and/or third parties related to the Maquila Regime.
- i. All taxes, rates and contributions levied on loans to finance maquila operations.

Frequently Asked Questions

Who is eligible for this benefit?

Any person, individual or legal entity, national or foreign, domiciled in the country and who is authorized for commerce may request the approval of a maquila export program.

Where can they set up?

In any part of the national territory, with the only limitation given by the national, departmental and municipal programs for urban development and environmental issues.

Under which figure?

Any person, individual or legal entity, national or foreign, domiciled in the country and who is authorized to carry out acts of commerce may request the approval of a maquila export program.

How must the ownership be comprised?

It can be 100 % foreign capital, 100 % national capital, joint ventures. Law 117/91 "On Investments" offers the same guarantees to foreign investments.

How are environmental aspects governed?

Everything related to environmental issues, are derived from the laws, regulations and ordinances concerning it.

How the labor aspects are governed?

Everything in this area is derived from the Labor Code in matters of substance and the Labor Procedure Code.

What is the maquila program?

It is the project through which the characteristic of the industrial or service process is described, detailing imports, production, exports, employment generation, value added, percentage of loss and waste, time period covered by the program and others specified in the corresponding regulations (the model program is provided by the Executive Secretariat of the National Council of the Export Maquila Industry, CNIME in Spanish).

What is the process and time frame for approval of a maquila program?

- The interested party must present the maquila program to the CNIME and the latter will proceed to evaluate and issue a prior opinion.
- If the opinion is favorable, it will send the file so that the Ministry of Industry and Trade and the Ministry of Finance grant their approval for the implementation of the "Maquila Program" by issuing the corresponding bi-ministerial resolution.
- The deadline for government approval or rejection of the program is 120 consecutive days.
- From the delivery of the bi-ministerial resolution approving the maquila program, the maquiladora company has a period of 120 days to present the maquila contract (in case that at the time of submitting the application it has only added a letter of intent from the head company), this presentation is an indispensable requirement to start the operations.
- Once all requirements have been met, the company must begin maquila operations, with the corresponding monitoring and supervision by the CNIME.

The maquila program does not require the hiring of external consultants.

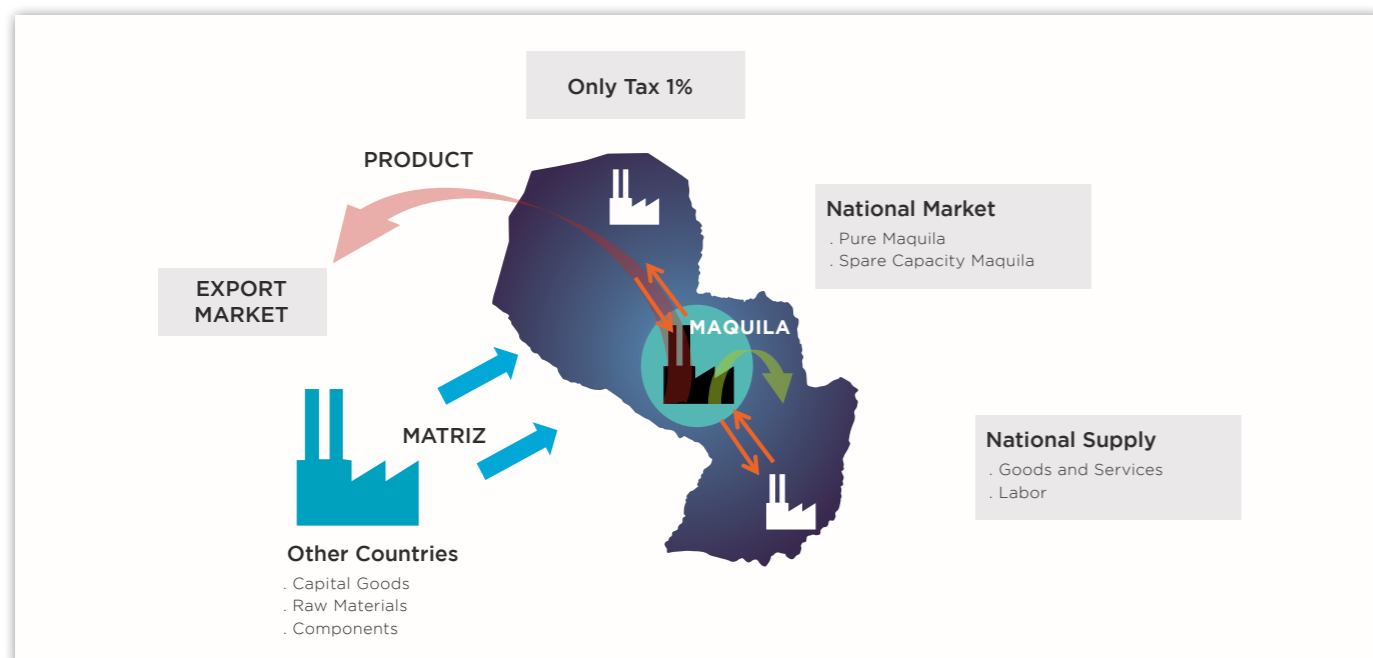
FREE ZONES

LAW 523/95 Which Authorizes and Establishes the Free Zone

Concept, objectives and operation

Free trade zones are defined geographical areas in which different customs regulations apply to the rest of the territory of a country (customs territory). Generally, free trade zones enjoy certain tax benefits, such as non-payment of import taxes. The main objectives of the free zones in Paraguay are to develop business centers, prevent smuggling and piracy, and increase the competitiveness of exports.

Investment Scheme



Current regime valid until 2023, subject to negotiation. Sources: MIC/REDIEX

In the free trade zones of the Republic of Paraguay, all types of commercial, industrial and service activities can be developed, according to the guidelines of Law 523/95 on Free Trade Zones.

The free trade zone is operated and administered by a concessionaire granted by means of a contract signed with the Executive Branch, for a period of 30 years, which can be extended according to the legislation in force at the time of the extension.

In turn, this concessionaire concludes contracts with the end users who will be the natural or legal persons that will carry out the different operations within the zone.

By Decree N.º 952/18 the Government authorized the following service activities for the international market:

- Logistics, transport, handling, packing, repackaging, packaging, labelling, classification and quality control of goods or merchandise.
- Technical assistance, repair and maintenance of ships, aircraft, machinery and boats.
- Testing and calibration in laboratories, inspection and certification in general.
- Technical and scientific training, distance education in general.
- Telecommunication services, telematics, information technology systems for data capture, processing, storage and transmission, organization, management or operation of databases and software development.
- Production, post-production and realization of photography, cinema, video and multimedia in general.
- Civil constructions, design, planning, real estate management, direction, supervision and maintenance of works, structures, engineering projects and architecture and infrastructure in general.
- Tourism agencies.

Tax considerations of the regime

- The introduction of goods into free trade zones, whether from third countries or from customs territory, is exempt from any national, departmental or municipal tax, except for fees for services rendered.
- The goods may be introduced from any customs office in the country.
- The companies or industries that are beneficiaries of the regime will pay a sole tax called “Tax of Free Trade Zone”, whose rate will be of 0.5% (half percent), the taxable base is the total value of its gross income coming from the sales to third countries.
- Special regime for sales to tourists (according to Art. 30 Law 523/95)
- Convergence of services and infrastructure for the importer/exporter.

The products manufactured within the free zones are NOT considered to be made in Paraguayan territory, therefore, great care must be taken in the analysis of the feasibility of industrial projects within these areas.

The Paraguayan experience

There are currently two areas designated for this activity:

International Free Trade Zone

It was awarded for commercial, industrial and service activities by the Executive Power through Decree N.º 17.003/02. It is located at km 10.5 of Route 7, in Ciudad del Este. It has 30 (thirty) hectares initially, with 400 hectares more available and to date has 24.000 m2 built in warehouses and offices.

Global Free Trade Zone of Paraguay

It was awarded for commercial and service activities by the Executive Power through Decree N.º 17003/02. It is located at km 4.5 of Route 7, in Ciudad del Este, with 4.5 hectares available and houses about 40 companies. So far it has an estimated occupation of 70%

Process

Obtaining a concession

The applicant must submit to the National Council of Free Trade Zones, an investment project that reliably demonstrates the economic feasibility and the benefits it will bring to the region, which must include the following:

- Determination of the legal form of the company through which the operation will be carried out.
- The location of the property and the area in which the project is to be developed.
- Causes and consequences for its location.
- The possibility of its future expansion.
- The services to provide, amount of investment in services, indicating the responsibilities of execution.
- Description of the infrastructure investments (roads, fences, constructions, etc.) to be carried out.
- Sources of financing.
- Estimated time needed to carry out the project and date when work will begin. In case the project is developed in stages, the area involved in each stage, infrastructure works and services to be provided in each of them and the time of completion must be determined.

Beginning of activities

Concessionaire:

The concessionaire is the private company that through a contract with the Executive Branch acquires the right to enable, manage and operate a private free trade zone, supervised by the National Council of Free Trade Zones, through its executive management.

The activity of the user of the free trade zone may only begin when the concessionaire has the internal regulations approved by the National Council of Free Trade Zones and infrastructure (Art. 22 Decree N.º 15.554/96).

Once the concession contract is registered, the concessionaire is authorized to begin working in the free trade zone. The same may enter free of

taxes, except for fees for services provided, materials, goods and equipment necessary for the development and the activities established in the project.

The concessionaire must notify both the Directorate General of Customs and the Free Trade Zone Council of the date on which work will begin and the list of goods to be introduced.

User:

The free trade zone user is the individual or legal person, of private nature, national or foreign, that acquires the right to develop any of the activities mentioned in this chapter.

The activity of the users of the free trade zone will begin when the concessionaire has the internal regulations approved by the National Council of Free Trade Zones and the infrastructure.

However, user contracts may be authorized for companies whose activity is the construction of the infrastructure of the free trade zone or the provision of services that make up the infrastructure necessary for the operation of the free trade zone.

The user may assign his contract to third parties with the prior consent of the concessionaire, in accordance with the legal provisions in force, and shall communicate for registration to the Executive Directorate of the National Council of Free Trade Zones.

RAW MATERIAL REGIME

Concept, objective and operation of the regime

The regime of raw materials is a special customs benefit that aims to free from tariffs the definitive import of raw materials used by industries installed in the country if there is no production of them within the domestic market.

The aim is to encourage the import of raw materials and goods not produced in the country and to stimulate the creation and growth of SMEs.

To obtain certification, certain requirements must be met, such as:

- The raw material or supply to be imported must not be available in the country.
- The value of the import should not be less than USD 1.500. (FOB)
- Raw materials and supplies must be part of the production process and be an integral part of the declared final product.

This is currently regulated by Decree N.º 11.771/00 and is in force until 2020.

Tax considerations

Through this, industries will be able to enjoy the benefit of importing raw materials and supplies with a customs tariff of zero percent (0%), when it is demonstrated that they are used as such in their own productive processes and that they do not register national production.

The industries that operate in this way will pay the Value Added Tax for the import of raw materials.

Frequently Asked Questions
What are the requirements and procedures?

- To be registered in the Industrial Registry (RIEL) and in the Sole Window for Exports (VUE), both Ministry of Industry and Trade.
- Present an annual production program which includes the tariff nomenclatures of the raw materials to be used, their origin, and the estimated quantity of production.
- Submit a certificate issued by the Paraguayan Industrial Union (UIP in Spanish) indicating that there is no domestic production of those raw materials.

•Once these requirements have been met, the Ministry of Industry authorizes the import of these products, which expire on 31 December each year.

•Once the program has been approved, beneficiaries must submit bimonthly reports showing the quantity of raw materials used and the quantity of the product processed. They must also submit proof of compliance with the Institute of Social Security (IPS in Spanish) to see the number of employees and to corroborate the agreement with what was declared.

The requests of import of raw material are **digitally authorized** through the VUE, webpage for its later officialization before the National Direction of Customs.



What are the costs?

Concept	SME´s	Large	Periodicity
Application for Approval of Annual Production Programs (PPA in Spanish)	10 minimum daily wages	20 minimum daily wages	For each approval request
For each expansion of PPA	10 minimum daily wages	20 minimum daily wages	For each approval request
Approval of bimonthly reports	5 minimum daily wages	7 minimum daily wages	For each approval request
Request for Release of Raw Materials or Inputs	1 minimum daily wage for CIF import amounts less than or equal to USD 5.000	5 minimum daily wages for CIF import amounts less than or equal to USD 5.000	For each approval request
	3 minimum daily wages for CIF import amounts greater than or equal to USD 5.000	7 minimum daily wages for CIF import amounts greater than or equal to USD 5.000	For each approval request

Source: MIC

Note: The “daily wage” is calculated based on the current minimum wage determined by the Ministry of Labor, Employment and Social Security and published in <https://www.mtess.gov.py/documentos/resolucion-mtess-n-229419>

AUTOMOTIVE POLICY
LAW 4.838/12 That sets the National Automobile Policy

General considerations

The law is intended to benefit national or foreign companies that produce or assemble goods within the Mercosur Common Nomenclature (NCM) 87, which includes “motor vehicles, tractors, velocipedes and other land vehicles, their parts and accessories”, including auto parts in general.

The requirements to access the benefits are:

- Production and/or assembly of goods covered by NCM 87.
- Creation of permanent sources of labor, which must be made up by a minimum of 50% (fifty percent) of Paraguayan citizens.
- Gradual and increasing incorporation of national added value, through the application of basic productive processes related to the annual production program.

- Incorporation of technology that makes it possible to increase production efficiency and enable greater and better use of national raw materials, labor and energy resources.
- Export promotion and/or import substitution.
- Development of support programs for social sectors, especially in the area of education, to be regulated by the competent enforcement authority.
- Present an investment project in plants for the production and/or assembly of goods that includes an assembly line, testing infrastructure and equipment for marking the Vehicle Identification Number (VIN), for the cases that apply.
- In the case of investments already made in the sector, submit the latest ministerial resolutions, for each activity item, of the investment projects and annual production programs previously approved under Law 60/90, which will be valid to demonstrate that they have already made investments

in capital goods and are producing and/or assembling the goods covered by the law.

- Development of programs for the promotion of research, technological development and innovation in the sector, together with public and/or private educational entities.

Tax considerations

The tax benefits for industries operating under this system are:

- Import of capital goods, raw materials, components, kits, parts, pieces and industrial inputs free of import duties.
- Importation of capital goods, raw materials, components, kits, parts, pieces and industrial supplies with an 80% reduction of the value added tax base, except for those goods that are within the tariff nomenclature 87.11 where the tax base will be 100%.
- 80% reduction of the taxable base of the Value Added Tax applied on the sales of the final product, except for those that are within the tariff nomenclature 87.11 where the taxable base will be 100 %.

Access to National Automotive Policy (PAN in Spanish)

The following procedure must be carried out:

- Note to the Minister of Industry and Trade.
- Presentation of an investment project.
- Presentation of the industrial register and the environmental impact certificate.

Project information for the PAN

- Company data: name, person in charge, address, telephone number, e-mail, other information.
- Location of the industrial plant.
- Number of employees by area, hiring method.

Project

- Production schedule.
- Import schedule.
- Compliance with incorporation of national added value
- Detailed plan of industrial plant, machinery layout, and an execution program.
- Program of incorporation and specifications of the capital goods for the assembly line, for the cases that correspond.
- Document authorizing the license of the product to be manufactured and marketed.

Costs

Concept	SME´s	Large	Periodicity
Application for Approval of Annual Production Programs (PPA in Spanish) - New Projects	10 minimum daily wages	20 minimum daily wages	For each approval request
Application for Approval of Annual Production Programs (PPA in Spanish)	10 minimum daily wages	20 minimum daily wages	For each approval request
For each expansion and/or extension of PPA	10 minimum daily wages	20 minimum daily wages	For each approval request
Approval of quarterly reports	1 minimum daily wage	7 minimum daily wages	For each approval request
Application for issuance of NPV certificate	1 minimum daily wage	5 minimum daily wages	For each approval request
National automobile policy certificate Issuance valid for 3 months	1 minimum daily wage for CIF import amounts less than or equal to USD 5.000	5 minimum daily wages for CIF import amounts less than or equal to USD 5,000	For each approval request
	3 minimum daily wages for CIF import amounts greater than or equal to USD 5.000	7 minimum daily wages for CIF import amounts greater than or equal to USD 5.000	For each approval request

Source: MIC

PUBLIC PRIVATE PARTNERSHIP (APP in Spanish)

Law 5.102/13. On the Promotion of Investment in Public Infrastructure and the Expansion and Improvement of Goods and Services under the State. Amended by Law 5.567/2016.

General considerations

The purpose of this law is to establish rules and mechanisms to promote, through public-private participation, investments in public infrastructure and in the provision of the services for which they are intended, or which are complementary to them. The production of goods and the provision of services that are specific to the purpose of agencies, entities, public enterprises and companies to which the State is a party.

The law establishes the legal figure of public-private participation contracts, contemplates the figure of private initiative and regulates the use of trusts for the purposes established in this law.

They may include projects such as:

- Road, rail, port and airport projects.
- Waterway projects, dredging and maintenance of river navigability.
- Social infrastructure.
- Electrical infrastructure.
- Improvement, equipment and urban development projects.
- Drinking water supply and sanitation.
- Other investment projects in infrastructure and services of public interest.

Frequently Asked Questions

How is it applied?

It is applied through public-private participation contracts initiated ex officio by the contracting administration or originated through private initiative. The law also regulates the use of trusts or fiduciary assignments for the established purposes.

All contracts must include a maximum term, which, including extensions, may not exceed thirty years, except for exceptional extensions provided for in the cases established by law. In the absence of a stipulation of the term in the contract, it shall be understood that the contract is governed by said maximum term.

Which are the competent administrations?

These are the State agencies and entities, as well as companies with State shareholdings that have the competence to enter public-private partnership contracts.

The contracting administrations, within the scope of their respective competences, may develop projects through public-private participation contracts. They may work together to develop public-private participation projects jointly; in which case, they shall conclude the corresponding agreements, contracts or arrangements to that end, in accordance with the regulations.

Public-private partnership contracts must expressly set out, for specific and agreed situations, the risks, commitments and benefits assumed respectively by the State and the private participant.

Recent case:

In 2019 a major public-private partnership (PPP) contract has been signed under Paraguay's PPP Law, which seeks to attract foreign direct investment to the country, for the project to duplicate the lanes of routes 2 and 7.

The financing was provided by IDB Invest, with a bond issue of USD458 million and a term of 17 years, carried out by the concessionaire Ruta del Este. IDB Invest's financial structure, for an amount of up to USD 200 million, is made up of a guarantee, which assumes the construction risk associated with the use of the bond's resources, and a loan of the same duration and source of repayment as the bond.

ASSEMBLY OF GOODS

LAW 4.427/2012 Assembly of High Technology Goods

Important Note: This law does not have a regulatory decree, therefore, the procedure for its application has not been established.

Concept and functioning

This law covers all individuals and legal entities, national or foreign, legally registered and making investments in capital goods, raw materials, components, kits, parts and pieces, whose objective is the production, development and/or assembly of high-tech goods in the electronics, telecommunications and computer sectors.

The goods produced under the protection of this law have a preference margin of 40% in the prices offered within the bidding processes and acquisition of goods by State agencies and entities.

Tax considerations

- Exemption from customs duties on imports of raw materials, components, kits, parts and pieces that will be used in the production process.
- Reduction of 85% of the taxable base of the Value Added Tax in the import of raw materials, components, kits, parts and pieces of the customs enclosure.
- Reduction of 90% of the taxable base of the Selective Use Tax in the first sale at the factory. A rate of 1% will be applied on said base.
- Disposals of goods that have significant value for cultural or educational dissemination and are produced in the national territory by the beneficiaries, and recognized as such by the Ministry of Education and Science, through a Ministerial Resolution, shall be exempt from the payment of the Value Added Tax (VAT) and the Selective Use Tax (ISC in Spanish) in cases where this applies.
- 80% reduction of the taxable base of the Value Added Tax in the sales of the goods manufactured and sold in the national market.

Process

Submit a note to the MIC requesting this benefit, attaching the pre-project.

Frequently Asked Questions

What are the requirements to access the benefits?

In the case of foreign individuals, they must have been permanent residents in the country for at least two years prior to the submission of the program application.

In the case of national or foreign legal persons, at least 10% (ten percent) of their capital stock must be held by an individual or legal person of national origin.

As for the investment, it must:

- Produce high-tech goods.
- Create permanent integrated jobs with a minimum of 50% (fifty percent) of Paraguayan citizens.
- Incorporate added value with a minimum of 20% (twenty percent) to the basic productive processes.
- Incorporate technologies that facilitate productive efficiency.
- Develop plans for the transfer of technology, education and training of the labor force.
- Establish cooperation plans with educational entities aimed at training, education and employment.
- Develop support programs for social sectors.
- Present an investment project, which in order to be considered as such should include an assembly line, testing infrastructure or quality control and final product packaging capacity.

INDUSTRIAL PARKS

LAW 4.903/2013 Industrial Parks

General considerations

The purpose of this Act is to establish the regulatory framework for industrial parks in terms of their creation, promotion, construction and operation in harmony with the environment, as well as to encourage the establishment of industrial parks through the granting of incentives and other advantages, in order to expand industrial activity and contribute to the economic and social progress of the Republic.

Industrial parks can be:

- From the State (governments and municipalities).
- Private (individual or legal persons, national or foreign).
- Mixed, and its recognition will be granted solely and exclusively by the Ministry of Industry and Commerce.

Tax considerations

The industrial parks and the industries installed in them will benefit from the following tax incentives:

- Reduction of the percentage of property tax agreed by the municipality concerned.
- Reduction of the percentage of municipal taxes on construction, subdivision, building and property transfer agreed by the respective municipalities in which the industrial parks are located.
- Reduction of 50% (fifty percent) on the industrial patent to be paid to the Municipality.
- 100% (one hundred percent) exemption from Value Added Tax (VAT) for the lease of plots or industrial plants housed in the parks.

The Ministry of Industry and Commerce will collect fees for verification, authorization, registration and certification services. These are charged to the owners of the parks and are:

- Authorization of industrial parks, one-time fee of 0.025% on the value of the investment project.
- Registration of industrial parks, one-time fee of 0.025% on the value of the investment project.
- Verification of industrial parks, annual fee of 0.025 % on the value of the investment project.
- Certification of industrial parks, fee every 5 years of 0.025% on the value of the investment project.

