

PARAGUAY

UNITARY COUNTRY

LATIN AMERICA

BASIC SOCIO-ECONOMIC INDICATORS

Income group - UPPER MIDDLE INCOME Local currency - Paraguayan guaraní (PYG)

POPULATION AND GEOGRAPHY

AREA: **406 752** km²

POPULATION: **6.553** million inhabitants (2014),
an increase of 1.4% per year (2010-14)

DENSITY: **16** inhabitants/km²

URBAN POPULATION: **59.7%** of national population

CAPITAL CITY: **Asunción** (35.2% of national population)

Sources: World Bank World Development Indicators, UN World Urbanisation Prospects, ILO

ECONOMIC DATA

GDP: **58,4** billion (current PPP international dollars)
i.e. 8 912 dollars per inhabitant (2014)

REAL GDP GROWTH: **4.7%** (2014 vs 2013)

UNEMPLOYMENT RATE: **6%** (2014)

FOREIGN DIRECT INVESTMENT, NET INFLOWS (FDI): **523** (BoP, current USD millions, 2014)

GROSS FIXED CAPITAL FORMATION (GFCF): **16%** of GDP (2014)

HUMAN DEVELOPMENT INDEX: **0.679** (medium), **rank 112**

TERRITORIAL ORGANISATION AND SUBNATIONAL GOVERNMENT RESPONSIBILITIES

MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGs
238	-	17	255
MUNICIPALITIES (MUNICIPIOS)		DEPARTMENTS (DEPARTAMENTOS)	
AVERAGE MUNICIPAL SIZE: 27 533 INHABITANTS			

MAIN FEATURES OF TERRITORIAL ORGANISATION. Paraguay is a unitary country with a two-tier structure of sub-national governments, composed of 238 municipalities and 17 departments. All departments have similar functions, enshrined in the Constitution. Municipalities are local government entities with political, administrative and normative autonomy, as well as autonomy in the collection and investment of their own resources (Articles 166 to 171 of the National Constitution). The municipal government is headed by a mayor and a municipal assembly, and is elected by direct vote since 1991. Departmental governments are presided by a mayor and department council (Junta Departamental), also directly elected. Municipalities and departments are enshrined in the Constitution since 1992, and both are democratically elected since 1991. According to the Law 3966/10, municipalities are divided into 4 groups based on the size of their budget compared to departments' capitals budget; the first group consists of municipalities in which this share is greater than 50%, the second group between 12 and 50%, the third group between 3% and 12%, and the fourth group below 4%. The belonging of a municipality to a given group determine the number of members in Municipal Councils; municipalities in the last group are granted an additional source of funding. The municipality of Asunción is independent from the other 17 departments that constitute the Republic of Paraguay.

MAIN SUBNATIONAL GOVERNMENTS RESPONSIBILITIES. Due to its long tradition of centralization, central government still carries out a major role in delivering basic public services in Paraguay. According to the Constitution, departments' competences include energy supply, water supply, departmental planning, environmental protection, protection of indigenous populations, etc. Municipal functions include, as stipulated in the Article 168 of the National Constitution, urban planning, public transport, tourism, education, culture, healthcare and social protection, road maintenance, waste collection, cemeteries, markets, parks, etc.

SUBNATIONAL GOVERNMENT FINANCE

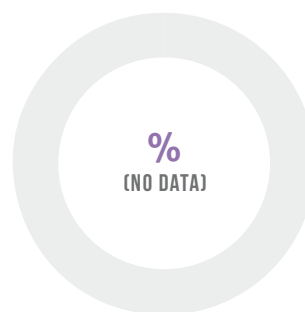
EXPENDITURE	% GDP	% GENERAL GOVERNMENT (same expenditure category)	% SUBNATIONAL GOVERNMENT
TOTAL EXPENDITURE (2012)	2.2%	8.6%	100%
CURRENT EXPENDITURE	1.7%	-	78.8%
STAFF EXPENDITURE	0.7%	5.7%	33.3%
INVESTMENT	0.5%	13.6%	21.2%

Subnational levels of governments represented 8.6% of total public expenditures in 2012, which marks a slight increase since 2007 (6.3%). More than 78% of these expenditures are spent on operating expenditures, while local investments represent only 13.6% of total public investment.

EXPENDITURE BY FUNCTION

% SUBNATIONAL GOVERNMENT EXPENDITURE

- GENERAL PUBLIC SERVICES
- DEFENCE
- SECURITY AND PUBLIC ORDER
- ECONOMIC AFFAIRS
- ENVIRONMENTAL PROTECTION
- HOUSING AND COMMUNITY AMENITIES
- HEALTH
- RECREATION, CULTURE AND RELIGION
- EDUCATION
- SOCIAL PROTECTION



Despite Paraguay initiative on improving quality of expenditures at the municipal level that led to the creation of a database on expenditure data for municipal governments, this data does not include programmatic or functional classifications yet. Yet, one can note that excepted a few large-size municipalities, most local governments are very limited in their functions because of their lack of resources.

REVENUE BY TYPE	% GDP	% GENERAL GOVERNMENT (same revenue category)	% SUBNATIONAL GOVERNMENT
TOTAL REVENUE (2012)	2.9%	11.8%	100%
TAX REVENUE	0.7%	5.1%	36.0%
GRANTS AND SUBSIDIES	0.9%	-	45.9%
OTHER REVENUES	0.3%	-	18.1%

Municipalities in Paraguay depend relatively strongly on locally-generated resources compared to other countries in the region. They rely heavily on tax and fees. On the contrary, department are highly dependent upon transfers from central governments, and have a very limited pool of revenues.

TAX REVENUE. Departments are not funded by any kind of own tax revenues. Municipal taxes include, as the major source of tax revenue, the property tax, whose rates are set in the Constitution, and are considered to be under-assessed; 70% of tax receipts are kept by municipalities, 15% are transferred to departments, and the remaining are distributed to poorer municipalities (municipalities of type 4). Other municipal taxes include taxes for unused urban land (waste land) and for large plots of land, industry and business tax, a tax on vehicle registration and passenger transportation tax.

GRANTS AND SUBSIDIES. Besides receipts of the property tax transferred by municipalities, transfers to departments include taxes shared with the central government (30% of the tax on gambling, 15% of the tax on VAT), 10% of royalties receipts. Transfers to municipalities include shared taxes (30% of receipts from the gambling tax), and other transfers from the central government. In particular, the National Public Investment Fund (Fondo Nacional de Inversión Pública y Desarrollo) is a fund for funding local investments in line with national priorities. Municipalities and departments also benefit from earmarked grants from specific national funds, such as through the