Procedures and documents required for authorization

In accordance with the corresponding regulations, those interested in creating, installing and building an industrial park must prove the following to the implementing authority:

- The ownership of the property or another right that allows him to manage it, as well as the fact that the property is within the area allowed according to Art. 7 of this law.
- Detailed description of the project, type of industries to be developed on the site, land intended for industrial facilities, forests or wooded areas, common areas, infrastructure and services; waste management and disposal system; plan for the protection and management of water and other natural resources; conditions for the sale, lease or rental of the plots; construction deadlines and schedules.
- Economic study of the feasibility and profitability of the project, as well as the impact on the nearby and local population.
- Evaluation of the environmental impact duly approved with the corresponding environmental impact statement.
- Administration regulations or of co-ownership.
- Any information or documentation that may be required by the corresponding regulation that accredits compliance with the relevant legal standards and the suitability of the project.

Costs

Tax	%Max	Periodicity
Authorization of Industrial Parks	0.025 %	For one time only
Industrial Park Registration	0.025 %	For one time only
Industrial Park Verification	0.025 %	Annual
Industrial Park Certification	0.025 %	Every 5 years

Source: MIC.

The tax amount will be determined by the Ministry of Industry and Trade by applying the percentage described in the table above to the final value of

the investment project submitted by the applicant, considering the size of the service provided.

Other investment support and incentive laws:

In addition to the laws listed in the previous pages, we cite other complementary laws for the promotion of investment:

•Law 3.009/ 2006. Independent Energy Production and Transportation (PTIEE).

See more at: <https://www.bacn.gov.py/leyes-paraguayas/2092/de-la-produccion-y-transporte-independiente-de-energia-electrica-ptiee>

•Law 5.074/2013. Which Modifies and Extends Law 1.302/1998 Which Establishes Special and Complementary Modalities and Conditions to Law 1.045/1983 Which Establishes the Public Works Regime

See more at: <https://www.bacn.gov.py/leyes-paraguayas/4726/ley-n-5074-modifica-y-amplia-la-ley-n-130298-que-establece-modalidades-y-condiciones-especiales-y-complementarias-a-la-ley-n-104583-que-establece-el-regimen-de-obras-publicas>

•Law 6.324/2019. That grants a guarantee from the Paraguayan State, through the Public Treasury, to works of distribution and transmission of electric energy ANDE, under the modality of public bidding with financing foreseen in Article 17 “Complementary Modalities” of the Law 2.051/2003 of Public Contracting.

See more at: <https://www.bacn.gov.py/leyes-paraguayas/8845/ley-n-6324-otorga-garantia-del-estado-paraguayo-por-medio-del-tesoro-publico-a-obras-de-distribucion-y-transmision-de-energia-electrica-realizadas-por-la-administracion-nacional-de-electricidad-ande-bajo-la-modalidad-de-licitacion-publica-con-financiamiento-prevista-en-el-articulo-17-modalidades-complementarias-de-la-ley-n-205103-de-contrataciones-publicas>



3.7. OTHER BENEFITS

Generalized Preference System (SGP in Spanish)

The GSP is a system of preferential tariffs, applied by developed countries (DCS), known as preference-granting countries to eligible products imported from developing countries (LDCS), known as preference-receiving or beneficiary countries. GSP provides more favorable treatment for the duty-free entry of products processed or obtained in developing countries.

The benefit is given in the form of a reduction or elimination of the duties applicable to the export product which makes the product more competitive for the importer. The importer has an incentive to stop buying from non-beneficiary countries and to start buying from beneficiary countries. The tariff preference helps products from developing countries to enter the market of preference-granting countries or to increase the volume of products already in it. On the other hand, if the product has already been placed on the market, it may be

able to negotiate better prices for the product with the buyer. In this way, the financial benefits of tariff reduction or removal of duties on the products are shared between the exporter and the importer, rather than going to the importer alone.

Products eligible for preferential treatment under a GSP are defined by their tariff classification, according to the Harmonized Commodity Description and Coding System (SA). If there is difficulty in detecting the tariff of the products being exported, assistance may be sought either from the country’s customs authorities or, through an importer, from the customs authorities of the preferential-granting country concerned. In Paraguay, the institutions to which recourse may be had are the Ministry of Industry and Commerce, especially REDIEX or the National Chamber of Commerce and Services of Paraguay.

Generalized systems of preferences granted to Paraguay

Paraguay is a beneficiary in several countries as shown in the table below, according to UNCTAD.

GSP BENEFICIARIES	GSP DONORS																
	AUSTRALIA	BELARUS	CANADA	EUROPEAN UNION			ICELAND	JAPAN	KAZAKHSTAN	NEW ZEALAND	NORWAY		RUSSIAN FEDERATION	SWITZERLAND	TURKEY	UNITED STATES OF AMERICA	
				GSP	GSP-LDCs (EBA)	GSP +					GSP	GSP				GSP	AGO A
Paraguay	x	x	x			x		x	x	x		x	x	x	x	x	

Source: <https://unctad.org/en/Pages/DITC/GSP/GSP-List-of-Beneficiary-Countries.aspx>

Within this framework, the products selected by each of the countries or economic blocks granting these preferential arrangements require compliance with various requirements in order to qualify for such benefits. However, these requirements, while common in all cases, offer certain characteristics depending on the country or economic block granting them, in order to enter their market under the GSP.

It is important to mention that this GSP scheme applies quantitative limits to preferential imports of certain products that are considered sensitive for domestic products of equal or directly competitive products, it is therefore essential to verify the conditions of each country, as well as the origin regime, the specific requirements of origin, permitted volume and required documentation.

Search method:

AUSTRALIA

The acronym DCS will appear on the customs tariff list of this country. Tariff will be applied if that abbreviation is specified, otherwise the tariff will be 0%. In case the abbreviation does not appear in the corresponding column, the general tariff is applied.

CANADA

Tariff preferences are covered by the Customs Tariff Act indicating preferences granted with the acronym APG (GPT). The preferences granted to the products will be indicated with the acronym GPT in the last row which, in the line of the tariff item, shows if it is included in the preferential regime, as well as the preference granted.

UNITED STATES

In the Official Harmonized Tariff System of the United States, the tariff list by classification chapter can be seen. In order to identify GSP-covered products that have tariff preferences for entry into the United States market, the letter “A” or “A*” should be noted in the Special column indicating that the product is covered by the GSP for Paraguay.

JAPAN

The GSP products are listed by the Government of Japan in different columns next to the MFN tariff and the GSP preferential tariff.

NEW ZEALAND

Tariff preferences are covered by New Zealand’s Tariff Working Paper and regulate two types of tariffs under:

- Column I: standard rate. This establishes the classification of all goods and the rates of import duties.
- Column II: concessions. This describes the reduced categories of concession that apply, instead of those contained in Part I of the document, to products from countries enjoying tariff preferences.

To find the preferential tariffs applicable to products under the GSP framework, the word “free” should be noted in the second column “Preferential Tariff”, unless otherwise indicated, the product will have 0 % tariff.

NORWAY

Products benefiting from tariff preferences are identified in the general rule by the acronym GSP in the Norwegian Customs Tariff Regulation.

SWITZERLAND

To find the preferential tariffs in the preferential customs for Switzerland, the items indicated with the word “exempt” should be noted in the column “Taux Préferentiel”, the first one entitled “Applicable”.

TURKEY

The Turkish GSP comprises tariff preferences reaching 0% for a total of 556 items and other tariff reductions ranging from 0% to 5% on the MFN tariff.

Eurasian Customs Union, Belarus, Kazakhstan And Russia

The GSP granted to developing countries (LDCS) covers more than 2700 products, in a single list and classified by tariff chapters (HS), where preferential treatment of 0 % tariff is granted for the goods covered by the list.

References:

<https://unctad.org/en/Pages/DITC/GSP/Generalized-System-of-Preferences.aspx?Pu=1,10>,

<https://www.customs.govt.nz/globalassets/documents/tariff-documents/the-working-tariff-document-introduction.pdf>

<https://unctad.org/en/Pages/DITC/GSP/Generalized-System-of-Preferences.aspx>

https://www.wto.org/english/news_e/news20_e/roi_05mar20_e.htm

<https://hts.usitc.gov/current>

http://www.sice.oas.org/TPD/GSP/GSP_Schemes_s.ASP#GSP_Schemes

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MERCOSUR BUSINESS ACTIVITIES

LAW 6.213/18: Which Approves the Agreement for the Facilitation of Business Activities in Mercosur

Importante Note: *This law does not have a regulatory decree, therefore, the procedure for its application has not been established.*

Concept and use

Paraguay signed and ratified the agreement to facilitate business activities in Mercosur, by means of which, individuals of the Member States will be able to come to Paraguay, to carry out their activities, without other restrictions than those established in the provisions that govern business activities in our country.

Another aim of the agreement is to speed up the procedures to grant residency and to issue the respective identity and work documents.

It also provides temporary or permanent residence visas, which enable the employer to enter contracts for the acquisition, administration or provision necessary for relocating, with family members when pertinent.

To grant investor visas it will not be required to prove prior establishment of a company in Paraguay.

Requirements

•To meet the status of an entrepreneur described in the following three ways:

- Person or company that carries out productive activities.
- Individual member of the board of directors, administrator, manager and legal representative of a company benefiting from this agreement, in the service, trade or industry sectors, including intra-corporate transfers.
- Individual member of the board of directors.
 - For categories b and c, a certificate issued by a competent authority is required, certifying the existence of the undertaking(s) to which the appellant belongs or is a member.
 - Commercial and bank references are required for categories a and c.
 - In the case of investors, the following is required:
 - A minimum amount equivalent to US dollars thirty thousand (USD 30.000), proven by the transfer of resources from the investor’s country of origin through banking institutions.
 - An affidavit indicating that said amount will be used for business activities, which must be made within a period of 2 years.
 - Activities allowed under the protection of the visa granted by this law:
 - Carrying out all types of banking operations permitted by our legislation.
 - Directing and/or managing companies in accordance with the company’s bylaws.
 - To have the legal representation of the company.
 - Carrying out foreign trade operations.
 - Signing balance sheets together with the authorized accountant.

Mercosur - European Union Agreements

Mercosur and the European Union signed a historic agreement in June 2019 at a ministerial summit in Brussels. The agreement states that Mercosur will open its market within 15 years, while the EU will do so within 10 years. Respecting the special and differential treatment for the countries of the South American block.

The agreement will implement the highest standards of food safety and consumer protection, as well as worker and environmental protection, with the implementation of the Paris agreement.

With specific regard to the interests of Paraguay, this agreement implies, first of all, direct access to the market of 28 European Union member countries and the adoption of rules that are more beneficial than those of the World Trade Organization (WTO).

Main relevant points:

- Access to a market of more than 500 million inhabitants.
- GDP per capita of USD 34,000.
- Concentration of more than 20% of the world's GDP.
- The European Union is the world's leading investor.

Mercosur Agreements - Efta (European Free Trade Association)

The Trade Agreement between Mercosur and the European countries grouped in the EFTA (Iceland, Norway, Switzerland and Liechtenstein), is a new milestone in the process of international integration of the Mercosur countries, comprising Argentina, Brazil, Paraguay and Uruguay and the European continent. With the emphasis placed on the promotion of exports with greater added value, especially those related to knowledge, and on the creation of new trade and employment opportunities for the four countries.

More than 97% of Mercosur exports to EFTA countries are covered by this agreement. It offers tariff advantages for exports, reaching 99% coverage for Paraguayan export products. Another advantage obtained by Paraguay is the possibility of exporting organic sugar to Switzerland with the benefits of the Generalized System of Preferences (GSP), which this country grants.

The agreement also covers issues such as investment, government procurement, customs cooperation, sanitary and phytosanitary measures, sustainable development, trade defense, among others.

With the implementation of the document, Mercosur will have immediate access for almost all manufactured exports. On the other hand, Switzerland and Norway offer trade quotas for products such as meat, butter, honey, oils, rice, etc., which they did not grant to other countries in previous trade agreements, as mentioned by their authorities.

4 LEGAL FRAMEWORK

4.1 TAX REGIME

Since January 2020, the new tax system that brings with it the unification of taxes on commercial activities, with the aim of facilitating the formalization of micro and small enterprises, has been in force.

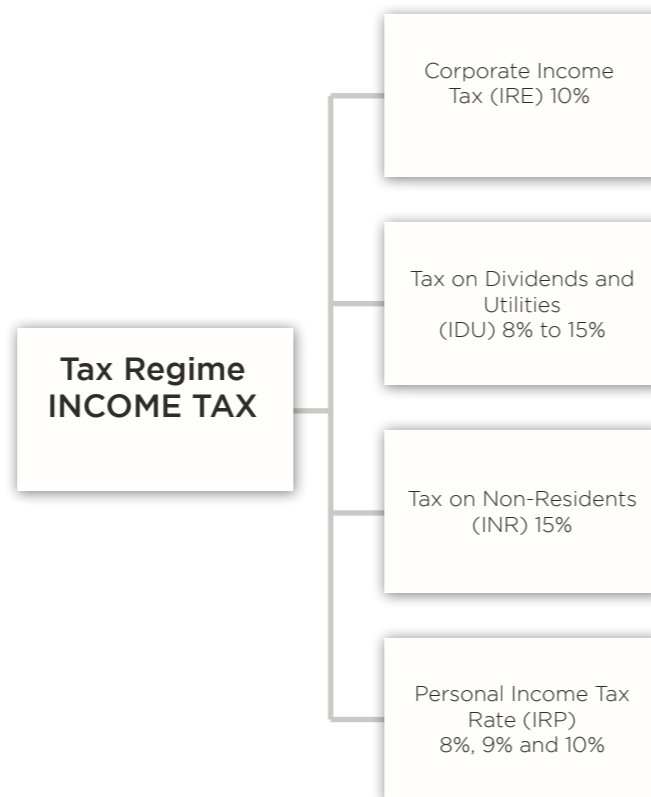
The Corporate Income Tax (IRE in Spanish) enters into force as part of the simplification of the national tax system. The Undersecretariat for Taxation (SET in Spanish) replaces three taxes that were applied separately until 2019: Income Tax on Commercial, Industrial and Service Activities (IRACIS in Spanish), Agricultural Income Tax (IRAGRO in Spanish) and Taxpayer Income Tax (IRPC in Spanish).

The Income Tax on Personal Service (IRSCP in Spanish), in force until 2019 for simple companies or individuals, was replaced. Thus, in the case of sole proprietorships, the obligation will be the Corporate Income Tax (IRE), while the Personal Income Tax (IRP in Spanish) will be for individuals.

National Taxation Modernization and Simplification Act (Tax Reform)

The Executive Branch passed Law 6.380/19 on the Modernization and Simplification of the Tax System, which came into force in January 2020.

Therefore, the tax system is restructured as follows:



Corporate Income Tax (IRE in Spanish)

Unifies the Income Tax on Commercial, Industrial or Service Activities (IRACIS) Agricultural Income Tax (IRAGRO), broadens the tax base by extending the concept of “Paraguayan source”, and allows tax losses to be carried forward for up to five years.

The Corporate Income Tax provides for two special regimes for Micro, Small and Medium Enterprises (MSMEs in Spanish), according to Decree N° 3.182/19.

- The simplified regime for medium-sized companies (SIMPLE) for those sole proprietorships whose income earned in the previous tax year does not exceed G. 2.000.000.000.
- The simplified regime for small enterprises (RESIMPLE) for those sole proprietorship companies with a gross income earned in the previous tax year not over exceed G. 80.000.000

Tax on Dividends and Profits (IDU in Spanish)

Profits, dividends or returns made available or paid to the owner, members of the consortium, partners or shareholders by sole proprietorships, corporations, limited liability companies, limited partnerships, capital and industrial companies, consortiums and other companies or private entities of a similar nature with legal status, incorporated in the country, as well as the permanent establishments of entities incorporated abroad, will be taxed by the Tax on Dividends and Profits (IDU).

In addition, the following facts shall be presumed to constitute distribution of profits, dividends, surpluses or revenues:

- The granting of loans to the owner, syndicate, partner or shareholder, unless the corporate purpose is financial intermediation and the latter does not exceed 2% of its loan portfolio.
- A shortfall of over 10% of the amount of the “cash” account exposed in the financial statements of the company, partnership or entity.

- Any withdrawal of funds or the allocation of personal use or consumption of goods or services by the owner, consortium, partner or shareholder, without due consideration. Including the payment of personal expenses in favor of those and their families.

Contributors to this tax will be:

- Individuals, legal entities and other entities, residing in the country or not, that receive dividends, profits or income, in their capacity as owners, consortiums, partners or shareholders of the entities referred to in the first paragraph of the previous article.
- Those who make available or pay the profits, dividends or income to the taxpayers of this tax shall act as withholding agents and shall be jointly liable for the payment of the tax.
- When the shareholder, partner or beneficiary is a legal entity, transparent legal structure or one of the consortiums is a sole proprietorship, the amount of the tax paid will become tax credit, which will be used exclusively in the liquidation of this tax when it in turn distributes profits, dividends or income in favor of the owner, its partners, shareholders or beneficiaries. Also, the collection of social contributions, the income from the sale of tickets to cultural and sports events organized only by these entities is exempt.

The Tax on Dividends and Profits will be determined on the profits, dividends or net earnings made available or paid to the owner, the consortium, the partners or shareholders. The profits destined to the legal reserve account, to optional reserves or to capitalization, will not be subject to this tax, except in the redemption of the capital.

The rate is 8% when the recipient of the dividends, profits or income is an individual or legal entity resident in the country and 15% when the recipient of the dividends, profits or income is an individual or legal entity not resident in the country, including those obtained by the headquarters abroad.

Non-Resident Income Tax (INR in Spanish)

It taxes Paraguayan-source income obtained by natural and legal persons that are non resident in the Republic of Paraguay from activities covered by the Corporate Income Tax and the Personal Income Tax.

A rate of 15% is established on net income, the basis of which will depend on the activity carried out by the regulated entities.

The taxpayers of this tax shall be individuals, legal entities and other entities resident, domiciled or incorporated abroad and which do not comply with the condition of resident or have a permanent address in the country. The condition of taxpayer is satisfied when they obtain taxable income, profits or benefits, regardless of whether these taxpayers act through an agent, proxy or representative in the country.

Profit resulting from activities carried out, from assets located or rights used economically in the country are considered to be income from Paraguayan sources. In addition, income from:

- Interest on loans or any other investment made by the parent company or other branches or agencies abroad, royalties and technical assistance.
- Interest or commissions from financing or loans, when the issuing or lending institution is incorporated or is located abroad.
- Interest, commissions, revenues, profits or capital gains derived from securities and movable property from legal entities or other entities incorporated or based in Paraguay.
- Capital gains from sales or leasing of assets located in the country; assignment of rights; and the sale of securities, shares and capital quotas of companies incorporated in Paraguay.
- Insurance or reinsurance operations covering risks in the country, or involving persons or entities resident in the country at the time of signing of the contract.

•The transfer of use of goods and rights, when they are employed or exploited in the country, even partially.

•Operations with derivative financial instruments, when the investing or beneficiary entity is incorporated or based in the country.

•The operations of international transport of goods or persons, when they are carried out between Paraguay and another country.

•Services provided from abroad by an individual, whether professional or not, when they are involved in obtaining income taxed by the Corporate Income Tax.

Services provided in the national territory, in whole or in part, by natural persons, professional or otherwise, regardless of their connection with obtaining income taxed by the Corporate Income Tax.

•Services provided by legal persons and other entities not residing in the country, carried out from abroad or in the national territory, insofar as they are related to obtaining income taxed by the Corporate Income Tax.

•Digital services when they are actually used in the country, including entertainment or gambling services, regardless of who provides them or whether or not the service is linked to obtaining income taxed by the Corporate Income or the Personal Income Tax. For this purpose, it will be understood that the service is used or exploited in the country when any of the following are located in Paraguay: the IP address of the device used by the customer or the country code of the SIM card; or the customer's billing address; or the bank account used for payment remittance; or the customer's billing address held by the bank; or the financial institution issuing the credit or debit card with which the payment is made.

•Any amount made available, remitted or paid from the country abroad, under any other concept not mentioned above, excluding those related to the import of goods.

The obligation will arise at the time the funds are made available, the remittance abroad or the payment, whichever occurs first. Compensation, novation, transaction and other means admitted for the cancellation of the obligation shall be considered available.

The net income from Paraguayan sources will be determined according to the following criteria:

•30% of the gross amount corresponding to:

a.Interest or commissions on loans or credit operations carried out by public or private entities and multilateral credit organizations, located abroad (unrelated). Placement of bonds abroad.

b.The performance of international passenger transport operations; sea, river, air or land freight.

c.The cession of the use of containers.

d.Remuneration for performing arts services of public shows, live performances of artistic expressions of theatre, dance, music, circus, magic and all their possible derived practices, which bring together people outside a merely domestic environment.

e.The premium and other income from insurance, co-insurance or reinsurance operations, which jointly cover risks in the country and abroad.

f.The telephone call; the performance of radio-gram operations, the audio or video transmission service; the sending and receiving data over the Internet and other digital or similar services; which are provided from abroad to the country.

g.The disposal of movable property, registrable or not, located in the country.

•30% on the amount of the sale of real estate located in the country.

•50% on the amount of the lease of real estate located in the country.

•70% of the gross amount for personal, professional or other services.

•When the transaction concerns the sale of shares or shares in companies, the difference between the sale price and the nominal value of the securities or 30% of the sale price, whichever is lower.

•100% of the gross amounts made available, remitted or paid to partners, shareholders, parent company, companies or related entities, excluding the items mentioned in the preceding paragraphs and subparagraphs.

•100% of the gross amounts made available, remitted or paid under any other item excluded or not mentioned in the preceding paragraphs.

Personal Income Tax (IRP in Spanish)

It taxes Paraguayan source income obtained by individuals.

The following income is included:

- Income and capital gains, excluding income taxed on dividends and profits (IDU).
- Income derived from the provision of independent personal services or in a relationship of dependence.



The tax assessment will be made separately for each of the income categories, without the possibility of allocating expenses or profits from one to the other.

In the case of income and capital gains, the rate to be applied is 8%.

The tax applicable to income for personal services is determined through the application of progressive rates connected to a scale of net income. The portion of the net income included in each section of the scale will be as follow:

Net Income	Applicable Rate
Up to G. 50.000.000	8 %
G. 50.000.001 to G. 150.000.000	9 %
Same or more than G. 150.000.001	10 %

Taxpayers shall be national or foreign natural persons resident in the national territory.

OTHER TAXES

Value Added Tax (IVA in Spanish)

It taxes the sale and import of goods and the provision of services carried out on national territory, including those of a personal nature carried out by professionals and independent individuals. Although the general rate is 10%, differential rates of 5% are applied for the lease of property intended exclusively for housing; for the sale of property; on interest, commissions and surcharges on loans and financing and on the sale and import of medicines for human use that is registered with the Ministry of Public Health and Social Welfare, as well as on the sale of some staple items including rice, noodles, vegetable oil, yerba mate tea, milk, eggs, flour and iodized salt; for the sale and import of agricultural, horticultural and fruit products; and for the sale and import of livestock products and their primary derivatives, provided that they have not undergone any alteration or transformation other than that necessary for their preservation.

Selective Excise Tax (ISC in Spanish)

It taxes the importation of certain goods and the first factory sale of those goods when they are domestically produced. Goods include fuels, tobacco, alcoholic beverages, high sugar content beverages, high calorie packaged foods and luxury goods. The rate ranges from 1% to 50%.

Tax on Documents and Deeds (IAYD in Spanish)

It taxes bills of exchange, drafts, local cheques, money orders, credit notes and in general any transaction involving the transfer of funds within the country when the beneficiary of the transaction is a person other than the issuer, and the transfer of funds or foreign currency abroad. The rate is 1.5% (one point five per thousand) when transferred locally and 2% (two per thousand) when transferred abroad.

Property Tax

The tax valuation system of urban real estate located in Asuncion and in the municipalities of rest of the country, is determined by the National Service of Cadastre of the Ministry of Finance, which establishes the tax valuation expressed in guaranies per square meter for urban properties, according to whether the property is in the capital, or other departments of the country. The values of each also depend on whether they are located in urban areas, rural areas and, whether they are on asphalt, cobbled or unpaved streets.

Fiscal Responsibility Act

Law 5.098/13 on Fiscal Responsibility is a public policy instrument, an institutional framework to guarantee the sustainability of public finances over time, aiming at fiscal results that do not cause negative effects on macroeconomic stability, preserving the balance between public revenues and expenditures. The three branches of the State, its agencies and departments are responsible for complying with the principles and rules established by law.

The main rules under this law are as follows: it sets a ceiling for the fiscal deficit or the excess of public expenditure over total central government revenue of up to the 1.5% of the estimated GDP for the fiscal year; in addition, it determines that the salaries of public servants can only be readjusted one year after the minimum wage for private sector employment has been readjusted and at most up to the same percentage of this readjustment; and determines that current expenditure may not increase by more than 4% plus the inter-annual inflation projected by the Central Bank of Paraguay from one year to the next, comparatively.

Objectives

This law aims to ensure the sustainability of public finances in the medium term, aiming at fiscal results that do not cause negative effects on macroeconomic stability, preserving the balance between public revenues and expenditures.

To this end, these regulations establish general rules of fiscal behaviour aimed at the stability and sustainability of public finances. They will make it possible to provide predictability to both public income and expenditure.

Benefits

One of the main benefits of having permanent fiscal rules is to generate an environment of trust for markets and economic agents, ensuring that the evolution of public accounts has a predictable path, regardless of the administration in office.



4.2. LABOR SYSTEM

In Paraguay, the working age population, aged 15 and over, is 5.066.043.

When speaking of Paraguay's demographic structure, the country is distinguished by a high proportion of young people. Twenty-seven per cent of the population is in the 15-29 age range, and 20.6 per cent in the 30-44 age range.

These figures characterize Paraguay as a young country, whose population is mainly concentrated in the working age. Six out of every 10 residents are in the 15-59 age group, which allows for adaptability to the labor market, with great capacity to acquire and employ new knowledge.

According to statistical projections, Paraguay will maintain this characteristic in the coming decades, so there is undeniably a concrete opportunity for growth based on the demographic base.

Although Paraguay's human capital in terms of qualifications is somewhat lower than the standards of the region, it has a system of training for work, financed by the business sector, designed to implement training plans and qualify the workforce required by the job market and foreign investment. This system of training for work is attached to the Ministry of Labor, Employment and Social Security (MTESS).

Labor market and labor legislation

Wages in Paraguay may be freely established by agreement between employers and workers, but may not be lower than the legally mandated minimum. It is set by the Executive following a proposal by the "National Council on Minimum Wages", made up of a representative of the State, the employer and the employee sectors.

Labor guidance service for investments

The Directorate of Labor of the Ministry of Labor, Employment and Social Security provides general guidance on all matters relating to the regulation and implementation of labor relations and services provided to companies and foreign investors in the labor field.

Current minimum wage:

The current minimum wage for miscellaneous unspecified activities is G. 2.192.839 per month.

Form of payment of the salary:

Wages may be paid by:

- Time unit (monthly, biweekly, weekly, daily or hourly).
- Per unit of work (piece, task or piecework).
- By commission.

Employees' salaries must be paid in legal tender, and payment in vouchers, promissory notes, coupons is prohibited. Payment may be made in part and exceptionally in kind up to 30 %, provided that it is appropriate for the personal use of the employee and his/her family, and is established in the employment contract in an exhaustive manner, at a fair and reasonable value. Article 23 of the Labor Code.

Legal regulation:

Law 213/93 Labor Code and Law 496/1995 amending it, regulate the relations between dependent workers and their employers.

It does not apply to directors, managers, administrators and other executives of a company, who, due to the character of their position as representatives of the company, the magnitude of their compensation, the nature of the work and the high technical capacity, enjoy considerable independence in their work, nor does it apply to independent workers governed by the Civil Code.

The rights recognized by the Labor Code and the labor laws to the workers cannot be subject to resignation, transaction, or conventional limitation, voiding any agreement to the contrary.

Duration of the employment contract

The duration of an employment contract can be of:

- Indefinite duration.
- Determined term (no more than one year for workers and five years for employees).
- For a specific work or service. The last two are exceptions and may only be entered into when the at-will or temporary nature of the service or work requires it.

Form of payment:

For the form of payment of the compensation; the contract can be:

- a.Salary.
- b.A daily wage.
- c.A commission.
- d.A part time wage.
- e.In exchange.

Contractual Arrangements:

In addition to the aforementioned individual employment contracts, there are also various so-called special employment contracts:

•**Part-time contract (part time):** it must be concluded in writing and a minimum of 16 hours and a maximum of 32 hours per week may be agreed upon as a condition of employment. The worker may enter into contracts with 2 or more employers. Hourly pay is calculated on the basis of the minimum wage. The employer's contribution to the social security system is paid on the basis of what the worker actually receives.

•**Apprentice contracts:** these may be established for the training and employment of 16- and 17-year-olds and 18- to 25-year-olds. The maximum working hours are 6 hours a day and/or 36 hours a week for adolescents. Apprentices will be paid no less than 60% of the minimum legal wage in force and must attach to the contract a teaching

schedule that will be approved by the labor administration authority. The employer's contribution to the social security system is paid out of what the worker actually receives.

•**Contract for day labor:** this is the contract in which compensation is agreed upon on the basis of a unit of time. The maximum daily duration is 8 hours. The employer's contribution to the social security system is paid for a minimum of 18 days per month, calculated on the basis of the minimum wage.

•**Fixed-term contract:** micro and small enterprises may establish fixed-term employment contracts for up to 12 months, which may be extended for an additional 12 months, at the end of which the contract is terminated without any obligation to give prior notice or pay compensation. In this case, the Directorate of Labor may authorize the payment of salaries to microenterprises on a basis of not less than 80% of the current legal minimum wage.

Also, among the special contracts are:

- a.Teleworking.
- b.Work at home.
- c.Rural work.
- d.Work in land motor transport companies, among others.

Probational Period:

The Labor Code provides for a probational period during the initial stage of the contract ranging from 30 to 90 days, depending on the training of the worker hired, and is intended for the employer to assess the skills of the worker, and for the employer to verify the suitability of the working conditions for which the worker was hired.

During the trial period either party may terminate the employment contract without incurring any liability. During the probational period, workers must enjoy all the benefits provided for by law, except for notice of termination and compensation for unjustified dismissal.

Job Security:

After the probationary period is over, the worker acquires general security. However, a special stability is acquired by the worker after ten uninterrupted years of service with the same employer.

Termination of a Job Contract:

In general, job termination can be done by mutual agreement, by unilateral will of the employer (dismissal) and by unilateral will of the worker (resignation).

Specifically, the causes can be given by:

- a.**Death of the worker, physical or mental incapacity.
- b.**Incidental case or force majeure.
- c.**Expiration of the term or termination of the work.
- d.**Bankruptcy of the employer or judicial liquidation of the company.
- e.**Total closure or definitive reduction of activities.
- f.**Justified withdrawal.
- g.**Termination of the contract decreed by the competent authority.

Dismissal:

The employer may notify the employee of dismissal if the grounds set out in article 81 of the Labor Code are met. An employer who fires an employee for just cause does not incur any liability or assume any obligation to give prior notice or to pay compensation.

In the event that the dismissal is without just cause, the employer shall be responsible for providing notice and the corresponding compensation.

When contracts are for an indefinite period, neither party may terminate without giving prior notice to the other, in accordance with the following rules:

- a.**Once the trial period has been completed, up to one year's service, 30 days' notice.
- b.**More than one year and up to five years of service, 45 days notice.
- c.**Over five and up to ten years of service, 60 days' notice.
- d.**Over ten years of service, 90 days' notice.

The calculation of seniority shall include notice, if the worker served during that time.

If the employer chooses to dismiss the worker without notice, i.e. without prior communication, he is obligated to pay the worker an amount equivalent to his salary during the term of the notice (30, 45, 60 or 90 days).

In addition to the notice, and regardless of whether or not notice has been given, the employer is obliged to pay the worker 15 days wage for each year of service or fraction thereof exceeding 6 months, as compensation for unjustified dismissal.

Working Day:

The normal working day, in general, may not exceed, except in special cases, 8 hours per day or 48 hours per week when the work is done during the day, or 7 hours per day or 42 hours per week when the work is done at night.

- a.**Day work: the ordinary working day may not exceed 8 hours per day or 48 hours per week.
- b.**Night work: the ordinary working night cannot exceed 7 hours per night or 42 hours per week and must be authorized by the Ministry of Labor.
- c.**Mixed schedule: (covering periods of time between day and night) may not exceed 7.5 hours per day or 45 hours per week.
- d.**Overtime: once the period of normal working time (night, day and/or mixed) has elapsed, the employer is obliged to pay the worker for overtime. Overtime may not exceed 3 hours per day, nor cause the total weekly working hours to exceed 57 hours. Work which by its nature endangers the health or life of workers may not exceed daily hours or 36 hours per week.
- e.**Exception: the following are excluded from the limitation of the working day and may work up to 12 hours per day with one and a half hours' rest, which is counted as part of the 12-hour working day: managers, supervisors, administrators, security guards and others with discontinuous or single-attendance duties; commission agents, agents, etc.; those who perform domestic and rural work, etc.

f.Adolescents: from 15 to 18 years of age may work in accordance with the rules established in international agreements and the Code for Children and Adolescents. They have special working hours and may not work at night or in dangerous or unhealthy places. Nor may they work overtime. They may enter into individual work contracts and apprenticeship contracts provided that they are on the Adolescent Worker Registry (RAT) of the Ministry of Labor.

Vacations:

All workers are entitled to a period of paid leave after each year of continuous work for the same employer, the duration of which is governed by the following scale:

- a.**For workers up to five years of seniority, 12 consecutive working days.
- b.**For workers with more than five years and up to ten years of seniority, 18 consecutive working days.
- c.**For workers with more than ten years of seniority, 30 consecutive working days.
- d.**Vacations cannot be accumulated unless agreed upon and for a maximum period of two years.

Paraguay has ratified the International Labor Organization's Convention C052 (convention on paid vacations), which allows for paid vacations to be divided. To this end, the Ministry of Labor, Employment and Social Security provides a digital communication service through the REOP system (Registro Obrero Patronal) for the communication of paid vacations.

Leave:

Employers are required to grant leave and/or absences to salaried workers in the following cases:

- a.**Marriage leave (3 days).
- b.**Leave due to death of spouse, children, parents, grandparents or siblings (3 days)
- c.**Annual leave for workers to carry out Papanicolaou and Mammography studies (2 days)" (Law 3.803/2009).
- d.**Leave for the father in cases of birth or adoption (14 days for the father), the leave is non-waivable.

e.Maternity leave:

- Maternity leave (salary covered by the Social Security Institute): every pregnant worker has the right to suspend her work, for 18 uninterrupted weeks (126 calendar days). During her maternity leave and in any additional period between the anticipated date and the actual date of birth, the worker must receive medical assistance and benefits from the social security system. As soon as the employer has been notified of the employee's pregnancy and as long as the employee is on maternity leave, any notice and dismissal decided by the employer shall be null and void. The woman shall enjoy the right to hold her job until one year after the birth or adoption of the child.
- Adoption leave: the mother agrees to 18 weeks leave when the adoptee is under 6 months of age, and 12 weeks when the adoptee is over 6 months of age.
- Breastfeeding leave: working mothers are allowed 90 minutes of breastfeeding leave (paid by the employer) during the working day, during the first 6 months of life, and this leave can be extended.

Bonus:

A supplementary annual remuneration is established that the employer must pay the worker before 31 December, equivalent to one twelfth of the compensation received during the year in favor of the worker for all positions. The bonus cannot be garnished and is part of the worker's preferential credits.

The bonus may be paid on a prorated basis.

Family Allowance:

Any worker who does not earn more than 200% of the statutory minimum wage is entitled to an allowance equal to 5% of the minimum wage for each married, unmarried or adopted child (under 17 years of age), to be paid by the employer at the same time as the wage and in full.

Note: there is no maximum number of children, they are considered as a whole.

Medical examinations:

The employer shall arrange for the regular, licensed medical examination of each worker, at his own expense.

Trade unions:

The right of workers and employers without distinction as to sex or nationality to form trade unions without prior authorization from the State is recognized. Workers who are members of the trade union management committee enjoy trade union stability, that is, the guarantee that they will not be dismissed, transferred, suspended or have their working conditions altered without just cause previously approved by a competent judge.

Labor management authority:

The Ministry of Labor, Employment and Social Security is the administrative authority for labor, which acts as a supervisor of compliance and enforcement of labor laws, through a service of intermediation, formalization, inspection and monitoring. Its legal purpose is to act as a labor police force, and its political and social purpose is to promote the protection of labor rights through the collaboration of employers and workers in the enforcement of collective bargaining agreements and labor laws and regulations.

Conflict resolution in the workplace:

The Labor Department of the Ministry of Labor, Employment and Social Security resolves individual and collective conflicts through mediation carried out in the administrative headquarters.

Violations:

Penalties for violation of labor regulations are established by prior administrative summary and through resolutions of the highest authority of the Ministry of Labor.

The resolution establishing the sanction may be appealed to the highest institutional authority by means of a reconsideration appeal, and subsequently to the Labor Appeals Court by filing an appeal within 3 days of notification of the resolution.

Nursery - breastfeeding room:

Nursing rooms shall be properly equipped so that working mothers who are breastfeeding can breastfeed or express their milk, ensuring adequate hygiene and conservation.

Public institutions and public and private sector enterprises in which more than 30 women work shall implement breastfeeding rooms authorized by the Ministry of Public Health and Social Welfare, in accordance with the regulations in effect. Industrial or commercial establishments employing more than 50 workers are required to set up or contract childcare services for children under two years of age. The Ministry of Labor is the supervisory body for these obligations.

Occupational health and safety:

In accordance with Law 5.804/17 "Establishing the National System for the Prevention of Occupational Risks", the National Policy on Occupational Risks guides the development of the sector at the national level. It must be established from a systemic and integral vision by the Ministry of Labor, Employment and Social Security.

The employer must guarantee the hygiene, safety and health of workers in the execution of their work activity.

Any employer with one or more employees has the obligation to:

- a. To arrange for an admissible and periodic medical examination at its own expense.
- b. Provide workers with information on the risks to their safety and health to which they may be exposed.
- c. Every establishment with 150 workers or more must organize and maintain a scheme of occupational safety, industrial hygiene and occupational medicine services.
- d. Every establishment with 100 to 150 workers must set up an Internal Commission for Accident Prevention (CIPA).
- e. Every establishment with less than 100 workers must have an occupational health and safety program carried out by an industrial safety technician registered with the Ministry of Labor.

f. All establishments must have an Occupational Health and Safety Officer (ASSO) registered by the company with the Ministry of Labor's REOP system (Employer Registration Office).

Social Security:

The following are subject to mandatory social security: salaried workers who provide services or execute a work under a verbal or written contract of employment, regardless of their age and the amount of compensation they receive; apprentices and personnel of decentralized state entities or joint ventures.

The Legal Statute of Mandatory Social Security of the Institute of Social Security (IPS) covers the risks of non-occupational illness, maternity, accidents at work, occupational diseases, disability, old age and death.

Any employer with one or more employees is obliged to:

- a. Register with the IPS's employers' registry and with the Ministry of Labor, Employment and Social Security's (MTESS) Employers' Registry (REOP) at the beginning of their activities.
 - b. Pay the mandatory social security on a monthly basis.
- It is also required to notify the arrival of its workers at the beginning of the contracted tasks, their departure and any change of name or company name, address, type of activity and/or cessation of activity of the company. The employer's firm that deducts the contribution to the social security system from its workers and does not deposit it with the IPS is liable to fines and criminal sanctions.

The percentage of worker-employer contribution in effect is 25.5% per month of the workers' accrued salary, with 9% corresponding to the workers and 16.5% to the employers.

The IPS social security system does not currently apply to employers.



4.3. OCCUPATIONAL HEALTH AND SAFETY POLICIES OF COVID-19

The Ministry of Labor, Employment and Social Security (MTESS in Spanish), in the context of the covid-19 pandemic, has drawn up an occupational health and safety policy to be observed by companies and labor establishments for the purposes of their operation.

Formation of the Occupational Health and Safety Agents Network

The Ministry has decided to set up a network of Occupational Health and Safety Officers (ASSO in Spanish) in all companies registered as such with the MTESS, in order to control compliance with covid-19 prevention measures.

•Register of Occupational Health and Safety Agents (ASSO in Spanish)

The employer, through the REOP site (<https://regobpat.mtess.gov.py/dbmt/output/menu.php>) must proceed to appoint a worker as an Occupational Safety and Health Officer (ASSO), and another worker as a substitute agent.

The Board of Occupational Health and Safety of the Ministry of Labor will contact each agent to work online, train them remotely and clear up queries, in order to install the covid mode of working, and thus prevent work environments from being sources of infection.

The worker designated as ASSO may or may not be an occupational safety technician registered with the Ministry of Labor. The ministry will be responsible for training the agents designated as such for the control of the corresponding protocol.

The information to be provided when the agents are appointed is as follows:

- a.**First and last name of the employee designated as ASSO.
- b.**Type of agent (main or substitute).

- c.**Whether or not the designated employee is a professional.
- d.**Telephone number of designated agents.

•Checking working conditions

Regarding the verification of working conditions, the MTESS, in accordance with the recommendations of the Ministry of Public Health and Social Welfare (MSPYBS in Spanish), establishes general measures applicable to all types of commercial establishments, as well as specific measures for differentiated sectors, which must be complied.

Compliance with the relevant protocols may be subject to inspection by the Ministry of Health, and violations of the protocols and mandatory measures may be subject to sanctions.

The measures established in general terms and which may be subject to control in the event of an audit are:

- a.**There are stations for hand washing before entering the establishment, and inside, at least every two hours, washing with water and soap is requested (for 20 seconds). Paper towels are provided for hand drying and gel based on 70% alcohol.
- b.**There is a social distance of 2 meters between workers.
- c.**Workers use the mask correctly (mandatory).
- d.**Temperature of all persons entering the work center is taken, without contact.
- e.**A system of team and shift work is established to ensure employee rotation.
- f.**Shoe disinfection device is used before entering the workplace.
- g.**There is a disinfection system with sodium hypochlorite (bleach) at 5-6 %, for domestic use, diluted in water, applied between shifts, in the workplace and on office furniture, computers, doorknobs, etc.
- h.**Safety signs on preventive measures (hand washing, distancing and/or those published by the MSPYBS) are observed.
- i.**The Ministry of Labor's covid protocol is displayed in common areas.

j.Displays the recommendations and telephone numbers of the MSPYBS in common areas.

k.Common areas have soap dispensers, disinfectant gel, paper towels, constant cleaning of toilets and taps

l.Applies or guides workers on machine washing uniforms with water from 60 to 90 degrees celsius.

m.Applies to cleaning staff and their individual protection equipment.

n.Applies to attendance control system, different from fingerprint clocking.

o.It has an adequate ventilation system.

p.Applies or guides workers on washing and disinfecting uniforms.

q.Applies teleworking or preventive isolation to personnel at risk: older adults, pregnant and breastfeeding workers, and workers with chronic diseases.

r.It implements rotating shifts and digital media for the performance of the tasks if it can be done remotely "home office" (telework).

s.The worker has received information and training on covid-19 on preventive and hygienic measures, training on the use and disposal of gloves and masks.

t.The worker has received guidance on avoiding touching his eyes, nose and mouth.

u.The worker has received guidance on how to cover his or her mouth with the forearm when coughing or sneezing and avoid sharing utensils.

v.The worker has received information on the protocol of action of the Ministry of Labor for cases of workers with symptoms of covid, with automatic referral to their home and placing a call to 154 in case of respiratory difficulties.

w.The designation of the Occupational Health and Safety Agent (ASSO) is verified and communicated to the Ministry of Labor, Employment and Social Security through the Employer Registration Office site.

x.The set up of a pandemic response team is verified, which should be made up of the administrative head and/or heads of line (perishable, room, store) and should never be the manager or the person in charge of prevention.

Instructions for the application of covid-19 prevention protocols

There are specific indicators for establishments in different areas, whose guides are available on the MTESS website.

• Industrial Instructions

<https://www.mspbs.gov.py/dependencias/portal/adjunto/135b1f-InstructivoINDUSTRIAS01.05.20.pdf>

• Establishment Instructions

<https://mtess.gov.py/application/files/2615/8681/2349/0bbb8c-Instructivoparaestablecimientos.pdf>

• Commercial Venue Instructions

<https://mtess.gov.py/application/files/5715/8681/2466/8c7307-InstructivoparaLocalesComercialesuv1.pdf>

• Public Works Instructions

https://mtess.gov.py/application/files/4015/8679/9159/Instructivo_Obras_Publicas_12_abril.pdf

• Civil Works Instructions

<https://www.mspbs.gov.py/dependencias/portal/adjunto/93dfb4-InstructivoOBRAS01.05.20.pdf>

• Delivery Instructions

<https://www.mspbs.gov.py/dependencias/portal/adjunto/38cddd-InstructivoDELIVERY01.05.20.pdf>

• Shelter Instructions

<https://mtess.gov.py/application/files/6415/8681/4529/fbef3d-Instructivoparaalbergues.pdf>

• Supermarket Instructions

<https://mtess.gov.py/application/files/5215/8681/4211/22829c-Supermercados.pdf>

• Gas Station Instructions

<https://mtess.gov.py/application/files/8115/8681/3931/740d4e-EstacionesdeServicio.pdf>

• River Transport Instructions

<https://mtess.gov.py/application/files/6615/8681/2750/81f69f-Instructivoparatransportefluvial.pdf>

• Passenger Transport Instructions

<https://www.mspbs.gov.py/dependencias/portal/adjunto/633a6f-InstructivoTRANSPORTEDEPASAJE-ROS01.05.20.pdf>

• Cold Storage Instructions

<https://www.mspbs.gov.py/dependencias/portal/adjunto/e812f2-ProtocolodeBuenasPracticasfrigorificos04.05.20.pdf>

Legal Framework

Compliance with the provisions relating to safety, medicine and hygiene at work is covered by the labor legislation, Law 729, in articles 273 to 280.

The provisions on occupational safety, medicine and hygiene are supplemented by Decree N.º 14.390/92 (General Technical Regulation on Occupational Safety, Hygiene and Medicine), which regulates the organization of occupational health in work establishments (articles 271 to 276).

The regulations issued by the MTESS together with the recommendations of the MSPYBS should be considered essential for maintaining the occupational health and safety of employees in their workplaces. Consequently, failure to comply with such regulations could eventually lead to fines for employers who do not observe the measures to be taken.

Constant training

As stated by the MTESS, through the Occupational Health and Safety Agents Network in working establishments, the MTESS will proceed to train the designated agents for the application of the corresponding protocols and will work jointly and permanently, online, in the training and instruction of the agents for the purposes mentioned.

It also foresees the implementation of organizational structures recommended by the Ministry of Health to apply rotating shifts in workplaces, among other actions aimed at preventing the expansion of covid-19 in the workplace. In turn, the designated agents may make daily consultations that will be cleared through the Occupational Health and Safety Directorate of the MTESS for clarification of doubts and necessary advice.



4.4. IMMIGRATION LAWS

Paraguay's immigration law is regulated in order to control the entry of foreigners into the country. The nature, procedure, requirements, validity, expiration and other aspects related to obtaining a visa are explained below.

The admission, entry, stay and departure of foreigners from Paraguayan territory are specifically regulated by Law 978/96 and its regulatory decrees - Decree N.º 18.295/97, Decree N.º 11.026/00, Decree N.º 1.726/09, by Law 3.582/08 and by Law 2.406/04.

Visa Categories

Foreigners may be admitted to the country as residents or non-residents. Residents may be permanent or temporary.

Permanent Residency

Under this category, a foreign investor who wishes to settle permanently in the country may enter the country. To this end, it will transfer financial and technological resources to develop any activity that the authorities consider useful for the country's development. Once admitted, he may reside in the country indefinitely. The document issued is the Permanent Admission Card.

- a.** Validity: Law 2.406/04 exempts the renewal of the residence permit issued by the Directorate-General of Migration, unless it is due to any of the causes that may lead to the cancellation of the stay or to the expulsion.
- b.** The Paraguayan Identity Card must be renewed every ten (10) years.

Temporary Residency

This is the category under which foreign entrepreneurs, directors, managers and officials from abroad may enter the country and remain in it for the duration of the activities that originated their admission.

The duration of the temporary residence is 1 (one) year, which can be renewed up to five times, for periods equal to the authorized period, depending on the profession, activity and/or reason for settling. For residents of Mercosur, the temporary residence will be valid for 2 (two) years, to extend the residence in Paraguay it will be necessary to opt for a Temporary Settling (according to Law 978/96) or, to apply for a Permanent Settling, before the expiration of the card. The document issued is the Temporary Admission Card.

Non-residents and precarious residence

Foreigners can enter the country as a tourist or as an investor in order to ascertain certain aspects related to their possible investment. As a tourist they may stay in the country for a period of 90 days (extendable once for the same period) and as an investor they will have a period of no more than five days (extendable for just cause). He/she may not perform paid or lucrative tasks, either on his/her own account or as a dependent.

For non-resident foreigners or foreigners with temporary residence whose periods of stay in the country have expired and who have been authorized to regularize their stay in the country, the Directorate General of Migration will grant them a precarious residence for a period not exceeding 6 (six) months, extendable only once for the same period.

The documentation issued in this case is the Certificate of Precarious Residence.

Procedures and required documentation

The foreign investor must take the necessary steps to obtain permanent or temporary residence at the General Directorate of Migration. These procedures can be done abroad (through the Paraguayan Consulate) or in Paraguay.

To apply, one must submit:

- a.Passport or identity card from his/her country of origin, current.
- b.Birth, marriage or divorce certificate to justify the marital status.
- c.Certificate of criminal or police record from the country of origin or residence for the last 5 years, current.
- d.Police Records, for foreigners issued by the Computer Department of the National Police.
- e.Health Certificate, issued by an authorized doctor and endorsed by the Ministry of Health, mentioning psychophysical health and no infectious diseases.
- f.Certificate of life and residence issued by the jurisdictional police station or court.
- g.Certificate of entry and stay in the country.
- h.Consular visa for the countries that require it.
- i.Two color photographs (2.5 x 2.5).

Additional requirements for temporary residence:

- a.Promise of employment with salary to be received with notary public signature certification.
- b.Commercial patent, unique registry of the contributor, identity card of the employer.
- c.Professional title at technical level, legalized, or certificate of studies legalized and proof of maintenance for senior people.

Additional requirements for permanent residence:

In addition, the financial solvency of the applicant must be demonstrated by the following options:

- a.Certificate from a bank, cooperative or financial deposit of the minimum amount of 350 daily wages (G. 28.438.200 or its equivalent in dollars), during the processing of the application. In case of not having an account, one must deposit the amount in the National Development Bank and after completing the procedure, the amount is returned.

b.This deposit may be waived if the applicant has any of the following documents:

- b.1.University professional degree with promise to practice the profession.
- b.2.Deferred compliance labor contract, with Notary Public signatures certification, mentioning the amount to be received, attaching other necessary documents from the employer.
- b.3.In the case of farmers, title for production of at least 5 hectares.
- b.4.In case of being a shareholder, deed of incorporation, Tax Identification Number (RUC in Spanish) and municipal patent of the company.

Observations:

All documents are presented with valid originals and 2 (two) photocopies authenticated by Notary Public.

Documents that are in a foreign language must be translated into Spanish by a public translator registered by the Supreme Court of Justice, including the passport. (Portuguese does not require translation).

The documents of the country of origin or residence must be apostilled (if the issuing country is a signatory of the Hague Convention) or, if not, they must be endorsed by the Paraguayan consulate abroad and legalized by the Ministry of Foreign Affairs in Asunción - Paraguay.

Total duration of this procedure: 4 months.

In case the applicant is a person who will invest in the country an amount equivalent or superior to seventy thousand US dollars (USD. 70.000) (according to Resolution N.º 236 of the Ministry of Industry and Commerce, which establishes the requirements and procedures for the issuance of the Foreign Investor's Certificate through the SUACE system), the process can be presented before the SUACE and the duration of 4 months, mentioned above, is reduced to 30 days. (according to Law 4.986/13 which creates the Unified System of Business Assistance for the Opening and Closing of Companies. SUACE).

Visa Waiver Agreement

According to the Ministry of Foreign Affairs (MRE in Spanish), Paraguay has signed bilateral visa waiver agreements with 76 countries, a fact that is taken into account not only by foreigners visiting Paraguay, but also by Paraguayans planning to travel abroad.

(*) A civil identity card is only required for travel under the agreement on travel documents of Mercosur and associated States.

(**) Decree of the Government of Paraguay determining unilaterally the exemption of visas, with reciprocity.

(***) Decree of the Government of Paraguay providing entry facilities to Japanese nationals holding all types of passports. The Government of Japan exempts only holders of diplomatic and official passports from the visa requirement (note verbale N.º 146/2017 of 30 August 2017).

(****) Decree of the Government of Paraguay exempting the holders of the travel document known as the “laissez – passer” issued by the UN.

For further information on the requirements, please check with the relevant consulates.

- D = Diplomatic
- O = Official
- E = Special
- S = Service
- C = Common
- T = All

Source: <https://www.mre.gov.py/index.php/tramites/visas/acuerdos-de-supresion-de-visas>

Bilateral Visa Waiver Agreements

Country	Passport	Country	Passport
Peru (*) (**)	D.C.O	Greece	D.O.C.
Uruguay (*)	ID or Passport	Portugal	C. D.O.(Paraguay) D.E. (Portugal)
Brazil (*)	ID or Passport	Czech Rep.	D.O. Paraguay D.S. Czech C.
Chile (*)	ID or Passport	Vatican (**)	D.S.
Ecuador (*)	D.O.S.C.	Estonia (**)	T.
Argentina (*)	ID or Passport	Latvia (**)	T.
Venezuela (*) (**)	D.O.E.C.	Slovenia (**)	T.
Bolivia (*) (**)	ID or Passport	Ireland (**)	T.
Colombia (*)	D.O.C	Malta (**)	T.
Guatemala	D.O.C. T.	Cyprus (**)	T.
Costa Rica	D.O.E.C.	Bulgaria	T.
El Salvador	D.O.C. T.	Turkey	T. (Paraguay) D.S.E.C. (Turkey)
Panama	D.O.E.S.C.	Iceland (**)	T.
Cuba	D.O. (Paraguay) D.O.S. (Cuba)	Ukraine	T.
Mexico	D.O.T.	Croatia (**)	T.
Dominican Rep.	D.O.T.	Principality of Andorra (**)	T.
Honduras	T	Georgia	D.O.S.
Nicaragua	T	Principality of Monaco	T.
Luxembourg	D.O.E.C.	Montenegro	D.O.S.
Austria	D.O.S.C. (Paraguay) D.S.C. (Austria)	Azerbaijan	D.O.S.
Hungary	D.O.C.	Serbia	D.O.S.
Spain	D.O.E.C.	Korea (**)	D.O.C.
United Kingdom	D.O.E.C.	Japan (***)	T. (Paraguay) D.O. (Japan)
The Netherlands	D.O.E.C.	Israel	D.O.E.C.
Romania	D.O.T.	India	D.O.
Switzerland	D.O.E.C.	Morocco	D.O. (Paraguay) D.E.S. (Morocco)
Liechtenstein	D.O.E.C.	South Africa	D.O.C.
Germany	D.O.E.C.	China (Taiwan)(**)	D.O.C.
Denmark	D.O.E.C.	Egypt	D.O.S.E.
Italy	D.O.E.C.	Vietnam	D.O.
Norway	D.O.E.C.	Indonesia	D.O. (Paraguay) D.S. (Indonesia)
Belgium	D.O.E.C.	Jordan	D.O.
Sweden	D.O.E.C.	Lebanon	D.O.
Poland (**)	D.O.T.	Philippines	D.O.
Finland	D.O.E.C.	Singapore (**)	C.
Slovak Rep. (**)	D.O.T	United Arab Emirates	T.
Russia	T.	Qatar	DOE.
France	D.S.C		

4.5. INTELLECTUAL PROPERTY

The National Directorate of Intellectual Property (DINAPI in Spanish) is the institution whose sole purpose is the protection of intellectual property rights and is responsible for industrial property.

Industrial property

Industrial property includes patents for inventions, utility models, trademarks, collective trademarks, certification marks and geographical indications and appellations of origin. An industrial “drawing” is any combination of lines and colors; and an industrial “model” is any plastic form of lines and colors, intended to give a special appearance to an industrial or craft product and serving as a type for its manufacture.

Industrial Designs

Registration of a design confers on its owner the exclusive right to reproduce the design in the manufacture of a product, to import, to offer for sale a product which reproduces the protected design, to keep the product for the purpose of offering it for sale and to exclude third parties from carrying out such acts for industrial or commercial purposes (Article 19, Law 868/81 on Industrial Designs).

The owner of a registered industrial design may grant a license to exploit his design. The respective contract must be registered with the Directorate General of Industrial Property in order to be effective against third parties, observing the same formalities as those established for the transfer or cession (Article 24, Law 868/81 on Industrial Designs).

New creations – patents

The Patent Law 1.630 / 2.000, grants protection to both invention and utility model patents. It admits the patentability of inventions relating to new products and procedures involving an inventive step and susceptible of industrial application, following the principle of unity of invention, so that a patent application may only include one invention or a group of them linked to each other, provided that they constitute a single inventive concept.

Definitions

Patent: is an exclusive right, of a temporary nature, granted by the State on an invention, through the granting of an official document.

The document confers the right on the inventor to prevent anyone from copying, using, distributing or selling the invention without his permission.

Patents are part of intellectual property, being a legal form for the protection of a type of creation of the mind called “inventions”.

The principle on which the patent system is based is that, by granting the monopoly on the implementation of the invention, the state encourages the invention.

It is the product or process that offers a new way of doing something, or the technical solution to a problem.

Invention or breakthrough (from latin invenire, “encontrar” -also look inventio): is a technical object or process, which has novel transformative characteristics. Some inventions also represent an innovative creation without a scientific or technological background, which extend the limits of human knowledge.

What cannot be patented?

There are inventions that cannot be patented because they infringe on the environment, health, ethics, morality, human and animal life.

Matters excluded from patent protection are plants and animals, except micro-organisms and essentially biological processes to produce plants or animals, which are not non-biological or micro-biological processes.

Nor may products or processes included in the state of the art, as provided in this Law, be the subject of a new patent simply because they are put to a different use than that covered by the initial patent.

The Patent Act also states that it does not consider as inventions:

- Simple discoveries, scientific theories, mathematical methods.
- Purely aesthetic creations.
- Schemes, plans, principles or methods of economics, business, advertising or publicity and those referring to purely mental or intellectual activities, or to matters of play.
- Isolated computer programs.
- Diagnostic, therapeutic and surgical methods.
- Different ways of reproducing information.

Management and registration

Applications for the registration of patents must be submitted at the entry desk of the National Directorate of Intellectual Property.

The interested parties or their agents must complete the forms found on the website www.dinapi.gov.py in quintuplicate with all the mandatory data required therein.

Validity: exclusive for 20 years from the date of filing of the application in the country.

Renovation: patents after 20 years of validity become the property of the State.

Territory: the patent registered in Paraguay is only valid within the country.

Patentability conditions

Inventions can be as simple as a paper clip or consist of something as complicated as a robot, but they must always meet certain conditions of patentability, such as:

Novelty: the invention must contain a novel feature that is not part of the existing knowledge in the technical field to which it relates. In the application, the inventor must describe the invention in detail and compare it with previous technologies existing in the field of the invention to demonstrate its novelty.

Before applying for a patent, inventors are encouraged to do research in the technical field of their inventions to ensure that no one has previously applied for a patent for the same invention. It is not easy to conduct a complete patent search, so it is advisable to ask a professional for help during this stage.

The inventive level (not obvious): an invention shall be regarded as having an inventive step if, to a person skilled or knowledgeable in the technical field corresponding to the invention, it is neither obvious nor obviously derived from what already exists in the world.

The industrial application (utility): The invention can be manufactured or used in any branch of industry or for a practical use; it cannot be limited to an idea or a theory. If the invention concerns a product, it is necessary that someone be able to manufacture that product.

If the invention is about a process, then it must be possible to carry out that process. For example, a time machine may be a great idea, but unless an inventor actually creates a machine that allows people to travel through time, the mere idea of a time machine cannot be patented.

Trademark registration

The National Directorate of Intellectual Property (DINAPI), an autonomous and decentralized entity, is the office in charge of analyzing and deciding on matters relating to applications for the registration and renewal of trademarks.

Its functions are given by Law 1.294/98 and its Regulatory Decree N° 22.365.

Product and service brands

A trade mark is any sign which serves to distinguish goods or services of a given name from those of its competitors, which may be verbal, figurative or mixed, olfactory, three-dimensional.

The marks may consist of one or more words, slogans, emblems, monograms, stamps, vignettes, reliefs, sounds, names, fancy words, letters and numbers in various shapes or combinations; combinations and arrangements of colours, labels, packaging and wrappings.

Once the mark has been chosen, which will serve to designate the product or service, it is necessary to verify that it is available, i.e. that an identical or similar sign has not been previously applied for or registered for goods or services. If this step is not taken, the interested party could be unpleasantly surprised to find that his application is rejected, and consequently have to change the name, which could cause him serious financial losses, even more so if he has already launched a campaign to advertise the brand.

Main types of brands

•Denominative: consisting of words or sets of words, letters engraved in any alphabet. The guarantee of this type of brand is summarized in the word itself and not in the form as it is written. Example: Jar

•Figurative: consisting exclusively of the design, image or any type of graphic sign that does not contain nominal elements. Example:



•Mixed: when it consists simultaneously of nominative and figurative elements, or of nominative elements whose presentation is sufficiently distinct from the usual writing. Example: Jar



Registration of a trademark

Each application is first subjected to a formal examination to verify that it meets the requirements of Law 1.294/98 on Trademarks.

Once the requirements have been met, a publication order is issued, requiring publication in a newspaper in the capital for three consecutive days, and the period required by law for third parties who may feel their rights have been affected to file an opposition (60 working days). Opposition cases are handled at the Secretariat of Litigation, which is the office in charge of processing and resolving them.

When there is no opposition, after the legal deadline has passed, the applicant or his or her representative submits the publications made in the relevant newspapers, which are attached to the application, and goes to the Background Report section, which is responsible for carrying out the substantive examination.

This examination consists of a search for prior art and an analysis of the feasibility of registering the brand. If there are no impediments, there is a second validation by the Trademark Director and then

the trademark is granted by means of a resolution, the registration number and date of grant are assigned and, finally, a title is drawn up and delivered to the interested party.

In the event that a background is found in the course of the substantive examination, either a risk of confusion or association with a trademark already registered, or in contravention of any of the prohibitions laid down in the law, the Trademark Office is entitled to reject the application.

Validity period

The validity period of a trademark is 10 years, counting from the date of granting of the registration and may be renewed indefinitely for periods of equal duration.

Brand renovation

The procedure for renewal is much simpler. The formal examination is carried out and the publication order is issued, which in this case is for one day. Copies of the newspapers are attached and, without waiting for the opposition period, the grant of the brand is renewed by means of a decision and the title is made.

Trademark Opposition

The Secretariat of Litigious Affairs is in charge of attending and dealing with all opposition files to trademark applications filed with the Directorate of Industrial Property, which may be filed by national or foreign individuals or legal entities.

Registration deadline

The delivery time for trademark registration is currently 12 months from the time of filing. It should be noted that, in practice, this period may be extended to over 18 months.

Copyright and Related Rights

Copyright is the legal term describing the rights granted to creators of literary and artistic works. These exclusive rights allow the author to use, authorize or prohibit the use of his works in a certain way, thus allowing him to control and remunerate the use of his works. Law 1.328/98 and Decree N.º 5.199/99 grant the author of a work, by the mere fact of its creation, the original ownership of a right enforceable against all, which includes moral and economic rights.

The moral rights (disclosure, paternity, integrity and withdrawal of the work from the market) are perpetual, inalienable, unattachable, non-re-nounceable and imprescriptible, being exercised, at the death of the author, by his heirs. The economic rights (reproduction, communication and public distribution, import, translation), can be exploited under any form or procedure beneficial to the author.

Scope

Copyright protection applies to all works of invention of a creative nature in the literary or artistic field, regardless of their genre, form of expression, merit or purpose, the nationality or domicile of the author or the owner of the respective right, or the place of publication of the work. The rights recognized are independent of the ownership of the material object in which the work is incorporated, independent of the method of initial or subsequent fixation, and their enjoyment or exercise is not subject to the requirement of registration or the completion of any other formality.

Protected works may also qualify under other intellectual property protection regimes, such as patents, trademarks, reserved data on industrial processes or other similar systems, provided that the works or such components deserve such protection under the respective rules.

Types of protected works

Original works in the literary, artistic and scientific fields, whatever their form of expression, medium or means are protected, such as:

- a.** Works expressed in written form, through books, magazines, brochures or other writings, and any others expressed by means of conventional letters, signs or marks.
- b.** Oral works, such as lectures, addresses and sermons, didactic explanations, and others of a similar nature.
- c.** Musical compositions with or without lyrics
- d.** Dramatic and dramatic-musical works, such as plays and musicals.
- e.** Choreographic and pantomime works, such as choreography created by a teacher at school festivals.
- f.** Audiovisual works, including cinematographic works, made and expressed by any means or process.
- g.** Radio works, broadcast by radio and television, such as programs of the radio or television.
- h.** Works of visual art, including drawings, paintings, sculptures, engravings and lithographs.
- i.** The plans and architectural works.
- j.** Photographic works and those expressed by a process analogous to photography.
- k.** Works of applied art, which are works of art incorporated into utilitarian objects such as a decorated lamp, and a portfolio with applied designs.
- l.** Illustrations, maps, sketches, plans, outlines and plastic works relating to geography, topography, architecture or the sciences.
- m.** Computer programs (software), which enable the functionality of a computer or a cell phone.
- n.** Collections of works, such as encyclopedias, anthologies and original databases.

Protection of foreign works

Protection is granted to all works of authorship, regardless of their genre, form of expression, merit or purpose, the nationality or domicile of the author or the owner of the respective right, or the place of publication of the work. The law provides special provisions for audiovisual and radio works, computer programs (both operational and application programs, whether in the form of source or object code), architectural works, the plastic arts and journalistic articles.

Foreign artistic works, performances, phonographic productions, broadcasts or transmissions by wire, cable, optic fiber or other similar process, audiovisual recordings, photographic fixations and other intellectual property shall enjoy national treatment, regardless of the nationality or domicile of the owner of the respective right or the place of publication or disclosure.

Registration

Works and contracts relating to them may be entered in the National Register of Copyright and Related Rights. Such registration shall be for declaratory and not constitutive purposes only, so that failure to do so shall not prejudice the benefit or exercise of the legally protected rights. However, the registration is admitted as a principle of certain proof of the facts and acts contained therein, in the absence of proof to the contrary.

In Paraguay, the National Directorate of Copyright and Related Rights (Dirección Nacional de Derecho de Autor y Derecho Conexos, in Spanish), which is part of the National Directorate of Intellectual Property (DINAPI), is responsible for the National Copyright Registry, with the aim of having a principle of certain proof of the facts and acts, in addition to serving as a database that contributes to statistical purposes and the promotion of culture.

The registration may also serve as evidence before a Court of Justice in the case of disputes relating to copyright.

a. Validity of registration

The economic right will last for the author's entire life and more than 70 years after his death. In the case of anonymous and pseudonymous works, the term shall be 70 years from the date of disclosure.

This term of protection shall allow the creators of works to receive the economic benefits and, after the author's death, his/her heirs to continue to receive the corresponding royalty for a reasonable period of time.

In the case of works created by more than one author, the end of the period of copyright protection is calculated from the death of the last living co-author.

b. Process

Present the application for registration of the work, which will include the following data:

- Title of the work.
- Nature of the work.
- Name or pseudonym of the author, publisher or printer.
- Place and date of publication.
- Place and date of creation.
- Number of volumes, sizes and pages involved; number of copies.
- Address of the applicant.
- Number and photocopy of the author's identity card.
- Telephone number.
- E-mail address.

Within 8 days of submitting the application to the National Directorate of Copyright, it orders publication for 3 days.

Within 30 days of publication, the work is registered.

Some formalities can also be carried out through the DINAPI Internet Services System, to find out about the forms, please visit:

<https://www.dinapi.gov.py/index.php/formularios>

c. Transfer of property rights

The right to property may be transferred by reason of death or transfer between living persons. The transfer shall be limited to the rights assigned and to the time and territorial scope agreed upon. Fixed remuneration or a share by the author in the income earned by the assignee may be stipulated. The owner of this right may also grant third parties a simple, non-exclusive and non-transferable license to use.

d. Public domain

Works that have fallen into the public domain constitute all creations whose economic rights have passed the period of protection established by law and can therefore be used without permission and without having to pay the author or owner. This means that works in the public domain can be copied, distributed, adapted, interpreted and exhibited in public free of charge, as if they belonged to everyone.



4.6. SUMMARY OF PROCEDURES AND REQUIREMENTS TO REQUEST THE FOREIGN INVESTOR'S CERTIFICATION VIA SUACE

General considerations

The Investor's Certificate is a document issued by the Unified System of Opening and Closing of Companies (SUACE in Spanish) for the purpose of initiating the procedures and obtaining permanent residence as a foreign investor, in order to open a company in the country.

For this purpose, the investor, by signing a sworn statement, undertakes to open its company before the SUACE, and if not, the Ministry of Industry and Commerce may notify the Directorate General of Migration, the breach of such sworn statement, in order to proceed to the cancellation of it, taking into account the provisions of Article 34 of Law 978/96 on Migration.

The minimum amount required for foreign investors is USD 70.000 (seventy thousand dollars) or its equivalent in guaranies and with a supporting document that guarantees the economic and financial capacity.

The investor's certificate will be delivered exclusively to the applicant or to a person authorized by the holder, together with a photocopy of the identity card of both.

Requirements to obtain Proof of Investment (Authenticated by Public Notary of Paraguay)

•1 (one) original form of the foreign investor certificate application form, which will be filled out mechanically and signed once printed. For more details, please click on the following links:

Spanish:http://www.suace.gov.py/wp-content/uploads/2020/02/MANUAL-EXPL.CONST_ESP_20.02.2020.pdf

Português:http://www.suace.gov.py/wp-content/uploads/2019/08/MANUAL-EXPL.CONST_PORT-15.06.2019.pdf

English:http://www.suace.gov.py/wp-content/uploads/2019/08/MANUAL-EXPL.CONST_INGLES_15.06.2019.pdf

- 1 (one) certified copy of the identity card of the country of origin or passport.
- 1 (one) authenticated copy of the criminal records of the country of origin, (federal not of a state), apostilled or legalized by the Ministry of Foreign Affairs of Paraguay.
- 1 (one) authenticated copy of the Interpol certificate from Paraguay
- 1 (one) authenticated copy of the proof of entry or permanence in the country.
- 1 (one) original of the sworn declaration of commitment to open a business before the SUACE, accompanied by the signature certification sheet. The number of the security sheet must be stated on the affidavit sheet.
- 1 (one) original of the investment project profile, signed by the investor. For more details please click on the following links:

Spanish:<http://www.suace.gov.py/wp-content/uploads/2018/10/PERFIL-y-DECLARACION-JURADA.18.10.18.pdf>

English:<http://www.suace.gov.py/wp-content/uploads/2019/06/PERFIL-DE-PROYECT-06.06.19-INGLES.pdf>

- Special power of attorney in force, granted by the holder, to the attorneys-in-fact with special power to represent and act on behalf of the holder, if necessary, and a copy of the identity card of the attorney-in-fact.
- For companies that are already in operation, whose partner wishes to change their immigration status, it will also be required to present a notarized copy of the Bylaws of the company and the minutes of the meeting where the person concerned is appointed as a member of the board, who must submit a copy of the amended deed.
- The minimum amount required for foreign investors will be USD 70.000 (seventy thousand US dollars) or its equivalent in guaranies, backed by a supporting document that guarantees the eco-

nomic and financial capacity of the interested party, in order to make an investment.

- The company must employ at least five workers

Note: for more details go to the following links:

Spanish:<http://www.suace.gov.py/wp-content/uploads/2019/09/REQUISITOS-PARA-SOLICITAR-LA-CONSTANCIA-DEL-INVERSIONISTA.pdf>

Portuguese:<http://www.suace.gov.py/wp-content/uploads/2019/09/REQUISITOS-EN-PORTUGUES-CONSTANCIA-DEL-INVERSIONISTA-.pdf>

English:<http://www.suace.gov.py/wp-content/uploads/2019/09/REQUISITOS-EN-INGL%C3%89S-PARA-SOLICITAR-LA-CONSTANCIA-DEL-INVERSIONISTA.pdf>

Requirements to apply for permanent residence through the SUACE

- Economic solvency.
- Identity card.
- Birth certificate.
- Marriage certificate or divorce sentence.
- Certificate of criminal record of the country of origin.
- Migratory card of entrance to the country or stamps in the passport.
- Health Certificate.
- INTERPOL Certificate.
- Life and residence Certificate
- Certificate of computer science or background for foreigner.
- Affidavit of compliance with the law.
- 1 (one) Passport sized color photograph
- Payment of the fee for the residence and the establishment certificate once the documents are delivered.

Note: for more details go to the following links:

Spanish:http://www.suace.gov.py/wp-content/uploads/2019/07/Manual_de_obtenci%C3%B3n_Carnet_de_Rad.Pte_15.07.2019.pdf

Portuguese:http://www.suace.gov.py/wp-content/uploads/2018/09/Manual_de_obtenci%C3%B3n_Carnet_de_Rad.Pte_Portugues.pdf

English:http://www.suace.gov.py/wp-content/uploads/2018/09/Manual_de_obtenci%C3%B3n_Carnet_de_Rad.Pte_Ingles.pdf

Procedures to be carried out after obtaining the permanent residence permit

- Endorsement of original documents approved by the Personnel Department of the National Police Command.
- Endorsement of original documents by the Personnel Department of the Central National Police Command.
- Foreigner registration card to be applied for at the Crime Investigation Department.
- Paraguayan identity card for foreigners to be applied for at the Identification Department.

Note: for more details go to the following links:

<http://www.suace.gov.py/wp-content/uploads/2019/09/POSTERIOR-MIGRACIONES.pdf> (Spanish).

<http://www.suace.gov.py/wp-content/uploads/2019/09/AF-TER-M.pdf> (English).



4.7. ENVIRONMENTAL LEGISLATION

It is administered by an independent regulatory body, the Ministry of the Environment and Sustainable Development (MADES in Spanish), for environmental matters according to Law 1.561/00 and Law 6.123/18.

Waters and watersheds

The Civil Code, as well as the Sanitary Code, Law 836/80, among other legal bodies are under the water regime in Paraguay. Rivers and all waters flowing through natural channels are for public use and use personal use is permitted. However, the use of waters for profit is exclusive to the government. The government has a monopoly on the provision of drinking water and sewerage.

Waste / dumping into water

The government, through the various health institutions, is responsible for protecting the waters. Paraguayan legislation, specifically the Health Code, prohibits the disposal of industrial waste in surface or underground watercourses, unless the waste is treated so as to render it harmless to the health of the population or to prevent its harmful effects. The regulatory authority may also authorize, regulate or restrict the disposal of non-biodegradable substances. Other legal bodies, such as Law 716/96 on Protected Areas and Articles 197, 200, 201, and 202 of the Penal Code, impose significant fines and even imprisonment for those who pollute watercourses by disposing of them in such watercourses or through storm drains.

Soil

Law 71/96 on environmental protection not only protects the land from misuse by means of fertilizers, pesticides and other harmful substances, but also from illegal waste disposal. This type of activity carries with it financial penalties and also imprisonment, in accordance with the Criminal Code, Article 199 on the Illicit Treatment of Soils and Article 200 on the Illicit Processing of Wastes.

The entry of harmful substances is also prohibited, as is the import of industrial waste or waste classified as hazardous, in accordance with Act N.º 716/96, which punishes offences against the environment.

Solid waste management

Law 3.956/09 aims to establish a regulatory regime for the responsible management of solid waste in the country, in order to reduce the generation of waste and avoid risks to human health and environmental quality. In Paraguay, the competent authority is the Ministry of Environment and Sustainable Development (MADES), which has the power to regulate, examine and resolve the approval or rejection of the Integrated Solid Waste Management (GIRS in Spanish) project.

Based on the provisions of this law, the Integrated Solid Waste Management (GIRS in Spanish) includes the processes as the agents involved in the stages of generation, collection, storage, transport, transfer, treatment or processing and use, until final disposal and any other operation that involves them.

In addition to establishing the functions of the MADES, it institutes competences to the municipalities in the protection of the environment and cooperation in environmental sanitation, especially regarding the service of urban and domiciliary cleaning, including all the phases of integral solid waste management. And, in that sense, the municipalities regulate the integral management of the solid residues through a local management plan.

The final disposal of solid waste generated in its jurisdiction is the responsibility of the municipality, and for it not to be reused, therefore, it must have an appropriate area for the final disposal of waste, so municipalities must identify appropriate areas for the location of infrastructure to be used for GIRS.

According to the diagnosis of solid waste management at the country level, carried out in 2017*, the average rate of generation of urban solid waste (RSU in Spanish) in Paraguay is about 1.2 kg/person/day, varying between 0.5 and 1.5 kg/person/day. In the Central Department it is estimated that around 2000 t/day are currently generated in urban populations.

Solid waste management is a complex task that has become a common problem, due to multiple factors, such as:

- Population growth.
- Increasing amount of waste generated.
- Low quality of the urban cleaning service.
- Institutional weakness, little health education and citizen participation.

(*) *At the time of editing this material, no new RSU report has been published.*

Air

The purpose of the Air Quality Law 5.211/2014 is to protect the quality of the air and the atmosphere by preventing and controlling the emission of chemical and physical pollutants into the air, in order to reduce the deterioration of the environment and the health of living beings, to improve their life quality and to guarantee development sustainability.

In Paraguay, the MADES is the body that drafts the policies, carries out coordination, supervision, execution of environmental actions, plans, programs and projects within the framework of the National Development Plan (PND 2030 in Spanish) regarding the preservation, conservation, recombining and management of natural resources, and is responsible for what might happen.

Decree N.º 1269/2019, which regulates Law 5.211/2014 “On Air Quality” is applicable to the preservation, conservation, restoration and improvement of the environment, as well as its reconciliation with comprehensive human development.

Noise Protection

Law 1.100/1997 on the Prevention of Noise Pollution prohibits the emission of sound into the environment above the established levels, the maximum volume of which is 45 decibels for public areas.

In Paraguay, the specialized environmental prosecutor’s office is in charge of monitoring.

In work establishments, the operation of machinery, engines and tools is prohibited without the necessary precautions to avoid the propagation of noise, sounds and disturbing vibrations that exceed the decibels determined by Article 9 of the law.

Machinery or motors that produce vibrations must be sufficiently far away from the dividing walls or have adequate insulation to prevent them from being transmitted to neighbors.

Article 9 of Law 1.100/97 considers noises and disturbing sounds to be those that exceed the average levels specified in the following table:

AREA	NIGHT DAY 20.00 to 07.00	DAY (Occasional peak) 07.00 to 20.00 14.00 to 19.00	7.00 to 12.00
Residential areas, specific use, public spaces: recreation areas, parks, squares and public roads.	45	60	80
Mixed areas, transition zones, city center, specific programs, service areas and public buildings.	55	70	85
Industrial area.	60	75	90
Measured in decibels “A” – Db (a) 20-40			

Source: MADES

The maximum permissible daily exposure to noise and annoying sounds caused within the premises by work, industrial, commercial or social activities should be subject to the following limit:

Duration Per Hours And Days	Decibels (DB) SFL
8 hours	90
6 hours	92
4 hours	95
3 hours	97
2 hours	100
1 1/2 hours	110
1 hours	115

Source: MADES

Environmental impact

Both Law 294/93 and Decrees N.º 453/13 and 954/13 of regulations declare the obligation to carry out the Environmental Impact Assessment (EIA in Spanish) of any type of undertaking that may have an impact on the environment, and the procedures, documents and formalities required for this purpose.

Procedures to obtain an environmental license

The procedure for the presentation of a preliminary environmental impact study (EIA-preliminary) and the Study of the Disposal of Effluents, liquids, solid waste, gaseous emissions and/or noise (EDE in Spanish), for the works or activities that begin the EIA process, are included in the provisions of Decree N.º 453/13 and its extension in Decree N.º 954/13.

Any individual or legal entity responsible for the activities or projects must submit the following documents to the General Directorate for Environmental Quality Control and Natural Resources of the MADES attached to the preliminary Environmental Impact Study (EIAp in Spanish) or Study on the Disposal of Effluents, liquids, solid waste, gaseous emissions and/or noise (EDE in Spanish), in accordance with Article 3 of Law 294/1993:

- Affidavit on the veracity of the information provided.

- Authenticated photocopy of the identity card of the person responsible, and in the case of a legal entity, the deed of incorporation of the company.

- Certificate of tax compliance or certificate of not being a taxpayer.

- Authenticated photocopy of the title deed where the work or activity will be carried out, titles that support the right of the party responsible.

- Environmental impact report.

- According to the nature of the activity, the EIAp and EDE should be supported by maps, plans, topographical charts, satellite images, results of effluent analysis, among other studies required according to the type of project presented.

- Special power of attorney granted by the project manager to the consultant or consulting firm or other responsible person designated for compliance with the proposed management plan and its proper implementation; who must be duly registered with the CTCA of the MADES, which prepares the EIAp or EDE, to carry out procedures with the General Directorate for Environmental Quality Control of Natural Resources; it must specify the precise data of the project.

- Copy of the consultant's registration updated in the CTCA of the MADES established in Art. 9 of Decree 453/13.

- Resolution N.º 210 of 2018 orders replacing printed application forms with the management on a 100% digital tool called SIAM (Environmental Information System).

For more information, please visit:

<http://www.mades.gov.py/areas-tematicas/control-de-los-recursos-naturales/normativa-y-requisitos-para-la-presentacion-de-proyectos/>

<http://www.mades.gov.py/areas-tematicas/control-de-los-recursos-naturales/evaluacion-de-impacto/declaracion-de-impacto-ambiental/>

5
IMPORT AND EXPORT
OF GOODS

5.1. REGULATORY FRAMEWORK FOR INTERNATIONAL TRADE

The World Trade Organization (WTO) is the main international organization dealing with global rules governing trade between countries. Its main function is to ensure that trade is conducted as smoothly, predictably and freely as possible.

At their core are the so-called “WTO agreements”, negotiated and signed by most trading countries. These documents set out the fundamental legal rules of international trade. They are essentially agreements that compel governments to keep their trade policies within agreed limits. They are negotiated and signed by Governments, but their purpose is to help producers of goods and services, exporters and importers to develop their activities, enabling Governments to achieve social and environmental objectives.

These agreements include goods, services and intellectual property. They set out the principles of market liberalization, as well as the permitted exceptions. They include commitments made by individual countries, such as reducing tariffs and other trade barriers, as well as opening and maintaining open services markets. They establish procedures for the settlement of disputes. These agreements are not static; they are occasionally subject to new negotiations, and new agreements may be added to the package.

The primary purpose of the system is to help trade flow as freely as possible, without undesirable side effects, to ensure economic development and welfare. This involves in part the removal of barriers. It also requires ensuring that individuals, businesses and governments are aware of the rules governing trade in different parts of the world so that they can be confident that policies will not be abruptly changed. In other words, the rules must be “transparent” and predictable.

Other important international regulatory agreements are:

- The General Agreement on Tariffs and Trade (GATT) (goods).
- The General Agreement on Trade in Services (GATS)
- The Trade-Related Aspects of Intellectual Property Rights (TRIPS)
- Free trade agreements as a member of Mercosur.

Other institutions dealing with international trade are:

- The Organization for Economic Cooperation and Development (OECD), where governments work in a coordinated manner to respond to the economic, social and environmental challenges of interdependence and globalization.
- The United Nations Conference on Trade and Development (UNCTAD).



5.2. CUSTOMS

The National Customs Directorate (DNA) is the institution in charge of applying customs legislation, collecting import and export taxes, controlling the traffic of goods through the country's borders and airports, exercising its powers in the primary zone and carrying out smuggling control tasks in the secondary zone.

The National Customs Directorate is part of the Inter-Agency Unit for the Prevention, Combating and Suppression of Smuggling (UIC), together with the National Police, the Ministries of Industry and Trade, the Interior, National Defense, the Navy and the National Anti-Narcotics Secretariat (SENAD in Spanish), within the framework of the plan to combat the illegal entry of goods, promoted by the National Government.



5.3. CUSTOMS BROKER

General concept

The customs broker is the person who acts as a trade and customs auxiliary agent, authorized by the National Customs Directorate, who, acting on behalf of the importer or exporter, carries out formalities and procedures relating to customs operations.

The National Customs Directorate will grant registration as a customs broker once the requirements established by the Customs Code and the regulations have been met.

Requirements for registration as a customs broker

- To be Paraguayan or foreigner with permanent residence and proven roots and be legally capable.
- To possess a completed high school diploma or its equivalent, completed or recognized in the Republic.

- To have no outstanding debts due to the tax authorities.
- To have passed the sufficiency exams before the National Customs Directorate, with conditions and requirements established in the regulatory norms.
- To prove good behaviour.



5.4. EXPORTS

Single Window for Exports (VUE in Sp.)

It is an integral management system based on procedure reengineering, legal adaptation and technological structure, which allows people and institutions involved in exports to act interactively, making available the unique registry of exporters in a brief process.

The main services are:

- Optimized electronic procedures.
- Electronic collection.
- Provide information.

Users/beneficiaries linked to export operations, registrations and other services of the Ministry of Industry and Commerce (MIC) are:

- Exporters, customs brokers.
- Certification entities, public institutions, unions, private institutions (chambers, transporters, etc.).
- Ministry of Industry and Commerce , citizens.

Single Exporter Registration (RUE in Sp.)

Enabling legal and physical persons to engage in export activities.

Required documents:

- Bylaws or articles of association.
- Registration of the trader - individual.
- RUC (in Spanish) Single Taxpayer Registry.
- Identity card of the signatory/s.
- Current balance.
- Trade patent.
- Sketch/location of the premises.
- Legal authorization of the agent.

•**Deadline to issue the document:** 24 hours

•**Document issued:** certificate of registration with the National Exporters' Register.

Maquila Regime

The Maquila Regime includes the performance, under contract with a foreign head company, of industrial or service processes, in whole or in part, on tangible or intangible goods, temporarily admitted and whose product is intended for export.

The products resulting from the maquila service are sent back to the head company (contracting party resident abroad) or any part of the world on behalf of and in the order of the head company.

The inflows and outflows of all assets under the maquila program are managed by a system of current accounts that handle temporary inflows, processing and outflows, and where the maquiladoras are structured as production cost centers.



5.5. IMPORTS

Single Window for Import (VUI in Sp.)

The National Customs Directorate has a Single Importer's Window (VUI), through which all individual or legal persons wishing to carry out import operations operate. Through this single window the institutions involved in the import process can interact in a coordinated manner with the DNA, in the management of permits, authorizations and certifications, in real time, through an electronic management system.

This system reduces processing time and costs, improves controls and makes the management of processes involving pre- and post-import clearance transparent.

To access the window, it is necessary to carry out the Single Importer Registration (RUI).

Single Importer Registration (RIU in Sp.)

Persons and companies involved in customs activities must register with the Registration Department of the National Customs Directorate and must update their data before April 30 each year.

The importer's signature must be registered with the Registration Department of the National Customs Directorate in the books authorized for that purpose.

The registration of signatures of importers made through the SOFIA computer system shall be valid for five years from the date of registration, on expiry of which it shall be renewed.

Required documents:

- Deed of incorporation or articles of association.
- Registration of the merchant - natural person.
- RUC (in Spanish) Single Taxpayer Registry.
- Identity card.
- Current balance.
- Commercial patent.
- Minutes of the last meeting.
- Legal authorization of the proxy.

i.Bank reference from a bank in Paraguay.

j.To have infrastructure in accordance with the activity.

k.To have a special address in the urban radius of the Customs administration where it operates, for the corresponding legal purposes.

•**Deadline for issuing the document:** 7 days after signing at the National Customs Directorate.

Customs procedures on import

General aspects

The customs treatment is applicable to goods in international trade, in accordance with the provisions of the Customs Code and regulations.

Definitive import

The customs regulations of final imports confers on foreign goods the character of free circulation, through the fulfillment of the required obligations and formalities.

The detailed declaration must be presented by the importer or whoever has the legal availability of the goods, within the time limits established in the Customs Code.

Temporary admission regime

This is a customs procedure which allows to receive in a customs territory, with suspension of import duties and taxes, certain goods for a specific purpose and intended to be re-exported within a specified period; either without having undergone transformation or having undergone processing, manufacture or repair. The procedure shall end with the re-export of the goods within the prescribed period or with their admission to another customs procedure under the conditions set down in the Customs Code and the regulations.

What are the time periods for the goods to remain under the temporary admission regime?

It may not exceed 12 months, renewable once for the same period. For goods that make up capital goods the period shall be three years, extendable once and for the same period. The request for extension must be submitted to the customs authority 10 working days before the expiry date.

Temporary admission for inward processing

The customs regime of temporary admission for inward processing is a tool widely used by Paraguayan industries for the export of goods produced by them.

This regime allows the entry into the country of: raw materials; parts and pieces that make up the final product; final products to be packaged; packaging materials for products produced in the country; or even animals for slaughter.

The Customs Code considers the following operations as inward processing:

- The transformation.
- The processing, including assembly, putting together and adaptation of goods.
- Repair, restoration and finishing.
- The use of imported goods for the conditioning, packaging or packing of the resulting product, if they are exported with the latter.

Tax considerations of the regime

Raw materials enter Paraguay with total or partial suspension of payment of:

- Import tariffs.
- Value Added Tax.

During the period while the raw goods remain in the country, the industry must sufficiently guarantee the sum of the suspended taxes.

What do you need to be a beneficiary of the regime?

Paraguayan individuals or legal entities registered as importers with the National Customs Directorate and with an industrial register issued by the Ministry of Industry and Trade may benefit from this regime.

What is the procedure and deadline for approval of the regime?

It is necessary to complete a form and present the production program where the following are detailed: tariff, quantity, nature, quality and customs value of the goods to be imported and the final product to be exported. The amount of raw material used for each product that will be manufactured must be indicated very precisely, as well as the percentage of waste and scrap that exists in the production process.

The deadline for approval is 15 to 20 days from the submission of the application to the National Customs Directorate.

As for the duration of the program, it may not exceed one year, and may be renewed for the same period for duly justified reasons.

Procedures for the import of goods

- Issuance of purchase order (issued by the foreign supplier)
- Hiring of the freight.
- Customs registration: in order to carry out the foreign trade operation, it is essential to apply for registration as an importer with the National Customs Directorate.
- Make invoice payment to the vendor according to commercial agreement.

- Depending on the agreed Incoterm, hire the main transport, international insurance, port services, transfers, etc.

- Hiring a customs broker: the broker will inform the buyer of the amount to be deposited with the National State, through the National Customs Directorate, as payment of import or nationalization duties. Next, the broker prepares the corresponding documentation and presents it to the customs offices of the destination port, so that the latter authorizes the entry of the goods into the territory. The minimum documentation required to make the customs clearance is:

a.Commercial Invoice: is the only document that will be taken as the basis for determining the value of the transaction. One original and three copies are required.

b.Shipping document: may be bill of lading, for sea transport; airway bill, for air transport and consignment letter, for land transport. Three originals and three copies are required.

c.Packing list: details the quantity of goods contained in each package, net and gross weight and their respective measurements.

d.Certificate of origin: it is not always mandatory.

Note: *at the time the customs clearance is presented, in addition to the above-mentioned documents (Art. 57 of the Customs Code), there must be a consular invoice, authorization from the Central Bank of Paraguay and, if applicable, a health certificate from the Ministry of Agriculture and Livestock, the Municipality, the Ministry of Public Health, the Military Industries, the Ministry of Industry and Commerce and other special documents, depending on the nature of the goods or the operation.*

- Customs agent arranges collection of cargo on arrival at destination.
- The goods arrive at the buyer's warehouse.
- Buyer pays the customs agent.

Fees and taxes

Concept

Customs duties are defined as the amount of taxes imposed on the entry and exit of goods from Customs territory and include taxes, duties, charges, penalties and other charges of a fiscal, monetary exchange or other nature.

The elements for the determination of the import duty are:

- The customs tariff.
- The origin or source of the goods.
- The customs value of the goods.

The customs import tax is determined by applying the rate fixed in the customs tariff to the customs value of the goods.

Pre-import licences

Through the Directorate General of Domestic Trade, an agency of the Ministry of Industry and Commerce, the registration and prior import licenses are for:

- Registration of Sugar Importers and Preliminary Licensing of Sugar (Resolution N.º 251/02 and N.º 631/08)
- Registry of cement importers (Decree N.º 18.352/02 and Resolution N.º 962/06).
- Registration of Meat Importers and Prior Licensing of Meat Imports (Decree N.º 8.153/06, Resolution N.º 538/06 and N.º 607/06).
- Registration of Importers of Wheat Flour and Preliminary License for Import of Wheat Flour (Resolution N.º 807/07).
- Registration of importers and dryers of yerba mate (Decree N.º 17.595/02).
- Prior import license for canchada yerba mate (Resolution N.º 201/06).
- Prior import license for personal hygiene products, cosmetics, self-care and household products of risk I and II (Decree N.º 3214/09).

- Registration of importers of clothing sector products and prior license to import products from the clothing sector (Decree N.º 1.421/09 and Resolution N.º 1.037/14)
- Registry of importers of beef and offal products from the poultry sector and prior import license of beef and offal products from the poultry sector (Decree N.º 1.443/09 and Resolution N.º 74/09).
- Registration of manufacturers and importers of polyvinyl chloride (PVC) insulated wires for nominal voltages up to and including 450/750 V (Resolution N.º 553/09 and Resolution N.º 181/10).
- Registration of manufacturers and importers of primary batteries, common carbon-zinc and alkaline manganese batteries, retention act with prohibition of marketing of the products, release act of commercialization of the products (Decree N.º 4.926/10 and Resolution N.º 970/10).

- Registration of importers of steel products and prior import license of steel products (Resolution N.º 892/11).
- Registration of the importer of wire products, wire rods, iron and/or steel bars, towers and derricks and prior import license of wire products, wire rods, iron and/or steel bars, towers and derricks (Resolution N.º 1.043/14).
- Registration of importers of products from the footwear sector and prior import license for products from the footwear sector (Resolution N.º 1.029/14).
- Registration for the qualification of companies that manufacture containers for portable fire extinguishers, assemblers, verification, maintenance and recharging services for portable fire extinguishers and verification of containers (Resolution N.º 916/10).



5.6. TARIFF PREFERENCES, TRADE AGREEMENTS AND RULES OF ORIGIN

Definitions

The term **trade agreement** refers to a broad treaty made between two or more partners to free up tariffs, fees and taxes. It includes free trade areas, customs unions and economic integration agreements pending services.

The concept of tariff **preference in the field** of foreign trade is related to special advantages granted by an importing country to certain products from countries with which it has trade agreements. These preferences take the form of a reduction or elimination of tariffs compared with those applied to other countries.

List of Paraguay's trade agreements
Current trade agreements

Multilateral Agreement		
Agreement / Signatory Party(ies)	Subscription date	
WTO Members	1 January 1995 (Contracting Party to GATT 1947 since 6 January 1994)	
Customs Unions	Subscription date	
Mercosur member states	March 26 1991	
Free Trade Agreements	Subscription date	Effective as of
Mercosur -Colombia AAP.CE N.º 72	July 21 2017	
Mercosur - Egypt	August 2 2010	September 1st 2017
Mercosur - Israel	December 18 2007	
Mercosur - Peru (ACE 58)	November 30 2005	Note RP/ALADI - Mercosur/4/ Nº 012/06 of 15/02/06
Mercosur - Bolivia (ACE 36)	December 17 1996	February 28 1997
Mercosur - Chile (ACE 35)	June 25 1996	October 1st 1996

Source: http://www.sice.oas.org/ctyindex/PRY/PRYagreements_s.asp#Inforce

Multilateral Agreement		
Framework agreements	Subscription date	Effective
Mercosur - Mexico (ECA N.º 54) Framework Agreement	July 5 2002	January 5 2006
Preferential trade agreements	Subscription date	Effective
Mercosur - Southern African Customs Union (SACU)	December 15 2008	April 1st 2016
Colombia - Ecuador - Venezuela Mercosur (AAP.CE N.º 59)	October 18 2004	Paraguay - Colombia April 19 2005 Paraguay - Ecuador April 19 2005 Paraguay - Venezuela April 19 2005
Mercosur - India	January 25 2004	June 1st 2009
Mercosur - Mexico (ECA N.º 55) Agreement on the automotive sector	September 27 2002	
México (AAP.R 38)	May 31st 1993	July 1st 1994
Argentina (ACE N.º 13)	November 6 1992	November 6 1992

Source: http://www.sice.oas.org/ctyindex/PRY/PRYagreements_s.asp#Inforce

Certificate of origin
Concept and generalities

The Certificate of Origin (CDO) is the document that aims to prove and guarantee the origin of exported goods, so that they can benefit from the preferences or tariff reductions granted by countries under international trade treaties or agreements or preferential regimes.

This certificate facilitates the identification of the product to be exported with the place of origin and is presented in different formats according to the respective agreement and will enable the importer to nationalize the goods benefiting from the respective preferences.

The origin requirements vary for different regions of export destination, the most common mechanisms being the minimum domestic component, and the change of tariff heading for a product processed in Paraguay. Even without the existence

of preferences, destination countries may require a CDO for reasons of trade policy. As there are different preference systems, there are different types of certificate of origin (e.g. Mercosur, ALADI, GSP, etc.) that have specific forms.

The Generalized System of Preferences (GSP) is a certificate of origin with tariff preferences granted by countries with developed economies and benefits countries with less developed or developing economies.

Certificates of origin are issued and endorsed for the export of products, depending on the commercial tariffs in the country of destination as corrected by Paraguay and within the framework of the GSP regime of the World Trade Organization (WTO).

Required Documentation

An exporting company needs to be able to support the local processing or transformation of an exported product through the existence of crops, workshops, factories, and/or through import invoices or local purchase of inputs and raw materials. This documentation does not need to be presented for the processing of the GDA, but could be required later by the certification bodies, when there are doubts about the veracity of the exporter's declaration. Therefore, all documentation related to the processing of an exported good should be kept at least until the shipment has been cleared in the country of destination.

For approval of the CDO by the issuing agency, the exporter or shipper must submit:

- Original copy of the certificate of origin plus the relevant copies stamped and signed by the exporter and registered at the single window.
- Original copy of the commercial invoice plus the relevant copies, signed and stamped by the exporter.
- Original copy of the exporter's declaration (affidavit), plus two copies signed and stamped by the exporter.

Clothing exporters must also provide the title of trademarks and the commercial invoice endorsed by the Paraguayan Industrial Association of Clothing Manufacturers. Exporters of cigarettes must also provide brand name. Exporters of aluminum, copper and bronze require electronic authorization from the Ministry of Industry and Trade (MIC), while exporters of Petit Grain need to apply for prior permission from MIC.

CDO Issuing Agencies

Certificates of origin are issued by entities authorized by the Ministry of Industry and Trade, in accordance with the regulations in force on the origin regime, through the Directorate of Foreign Trade Operations and the Regional Offices of the Ministry of Industry and Trade (ORMIC in Spanish) of Alto Paraná, Itapúa, Concepción and Pedro Juan Caballero. MIC has entrusted the processing of the CDO to private sector business organizations, safeguarding their legal powers of control and authorization. These organizations are:

- National Chamber of Trade and Services of Paraguay - CNCSP (all products except wood).
- Industrial Union of Paraguay - UIP (all products except wood).
- Paraguayan Chamber of Cereals and Oilseeds Exporters - CAPECO (cereals and oilseeds).
- Paraguayan Cotton Chamber - CADELPA (cotton, fabrics and garments).
- Paraguayan Lumber Federation - FEPAMA (wood products).

The procedures are carried out through the Sole Window Export System (VUE).

See more at: www.vue.org.py.

Services offered by the issuing agencies

In addition to approving CDOs, the issuing agencies provide advisory services according to their respective capabilities. It is advisable to use these services to ensure the correct application of the most recent trade regimes and to avoid subsequent obstacles or claims during the departure or arrival of the shipment.

Mercosur rules of origin

The rules of origin are the set of conditions established by the States parties of the Southern Common Market (Mercosur in Spanish) to determine the national origin of a product.

If products manufactured in a certain country have a Mercosur certificate of origin, they will enter the country of destination with an exemption or reduction of import duties.

The main criteria for manufactured products to have the certificate of origin are:

- The existence of a change in the tariff heading, i.e. that the process gives the finished product an individuality different from that of its components by changing the first four digits of the nomenclature and that this change occurs through a process of industrialization (not simple assembly, mounting or splitting). If this condition is not met, the options mentioned in the following points are enabled.
- The proportion that “extra-zone” raw goods have over the value of the finished product.
- In the case of Paraguay (unlike the other Mercosur countries) it is possible to use raw goods from extra-zone countries representing up to 60% of the FOB value of the final product. In the other Mercosur countries only up to 40 % can be used. This condition will be in force until 2023, after which the special arrangements within Mercosur will be reviewed.

•There is also the possibility that the nomenclature of the product to be produced is within a list where the Member States have established that they must meet specific requirements for the issuance of the certificate of origin. These requirements may consist of:

- Increasing the percentage of regional content.
- The overall requirement for a percentage of regional content plus a leap in tariff.

It should be emphasized that in case the production processes are simple tasks of assembly, mounting, divisions, cuts, fractions, it will not be feasible to issue the certificate of origin.



6 FINANCIAL SERVICES



6.1. FINANCIAL SERVICES PUBLIC BANKING

In developing countries such as Paraguay, State intervention in financial intermediation is important to complement private banking and reach out to sectors that the latter does not reach, or to enable access to medium- and long-term credit.

With these goals in mind, the Government of Paraguay promoted the reform of public banking, adding to the already existing Livestock Fund (FG in Spanish) the Development Finance Agency (AFD in Spanish) and the Agricultural Credit for Promotion (CAH in Spanish).

Livestock Fund (FG in Sp.)

It is a state agency that finances livestock activities. The credits it offers are supported by a free technical assistance component. This is given through visits to the producer's field by a technician specialized in veterinary or agricultural engineering, who is responsible for guiding the producer to achieve maximum efficiency in his production with the credit obtained. It is governed by Law 3.359 of November 7, 2007. It was created by Decree-Law 20 of February 6, 1970.

See more in <http://www.fondogan.gov.py>

Development Finance Agency (AFD in Sp.)

By Law 2.640 of July 27, 2005, the entity called Development Finance Agency (AFD in Spanish) was created as a second-tier bank, which does not provide loans directly to borrowers, but does so indirectly through Intermediary Financial Institutions (IFIs), made up of first-tier entities that are components of the national financial system, such as public and private banks, cooperatives, finance companies and other entities created by law. The Development Finance Agency establishes financing lines for specific sectors. (See: <http://afd.gov.py>)

AFD is the only public development bank operating in Paraguay. Its purpose is to grant loans to complement the funding structure of first-tier financial intermediaries, in order to enable the execution of short-, medium- and long-term programs through intermediary financial institutions (banks, cooperatives and finance companies operating with AFD).

It is oriented to the financing of projects that seek economic and social development, and has funds from State contributions, donations, capitalization of reserves and profits, and funds from various public financial institutions of the second tier dissolved since the creation of the AFD, such as: the Farmer Development Fund, the Industrial Development Fund, the National Housing Bank and the Technical Unit of Project Execution of the BCP.

AFD's funds allocated to Financial Intermediary Institutions (IFIs) may only be used for:

- Rural development projects.
- Credits for micro, small and medium enterprises (Mipymes).
- Business creation and development, with emphasis on small and medium enterprises.
- Export of goods and services, and imports of medium- and long-term capital goods, especially for small and medium-sized enterprises.
- Tourism development projects.
- Investment projects in basic infrastructure, carried out by the private sector or awarded to it for execution.
- Development of housing and urban planning programs and other actions aimed at reducing the housing deficit.

It is specifically prohibited for IFIs to grant, with AFD resources, loans to the State, municipalities or public sector entities.

An institution with the characteristics of the AFD has the advantage that it can centralize the administration of funds from loans from multilateral organizations, thus facilitating the management and control of part of the external public debt, in addition to reducing administrative and financial costs through scale economies.

AFD Products:

•PRODESI - Credits for real estate developers

Aimed at individuals or legal entities resident in the national territory, with at least 3 (three) years of experience in the field of real estate development, with at least 2 (two) undertakings already developed and marketed locally or internationally, in addition to having recognized moral and economic solvency.

Intended for feasible real estate development projects, for the sale of housing units, which were analyzed and approved by the Intermediary Financial Institutions (IFIs).

A global amount will be approved to finance the project, and an advance of up to 20% of the total amount to be financed may be made, to be disbursed with the approval of the credit. For this advance the formalization of the guarantee may be in process, but the appraised value of the property that will remain as a bond must cover at least 125 % of the value of the advance made.

The following partial disbursements will be made according to the progress of the work, for which the guarantee must be duly constituted, formalized and perfected.

The appraisal value of the property given as a guarantee at the time of each disbursement must cover at least 125 % of the total disbursements made to the IFI, for which it will be necessary to make appraisals of the property, so that the IFI can verify this coverage ratio.

The valuation of the completed work shall cover at least 125% of the total amount disbursed to the IFI. It is the responsibility of the IFIs to have all appraisals in accordance with the progress of the work, which must be included in the final borrower's file. This credit is only available from banks accredited by the AFD.

•PROPYMES - Financing for small and medium enterprises

It is intended for interested parties that qualify as creditors, by an Intermediary Financial Institution (IFI) authorized to operate with AFD, belonging to the sector of small and medium enterprises located in the country of the following categories:

- a.Manufacturer:** crafts, clothing, others.
- b.Agricultural:** agriculture, livestock, fish, poultry, forestry and related.
- c.Industrial:** graphics, stationery, leather, shoes, textiles and derivatives, metals, food, others.
- d.Commercial in general:** supermarkets, hardware stores, convenience stores, others.
- e.Services:** restaurants, mechanical workshops, tourism, others.

This credit can be used to finance:

- a.**Purchase of equipment and machinery.
- b.**Acquisition of productive properties.
- c.**Expansion and improvement of infrastructure.
- d.**Incorporation of technology and processes.
- e.**Purchase of utility vehicles for the business.

It is possible to finance interested parties with annual revenues of up to G. 15 billion, who can access 100% financing of the investment.

Term: up to 12 years, including the grace period of up to 2 years.

Credit available from banks and finance companies accredited by the AFD.

•PROREGADIO - Financing for livestock and forestry investment projects

This financing instrument is intended for interested parties that qualify as creditors by an Intermediary Financial Institution (IFI) authorized to operate with the AFD, who are residents in the country and engaged in agricultural activities.

This credit can be used to finance:

- a.**Implementation of drip and micro-sprinkler irrigation systems (irrigation systems for fruit orchards, vineyards, vegetables, field crops, organized agriculture, among others)
- b.**Implementation of sprinkler or extended irrigation systems (irrigation systems for sugar cane, carrot, sorghum, pasture, horticulture plantations, among others).
- c.** Implementation of flood irrigation system (irrigation systems for rice fields).
- d.**Implementation of portable pivot irrigation system such as towable pivot, central pivot and linear advance (irrigation systems for fruit orchards, vineyards, vegetables, field crops, organized agriculture, among others).
- e.**Other irrigation systems.

The interested party can access 100% financing of the investment. The scope of financing is up to USD 1.500.000 or its equivalent in guaranies per applicant.

It can be granted for a term of up to 12 years including a 2-year grace period.

•PROINFRA - Financing for the acquisition of machinery to be used in infrastructure projects

Intended for individuals or companies qualified by an IFI as creditors, residents in the country with a minimum of 3 years of experience in the sector, which require investment in machinery for infrastructure projects.

This credit can be used to finance:

- Acquisition of machinery related to the following:
- a.**Road works and communications, port routes, airports, bridges, viaducts, among others.
 - b.**Mining and energy projects, electric transmission lines, transformer stations, hydroelectric dams, quarries, among others.
 - c.**Hydraulic and sanitation works, storm and sewage drains, treatment plants, dredging, aqueducts, supply, among others.
 - d.**Real estate development projects, buildings, education buildings, hotels, shopping centers, among others.

Up to 100% of the value of the investment can be financed. The scope of financing is up to USD 2.000.000 or its equivalent in guaranies per applicant.

The terms are appropriate to each project, up to 10 years (may include a grace period of up to 1 year). The bonds are set by the Intermediary Financial Institution and in accordance with the regulations of the Central Bank of Paraguay or the National Institute of Cooperatives.

•PROCRECER - Financing for investment projects

Intended for interested parties that qualify as credit subjects, by an Intermediary Financial Institution (IFI): banks, finance companies or cooperatives authorized to operate with the AFD.

This credit can be used to finance:

- a.**Rural, industrial, commercial and service development projects
- b.**Projects to produce goods and services for export.
- c.**Investment projects under the Maquila Regime. Infrastructure projects.
- d.**Real estate development projects.
- e.**Capital goods import projects.
- f.**Tourism development projects.

The interested party can finance up to 100% of the investment, when the financing of productive real estate is not included. The financing of 80 % of the investment can be accessed when the financing of productive real estate is included.

Term: up to 12 years, including the grace period of up to 2 years.

See more in <http://www.afd.gov.py>

Note. The AFD is a second-tier public bank that offers long-term loans at competitive rates that are channeled through banks, finance companies and cooperatives. The entire credit process is carried out through the Intermediary Financial Institutions (IFIs) that operate with AFD. After the credit is approved by the IFI, it is sent to the AFD for review and no objection, and then disbursed to the IFI.

National Development Bank (BNF in Sp.)

It is a financial entity of the Paraguayan state created by Decree Law N.º 281 of March 14, 1961. It operates as an investment and promotion bank for the intensive development of the economy, to promote and finance general programs and specific projects for agriculture, livestock, forestry, industry and trade in materials and products originating in the country. It operates with its own funds and with funds obtained from multilateral organizations.

Requirements to open a checking account in Guarani

Opening Requirements - Individuals

- Application to open an account.
- Signature registration - 3 (three copies).
- Attached Form 2, identification of the client - individual.
- Authenticated photocopy of the current civil identity card and that of the spouse.
- Certificate of life and residence or last copy of utility bill payment issued to the name of the holder.
- Proof of income: certified photocopy of the last 3 (three) tax payments (VAT, INCOME, IMAGRO) or salary payment.
- Commercial patent (commercial activities) if pertinent.
- Three banking, personal or commercial references.

•Photocopy of identity card of those authorized to carry out procedures and consultations.

•In the case of: pawn shops, real estate agencies, non-profit organizations, associations, foundations, NGOs, remittance companies, natural or legal persons normally engaged in the trade of jewelry, precious stones and metals, art objects and antiques, and persons involved in philatelic or numismatic investment, natural or legal persons commercially engaged in the import, purchase, sale and consignment of motor vehicles for sale, they must register before SEPRELAD-BCP- Gate Number 4 -Phone: +(595-21) 600-435.

Opening Requirements - Legal Entities

- Application to open an account.
- Registration of signatures 3 (three copies).
- Attached Form 2, identification of the client - individual.
- Authenticated photocopy of valid civil identity card of the signatory.
- Authenticated photocopy of the RUC.
- Authenticated photocopy of the commercial patent.
- Authenticated photocopy of the constitution of the company and the modifications, if any, duly registered in the Public Registry of Commerce and Individuals and Associates, as the case may be.
- Authenticated photocopy of the Bylaws.
- Authenticated photocopy of the minutes of the last meeting and distribution of positions of the legal representatives.
- Authenticated photocopy of the last 3 (three) payments of taxes (VAT, INCOME, IMAGRO).
- Three bank references, personal or commercial.
- Photocopy of the identity card of those authorized to manage the account.
- For the cases of: pawn shops, real estate agencies, non-profit organizations, associations, foundations, NGOs, remittance companies, natural or legal persons who regularly trade in jewelry, precious stones and metals, art objects and antiques, and persons who invest in philatelic or numismatic investments, natural or legal persons who commercially import, buy, sell and consign motor vehicles for sale, they must present the registration record in SEPRELAD-BCP-Portón N.º 4 Phone: +(595-21) 600-435.

Funding requirements for:

Individual Person

Initial deposit G. 2.000.000
Minimum monthly average G. 2.000.000
Commission for lower average balance G. 110.000

Legal Entity

Initial deposit G. 3.000.000
Minimum monthly average G. 3.000.000
Commission for lower average balance G. 110.000
See more in: www.bnf.gov.py

Agricultural Habilitation Credit

It is a self-governing agency with legal status, assets, accounting and its own administration, which is currently governed by Law 5.361/14 "On the Reform of the Bylaws", the regulations issued by the Executive Branch and the resolutions issued by its board of directors. The purpose of the CAH is to finance the activities of small rural producers in the agricultural and agro-industrial sector.

CAH products:

•EPARE
Instrument for financing productive projects and/or equipment and acquiring technological and/or infrastructure innovations or even the purchase of animals. The operating capital requested must be associated with the investments to be enhanced by the loan.



The purpose of the credit can be for investment or operating capital.

Amount: up to G. 50.000.000

Financing limit: Based on the applicant's ability to pay and the guarantees provided, if any, up to a maximum of 80% of the resources required for each project and a 'beneficiary contribution' component of at least 20% of the total cost of each project. The financing of the operating capital will be up to 40% of the credit.

Capital operating terms: up to 1 year.
Investment capital terms: up to 7 years.

•Financial product for microentrepreneurs

Credit for operating capital or investment capital.

This credit can be used to finance:

- a. Operating capital: inputs and labor required for the venture to be carried out.
- b. Investment capital: purchase of fixed assets related to the financed activity.
- c. Amount for investment and operating capital: Up to the equivalent of 25 minimum wages in force for various unspecified activities.

Terms. Operating capital: up to 1 year. Investment capital: up to 5 years.

Current interest rate: 18% per year on balance.

Default interest rate: Additional 4,5% per year on balance.

•Financial product items prioritized by MAG

Exclusive credit for financing the national program of priority items for agriculture, of the Ministry of Agriculture and Livestock (MAG). For investments related to productive activity, operating and marketing expenses.

The interested party must have an investment plan and/or business plan certified by the MAG technician assisting the producer, which determines the level of technology and estimated cost of the project and not be in default in the financial and/or commercial system.

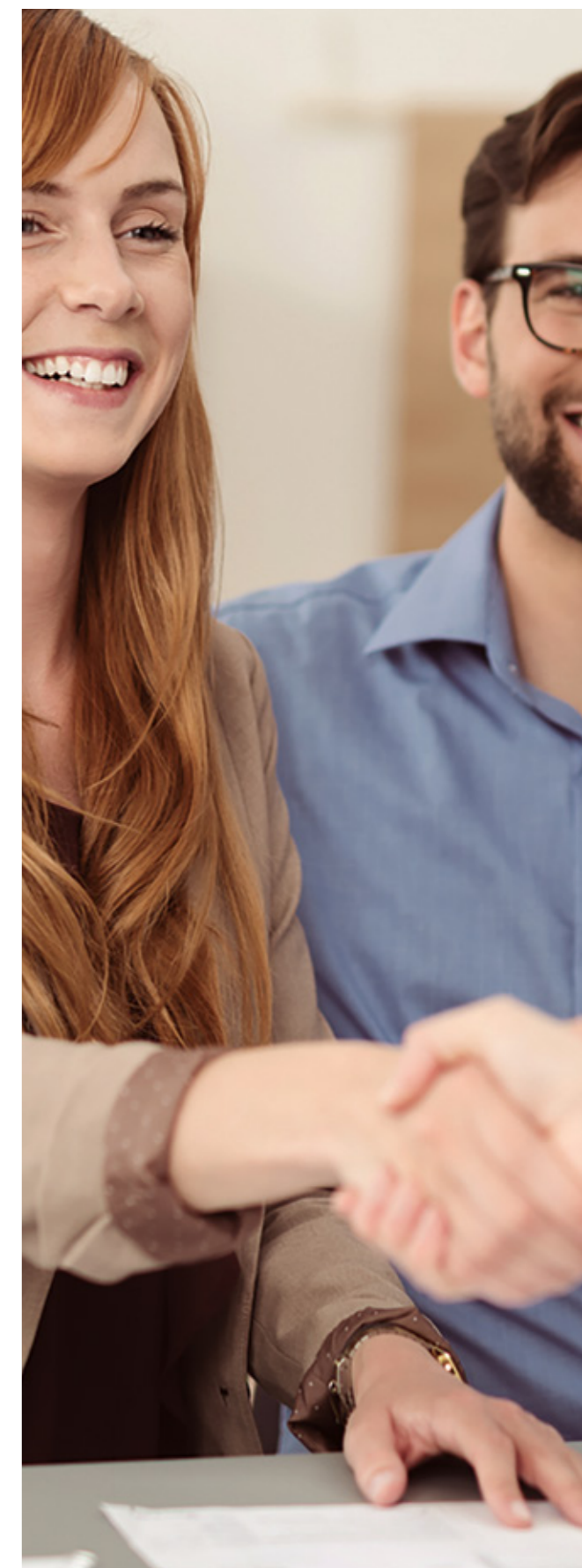
Terms: up to 5 years. According to the income projection of the items and technology used, deadlines will be foreseen for the commercialization.

Current interest rate: 10% per year on balance.

Operational and/or marketing costs: 14% per year, estimated according to the time of use of each quota.

Default interest rate: 4.5% per year on the balance for investments and operating and/or marketing expenses.

See more at: www.cah.gov.py.



6.2. FINANCIAL SERVICES, PRIVATE BANKING AND TRUST COMPANIES

Legal regime for financial institutions

Financial Institutions are subject to the provisions of the General Law 861/96 on Banks, Finance Companies and Other Credit Institutions. The Super-intendency of Banks is responsible for their financial control. Private financial entities must be incorporated as S.A., except for branches and agencies of foreign banks. In order to start their operations, banks, finance companies and other credit institutions need the prior and express authorization of the Central Bank of Paraguay, which is granted based on an opinion by the Super-intendency of Banks. The law provides for minimum amounts of capital required for the incorporation of each of the types of financial institutions.

Operating entities:

• BANKS

A. Direct foreign branches

Banco Do Brasil S.A.
Citibank N.A. SUC Paraguay.
Banco de la Nación Argentina.

B. Majority foreign ownership

Banco Itaú Paraguay S.A.
Banco GNB Paraguay S.A.
BBVA - Banco Bilbao Viscaya Argentaria Paraguay S.A.
Sudameris Bank S.A.E.C.A.

C. Majority local ownership

Banco Regional S.A.E.C.A.
Banco Basa S.A.
Banco Continental S.A.E.C.A.
Visión Banco S.A.E.C.A.
Banco Rio S.A.E.C.A.
Banco Familiar S.A.E.C.A.
Banco Atlas S.A.
Banco para la Comercialización y Producción S.A. - Bancop S.A.
Grupo Internacional De Finanzas S.A.E.C.A. - Interfisa Banco.

D. State Ownership

Banco Nacional de Fomento.

• Financial Institutions

El Comercio Financiera S.A.E.C.A.
Financiera Paraguay - Japonesa S.A.E.C.A.
Solar S.A. de Ahorro y Préstamo para la Vivienda.
Financiera Exportadora Paraguaya S.A. (FIN-EXPAR).
Financiera CEFISA S.A.E.C.A.
Finlatina S.A. de Finanzas.
Tú Financiera S.A.
FIC S.A. de Finanzas.

• Trust Companies

The business and trust operations carried out by banks and financial companies are subject to the general regulations issued by the Central Bank of Paraguay and the Super-intendency of Banks. The funds managed in this capacity are not included in the deposit protection system provided for in Article 1 of Law 2334/03.

Banco Continental S.A.E.C.A.
Banco Atlas S.A.
Banco Familiar S.A.E.C.A.
Visión Banco S.A.E.C.A.
Finlatina S.A. de Finanzas.
Financiera Rio S.A.E.C.A.
Grupo Internacional de Finanzas S.A.E.C.A. (Interfisa).
Agencia Financiera de Desarrollo (AFD).
Banco Nacional de Fomento.

7

EDUCATION AND HEALTH
IN PARAGUAY

PARAGUAY

7.1. EDUCATION SERVICES

Education of general

Formal education is structured in three levels: the first level comprises Initial Education and Basic School Education; the second level, Secondary Education, and the third level corresponds to Higher Education.

The Ministry of Education and Science administers education at the initial and basic school, middle and non-university tertiary levels in the official sector and controls the activities of the private sector. Public and private universities and higher education institutions are part of the education system. They operate in accordance with the provisions of the legislation.

Educational facilities

In Paraguay there are many educational facilities, mainly in urban areas, where there is also an interesting variety of options. There are both public and private schools of the first level, although, in general, private schools have an advantage in aggregate services, such as subjects such as foreign languages, IT, artistic activities and extracurricular activities. From the wide array of schools, some bilingual ones and others stand out for having the International Baccalaureate (IB), which facilitates the access of students to foreign universities.

Due to the low educational level of the public schools, people with higher incomes choose to send their children to private schools.

Most renowned private schools

- American School of Asunción (ASA)
- Goethe.
- Las Almenas.
- Lumen.
- Colegio Alemán Concordia.
- Colegio Anglo Americano CDE.
- Colegio Campoalto.
- Colegio Cristo Rey.
- Colegio Francés Margel Pagnol.
- Colegio Internacional.
- Colegio Santa Clara.
- Colegio Santa Teresa de Jesús.
- Colegio Salesiano Monseñor Lasagna.
- San Andrés.
- St. Anne's School.
- San Ignacio de Loyola.
- San José.
- Pan American International School (PAIS).
- Parroquial Rosenstiel (Pedro Juan Caballero).
- SEK - San Estanislao De Kotska.
- Trinity School.
- Colegio La Asunción.

Note: The list cited above is for reference only. Those interested in a more thorough list of all private schools can contact the Association of Private Educational Institutions of Paraguay - AIEPP (@AIEPPParaguay) or the Ministry of Education and Science (www.mec.gov.py).

As far as higher education is concerned, there is also a great variety of universities and careers. Public universities tend to focus on technological and natural science careers, while private universities tend to concentrate on business and social science careers.

Universities

- Universidad Adventista del Paraguay.
- Universidad Americana.
- Universidad Autónoma de Asunción.
- Universidad Autónoma de Luque.
- Universidad Autónoma de Encarnación (UNAE).
- Universidad Autónoma del Sur (UNASUR).
- Universidad Autónoma San Sebastián de San Lorenzo (USASS).
- Universidad Católica Nuestra Señora de la Asunción.
- Universidad Centro Médico Bautista (UCMB).
- Universidad Central del Paraguay.
- Universidad Comunera.
- Universidad del Chaco -U.CH- UNICHACO.
- Universidad del Cono Sur de las Américas.
- Universidad del Sol.
- Universidad del Pacífico Privada.
- Universidad Evangélica del Paraguay.
- Universidad Española.
- Universidad Gran Asunción.
- Universidad "HISPANO-GUARANÍ" Para el Desarrollo Humano.
- Universidad Iberoamericana del Paraguay.
- Universidad Interamericana.
- Universidad Internacional "Tres Fronteras".
- Universidad de la Integración de las Américas -UNIDA.
- Universidad La Paz.
- Universidad Leonardo Da Vinci.
- Universidad Maria Auxiliadora.
- Universidad Privada "María Serrana".
- Universidad Metropolitana de Asunción.
- Universidad Nacional de Asunción.
- Universidad Nacional del Este.
- Universidad Nacional de Pilar.
- Universidad Nacional de Itapúa.
- Universidad Nacional de Caaguazú.
- Universidad Nacional de Canindeyú.
- Universidad Nacional de Concepción.
- Universidad Nacional de Villa Rica.
- Universidad Nihon Gakko.
- Uninorte.
- Universidad del Pacifico.
- Universidad Politécnica y Artística del Paraguay.
- Universidad Privada Columbia del Paraguay.
- Universidad Privada del Este.
- Universidad Privada del Guairá.
- Universidad Santa Clara de Asís (USCA).
- Universidad San Carlos.
- Universidad San Ignacio de Loyola.
- Universidad de San Lorenzo (UNISAL).
- Universidad Sudamericana.
- Universidad Superior Hernando Arias de Saavedra.
- Universidad Tecnológica Intercontinental.
- Universidad Técnica de Comercialización y Desarrollo.
- Universidad Paraguayo-Alemana de Ciencias Aplicadas.



7.2. PROFESSIONAL AND OCCUPATIONAL TRAINING

Paraguay has a vocational training system supported by private sector employers, who pay an additional employer contribution rate equivalent to 1% of total wages and salaries paid, with an annual average of USD 33,400,000 for the training and qualification of the Paraguayan workforce through two institutions dependent on the Ministry of Labor, Employment and Social Security: the National Service for Professional Promotion (SNPP in Spanish), and the National System for Labor Training and Education (SINAFOCAL in Spanish), whose main objective is to increase the country's competitiveness as well as satisfy the demand for national and foreign labor.

Within this framework, Paraguay has a vocational training strategy that seeks to contribute to the growth of national productivity, digital adaptation, social progress and the well-being of Paraguayans, through high-quality and pertinent technical and vocational training that ensures their individual growth and employability, based on technological competencies, personal skills and soft skills relevant to all social strata, regions and those productive sectors that are and will be the country's growth engine.

Vocational training is developed through a digital educational management system called "Identity", which is based on the digitalization of the entire educational process and establishes the traceability of all recipients, until they are connected to the labor force.

This training program is built by the business sector through sector-based committees that respond to economic niches that demand qualified labor.

All courses are available at:
<https://identidad.mtess.gov.py/>.

National Service for Professional Promotion (SNPP) The SNPP has 69 operational training units distributed throughout the nation and has more than 1,000 instructors who have been trained to improve the skills of the Paraguayan workforce.

Courses available:

- Module courses:** short courses developed according to the labor demand in diverse specializations.
- Dual training:** a mixed training method, which provides learning both in the educational center (SNPP) and in the company. The curriculum content is distributed as 30% theory and essential knowledge for work performance according to the field and 70% practice.
- Technical:** highly technical two year program, using state-of-the-art equipment, in accordance with the current requirements of the country's companies operating in these fields: industrial electronics, industrial electricity, refrigeration and air conditioning, programming, industrial mechatronics and industrial plant management, automotive mechanics, business management and administration, strategic management in sales, industrial mechatronics.
- Occupational Certification:** Empirical professionals from different fields are evaluated in order to certify their abilities regarding the developed activities.

National System for Vocational Education and Training - SINAFOCAL

Its mission is to regulate, certify, and accredit the vocational education and training procedures, with an inclusive approach at all occupational levels, guaranteeing and contributing to the productivity and competitiveness of the active labor force for the labor, social, and economic integration of the beneficiaries in actions coordinated between the public and private sectors.

The system offers the possibility of access to labor training courses given by Institutes of Labor Education and Training (IFCL), as well as by Non-Governmental Organizations (NGOs) at no cost to the recipient, providing the possibility of being trained in their own neighborhood or community anywhere in the country.

Directorate-General for Employment - Public Employment Service

A service under the Ministry of Labor, Employment and Social Security. Through the Public Employment Service, the National Employment Network is made up of regional directors and coordinators of the MTESS and directors of the SNPP, who provide labor intermediation services in all of the departments (provinces) of the country, offering services for recruitment, training and selection of personnel to companies free of charge.

Interested companies can access the following services:

- a. Personnel recruitment and selection through the development of initial and in-depth interviews, psychometric testing and job reference verification.
- b. Access to a specialized database called PARAEMPLO, in which all employment applicants are registered. To learn more about the platform, access:
<https://paraempleo.mtess.gov.py/es/>.
- c. Highly qualified professionals in occupational psychology and specialized skills allow us to provide a high quality recruitment and selection service.
- d. Workshops for talent development, which aim to improve the employability of applicants for the job offered by the company.
- e. Continuous advising on contractual methods, education and training aimed at the company's employees.
- f. Shared spaces in corporate offices for interviews of selected candidates.



7.3. HEALTH SERVICES

Paraguay's health services are classified into public and private. According to the DGEEC report for 2018, 26.9% of the population has health coverage.

The public service is grouped into:

- Public health under the central administration: Ministry of Public Health and Social Welfare consisting of its health centers, health posts and specialized hospitals; Military Hospital; Police Hospital and Navy Hospital.

- Public health under decentralized administration: Hospital de Clínicas, Materno Infantil, Instituto de Previsión Social (IPS in Spanish)*, Hospitals of the Governorates and Municipalities.

** IPS provides a set of services to its insured individuals and their families to protect them in case of illness, labor related accidents and occupational diseases. In the case of workers covered by the general system, it grants them a retirement or pension fund once the age and seniority requirements are met or upon retirement due to incapacity for work.*

The contributing company must be up to date with the payment of the corresponding contribution for each dependent worker, so that the insured worker can use the IPS health service.

The insured can make use of the IPS service if the employing company is up to date with the payment of the dependent worker's contribution.

Private Healthcare

Private health activity is on the rise, due to the incipient development in the public sector.

The private entities are supervised by the Superintendency of Health (SUPSALUD in Spanish), which is an executive directorate of the National Health System, as the technical agency responsible for overseeing the health service providers of the Republic of Paraguay.

Health insurance / prepaid medicine

In Paraguay, all insurance and reinsurance services, including medical insurance, are governed by Law 827/96 on Insurance.

The Paraguayan insurance market is relatively competitive. The following are the main insurance and prepaid medical companies:

- Asismed.
- El Buen Samaritano.
- Fleming.
- Medilife.
- Migone.
- Medital.
- Oami.
- Promed.
- Pro Salud.
- Santa Clara.
- Salud Protegida Medicina Prepaga.
- Seguro Médico San Lucas.
- SPS – Medicina Prepaga de Coomecipar.
- Unimed.

8 REAL ESTATE MARKET



PARAGUAY

8.1. PROCEDURE FOR REAL ESTATE PURCHASE

The acquisition of property is governed by the Civil Code. The transfer of ownership must be done by public deed which must be subsequently registered at the General Directorate of Public Records. Certificates of free disposition on title and tax certificates are obtained prior to the drafting of the deed. In addition to these formal requirements, conducting proper research on the documents is key to ensuring that there are no defects in the title deed or any land use restrictions in environmental or wildlife conservation legislation.

Taxes and Fees

In the transfer of a property, the notary's fees and transfer costs are divided equally between the buyer and the seller.

VAT is levied at a rate of 5%, on the taxable base of 30% of the value of the transaction or of the amount accrued monthly in the case of term sales, in accordance with Decree N.º 3.107/19 regulating Law 6.380/19 "On the modernization and simplification of the national tax system", in the sale of real estate (Art. 90 and 85, respectively).

What was stated above refers to the purchase of a property, in return, the sale of real estate also generates a tax commitment, as stimulated by Decree N.º 3.184/19 of Law 6.380/19, which regulates personal income (IRP), as per articles 20, 23, 25 and 26.

The land tax is assessed on the fiscal value of the property set by the National Cadaster Service (SNC in Spanish), and the rate of the land tax is 1 % of the fiscal value of the urban or rural property. An additional rate according to a sliding scale up to 1% is applied to properties of more than 20.000 hectares if in the Western Region and more than 10.000 hectares if in the Eastern Region.

The fiscal value constitutes the taxable base for the payment of the real estate tax, which is collected by the municipalities. On that basis, the municipalities calculate the tax they will levy on the owners of the land. The tax value of urban and rural property, which is used as the basis for collecting the property tax, is 2,4 %. It should be mentioned that the tax base for rural property only considers the value of the land, while urban property is taken as a factor in determining the tax base for the value of the land, the type of street (land, cobblestone or asphalt pavement) and the buildings.

For more information about the tax to be paid, click on the link: https://www.catastro.gov.py/liquidacion_impuestos



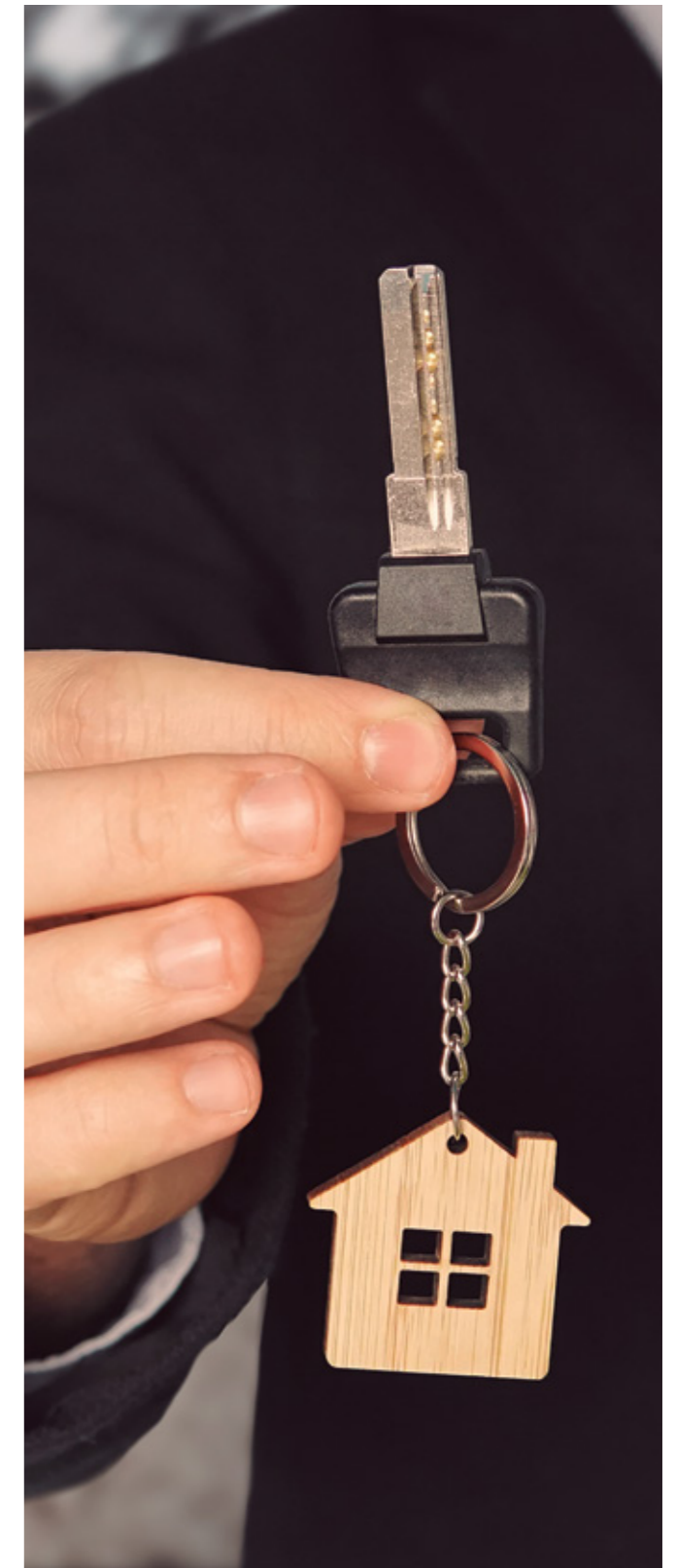
8.2. LAND ACQUISITION BY FOREIGNERS

The purchase of land is open to foreigners except for the restriction imposed by the Border Security Act on nationals of neighboring countries: Argentina, Bolivia and Brazil, or companies originating from those countries, which prohibits them from owning land up to 50 kilometers from the border. However, the restriction can be lifted by decree for reasons of public interest.

Taxes on persons or entities abroad

Notaries public must withhold 100% VAT on the sale of registrable goods by natural or legal persons domiciled abroad who act without a branch, agency or establishment in the country, or where the head company acts directly without the intervention of the branch, agency or establishment.

VAT withheld from persons domiciled or entities constituted abroad without a branch or establishment in the country shall be treated as a single, definitive payment by the person withheld.



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9 PHONEBOOK AND ADDRESSES OF PUBLIC AND PRIVATE INSTITUTIONS



PARAGUAY

9.1. Central Government

•**Presidency of the Republic**
El Paraguayo Independiente entre Juan E. O´leary y Ayolas - Asunción
+595 21 414 0200
www.presidencia.gov.py

•**Vice Presidency of the Republic**
Juan E. O´Leary 222 esq. Pdte. Franco - Asunción
+595 21 457 140, +595 21 498 199
www.vicepresidencia.gov.py

9.2. Ministries and public institutions

•**Ministry of Agriculture and Livestock (MAG)**
Yegros N.º 437 esq. 25 de Mayo y Cerro Corá
+ 595 21 441 036, +595 21 452 316
www.mag.com.py

•**Ministry of National Defense**
Mcal. López entre Vpdte. Sánchez y 22 de Setiembre
+ 595 21 249 0000
www.mdn.gov.py

•**Ministry of Justice**
Avda. José Gaspar Rodríguez de Francia esq. EE. UU.
+ 595 21 447 010
www.ministeriodejusticia.gov.py

•**Ministry of Public Health and Social Welfare (MSPBS)**
Avda. Pettirosi esq. Brasil
+ 595 21 237 4000
www.mspbs.gov.py

•**Women’s Ministry**
Edificio Ayfra, Bloque B, Piso 13. Planta Baja, Ayolas y Pdte. Franco
+ 595 21 450 036 / 8
www.mujer.gov.py

•**Ministry of Children and Adolescents**
Avda. Mcal. López N.º 2029 esq. Acá Carayá
+ 595 21 207 760
www.minna.gov.py

•**Ministry of Education and Science**
15 de Agosto entre Gral. Díaz y Haedo, Edificio Ramón Indalecio Cardozo
+ 595 21 452 440, +595 21 444 493
www.mec.gov.py

•**Ministry of Labor, Employment and Social Security**
Luis A. de Herrera esq. Paraguairí
+ 595 21 729 0100
www.mtess.gov.py

•**National Council of Science and Technology**
Justo Prieto N.º 223 entre Teófilo del Puerto y Nicolás Billof
+ 595 21 503 226
www.conacyt.gov.py

•**Ministry of Information Technology and Communication**
Complejo Santos E2 – Gral. Santos N.º 1170 casi Concordia
+ 595 21 217 9000
www.mitic.gov.py

•**Ministry of Social Development**
Mcal. López y Cnel. Pampliega
Fernando de la Mora
+ 595 21 678 000
www.mds.gov.py

•**National Fund for Culture and the Arts (FONDEC)**
25 de Mayo N.º 972 c/ EE.UU
+ 595 21 490 726, +595 21 498 128
www.fondec.gov.py

•**Paraguayan Institute for the Indigenous Peoples (INDI)**
Gral. Artigas esq. Tte. Cusmanich (Intendencia del Ejército)
+ 595 21 452 280
www.indi.gov.py

•**Ministry of Environment and Sustainable Development (MADES)**
Avda. Madame Lynch N.º 3500 - Asunción
+595 21 287 9000
www.mades.gov.py

•**Ministry of the Treasury**
Chile N.º 252 esq. Pdte. Franco - Asunción
+595 21 440 010 / 17, +595 21 448 283
www.hacienda.gov.py

•**Ministry of Industry and Trade (MIC)**
Mcal. López N.º 3333 esq. Dr. Weiss - Asunción
+595 21 616 3 000
www.mic.gov.py

• **Network of Investments and Exports (REDIEX)**
Mcal. López N.º 3333 esq. Dr. Weiss - Asunción
+595 21 616 3006
info@rediox.gov.py
www.rediox.gov.py

•**Single Window for Exports (VUE)**
Cap. Pedro Villamayor esq. Cap. Nicolas Blinoff - Asunción
+595 21 513 533 / 40
atn@vue.com.py
www.vue.org.py

•**Unified System of Set-up and Closing of Companies (SUACE)**
Cap. Villamayor esq. Del Puerto - Asunción
+595 21 525 884 / 5, +595 21 513 531
www.suace.gov.py

•**Ministry of the Interior**
Chile N.º 1002 esq. Manduvirá - Asunción
+595 21 415 2240
www.mdi.gov.py

•**Immigrations**
Caballero 201 esq. Eligio Ayala - Asunción
+595 21 446 066, +595 21 442 840
www.migraciones.gov.py

•**Ministry of Foreign Affairs**
Palma esq. 14 de Mayo - Asunción
+595 21 493 928, +595 21 493 902, +595 21 445 536
www.mre.gov.py

•**Ministry of Public Works and Communications**
Oliva y Alberdi N.º 411
+ 595 21 414 9000
www.mopc.gov.py

9.3. Executive Secretariats of the Presidency of the Republic

•**Technical Secretariat for Economic and Social Development Planning**
Estrella 505 esq. 14 de Mayo - Asunción
+595 21 450 422
info@stp.gov.py
www.stp.gov.py

•**National Tourism Secretariat (SENATUR)**
Palma N.º 468 - Asunción
+595 21 450 965, +595 21 450 964
www.senatur.gov.py

•**Secretariat of the Public Function**
Iturbe esq. Fulgencio R. Moreno
+ 595 21 233 999
www.sfp.gov.py

•**National Sports Secretariat**
Eusebio Ayala y R.I 6 Boquerón km 4 1/2
+ 595 21 520 675 / 6
www.snd.gov.py

•**National Culture Secretariat**
EE.UU. N.º 284
+ 595 21 442 515
www.cultura.gov.py

•Ministry of Development for Returning Nationals and Refugees

25 de Mayo N.º 1091 casi Brasil
+ 595 21 226 880
www.repatriados.gov.py

9.4. Local authorities

•Development Finance Agency (AFD)

Campos Cervera N.º 886 casi Aviadores del Chaco
Edif. Australia, 2.º, 3.º y 4.º Piso - Asunción
+595 21 606 020
www.afd.gov.py

•Central Bank of Paraguay (BCP)

Federación Rusa y Augusto Roa Bastos - Asunción
+595 21 608 011
info@bcp.gov.py
www.bcp.gov.py

•National Development Bank (BNF)

Independencia Nacional esq. Cerro Corá
Asunción
+595 21 413 9000
correo@bnf.gov.py
www.bnf.gov.py

•Agricultural Enabling Credit (CAH)

Carios N.º 362 casi W. Richardson - Asunción
+595 21 5690 100 / 150
info@cah.gov.py
www.cah.gov.py

•Cattle Fund (FONDO GANADERO)

Mariscal López N.º 1699 - Asunción
+595 227 288 (RA)
ggeneral@fondogan.gov.py
www.fondogan.gov.py

9.5. Binational Entities

•Itaipú Binational Entity

Avda. España N.º 850 - Asunción
+595 21 248 1000
www.itaipu.gov.py

•Yacyretá Binational Entity

De Las Residentas N.º 1075 - Asunción
+595 21 222 277
www.eby.gov.py

9.6. Business organizations

• ABP - Association of Banks of Paraguay (ASOBAN)

Andrade N.º 1.060 casi Bulnes, Villa Morra
Asunción
+595 21 603 600, +595 21 603 594
asoban@asoban.org.py
www.asoban.org.py

•Association of Financial Entities of Paraguay (ADEFI)

Aca Carayá N.º 388 casi Leandro Prieto - Asunción
+595 21 210 894 (R.A.)
adefi@adefi.org.py
www.adefi.org.py

•Paraguayan Association of Advertising Agencies (APAP)

Cap. Brizuela N.º 475 esq. Pitiantuta y
Ayala Velázquez
+595 21 207 757
info@apap.org.py

•Rural Association of Paraguay (ARP)

Ruta Troperos del Chaco km. 14,5
Mariano Roque Alonso
+595 21 754 412
www.arp.org.py

•Chamber of Advertisers of Paraguay (CAP)

Quesada esq. Tte. Zotti, Edificio Atlas Center,
5.º Piso - Asunción
+595 21 230 068
coordinacion@cap.org.py
www.cap.org.py

•Chamber of Maquiladora Companies of Paraguay (CEMAP)

+595 972 267 548
gerenciacementa@gmail.com
www.maquila.org.py

•National Chamber of Trade and Services of Paraguay

Estrella 550 casi 14 de Mayo - Asunción
+595 21 493 321
secretaria@ccparaguay.com.py
www.ccparaguay.com.py

•Paraguayan Chamber of Exporters (CAPEX)

Dr. César López Moreira N.º 1030 esq.
Federación Rusa - Asunción
+595 21 606 220
capex@capex.org.py
www.capex.org.py

•Paraguayan Chamber of Cereal and Oilseed Exporters (CAPECO)

Avda. Brasilia N.º 840 casi Sgto. Gauto - Asunción
+595 21 208 855, +595 21 213 971
capeco@capeco.org.py
www.capeco.org.py

•Paraguayan Chamber of the Construction Industry (CAPACO)

Cervantes esq. Víctor Hugo - Asunción
+595 21 295 424
capaco@capaco.org.py
www.capaco.org.py

•Paraguayan German Chamber of Commerce

Mcal. López N.º 110 esq. Rca. Argentina
Edificio Torre de las Américas, Oficina 4D
Asunción, 1887 - Asunción
+ 59521 615 846
www.paraguay.ahk.de

•Paraguayan American Chamber of Commerce

25 de Mayo esq. Mayor Bullo
+59521 222 160
www.amcham.com.py

•Paraguayan Argentinean Chamber of Commerce

Edif. Banco de la Nación Argentina
Alberdi esq. Palma - Asunción
+59521 497 804 / 5
www.campyar.org.py

•Paraguayan Chilean Chamber of Commerce

Avda. Aviadores del Chaco N.º 2050, Torre 3, Piso 7
contacto@capachi.org

•Paraguayan Colombian Chamber of Commerce

Camilo Recalde N.º 1623 esq. Avda. Eusebio Ayala,
2.º Piso
capacol.gerencia@gmail.com

•Paraguayan Brazilian Chamber of Commerce

Avda. Aviadores del Chaco N.º 2050, WTC Torre 1,
Piso 14 - Asunción
+595 21 612 614, +595 21 614 901
www.ccpb.org.py

•Paraguayan Spanish Chamber of Commerce

Gral. Santos N.º 112 esq. Mcal. López - Asunción
+595 21 338 9289, +595 21 985 429 489
www.camacoes.org.py

•Paraguayan French Chamber of Commerce

Yegros N.º 837 casi F.R. Moreno, 1.º Piso,
Oficina 12 - Asunción
+ 595 21 497 852, + 595 21 448 149
gerencia@ccpf.com.py
www.ccpf.com.py

•Japanese Chamber of Industry and Trade of Paraguay

Facundo Machain N.º 5577 casi Tte. Ángel
Espinoza - Asunción
+595 21 613 533
www.shoukoukaipy.com

•Paraguayan Roadway Chamber (CAVIALPA)

Avda. Aviadores del Chaco N.º 2050,
WTC Torre 1, Piso 14
+595 21 603 005
www.cavialpa.org.py

•Paraguayan Importers' Center (CIP)

Avda. Brasilia N.º 1947 casi Avda. Artigas
Asunción
+595 21 299 800 (RA)
cip@cip.org.py
www.cip.org.py

•Paraguayan Bar Association

14 de Mayo N.º 988 eaq, Manduvirá – Asunción

+595 21 441 882

secretaria@colegiodeabogados.org.py

www.colegiodeabogados.org.py

•Association of Paraguayan Accountants

Yegros N.º 860 casi Manuel Domínguez

+595 21 445 454

maestria@ccpy.org.py

www.ccpy.org.py

•Paraguayan Association of Economics Graduates

Mcal. López N.º 887 eaq. EE. UU. y Tacuary
Asunción

+595 983 510 032

colegioeconomistasparaguay@gmail.com

•Association of Notaries of Paraguay

Juan E. O'Leary N.º 1066 esq. Jejuí y Manduvirá
Asunción

+595 21 491 273, +595 21 441 190

cep@cep.org.py

www.cep.org.py

•Paraguayan Association of Human Resources

México N.º 1039 casi Tte. Fariña - Asunción

+595 21 448 599

info@aparh.org.py

www.aparh.org.py

•Paraguayan Association for Quality (APC)

Eduardo Víctor Haedo N.º 680 caso Juan E.
O'leary Asunción

+595 21 447 348

Info@apc.org.py

www.apc.org.py

•Paraguayan Association of Insurance Companies (APCS)

15 de Agosto esq. Lugano - Asunción

+595 21 446 447

apcs@apcs.org.py

www.apcs.org.py

•Paraguayan Chamber of Developers (CAPADEI)

Eusebio Lillo y Gonzalo Bulnes, Galería Mangoré,
Piso 1, Oficina 4

+595 21 606 903

comunicacion@capadei.org.py

www.capadei.org.py

•Metalworking Industries Center (CIME)

Avda. Choferes del Chaco N.º 588 - Asunción

secretaria@cime.org.py

+595 21 661 468

•Federation of Credit Unions (FECOAC)

25 de Mayo N.º 3993 casi Choferes del Chaco
Asunción

+595 21 200 239

fecoac@fecoac.coop.py

•Federation of Production, Industry and Trade (FEPRINCO)

Palma N.º 751, Edificio Unión Club, Piso 3

Asunción

+595 21 446 638, +595 21 444 963

feprinco@quanta.com.py

•Union of Production Guilds (UGP)

Avda. Brasilia N.º 939 casi Ciancio - Asunción

+595 21 224 232

ugp@ugp.org.py

gerencia@ugp.org.py

www.ugp.org.py

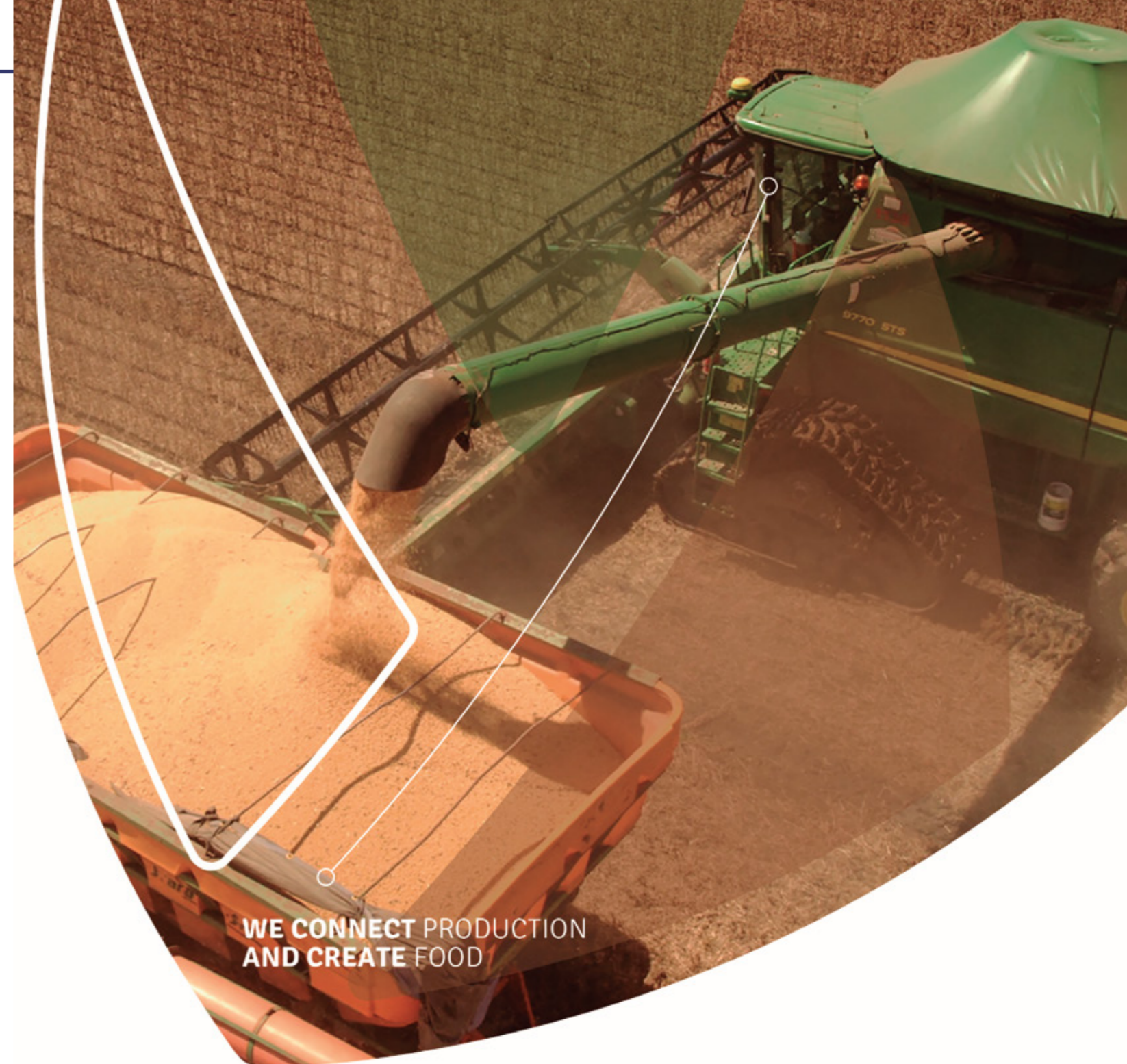
•Paraguayan Industrial Union (UIP)

Avda. Santísimo Sacramento N.º 945 - Asunción

+595 21 606 988

uip@uip.org.py

www.uip.org.py



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- Support the **export** of the most productive sectors of the country through networking with all key players: government, business and civil society organizations for the purpose of general joint actions that project the export of products.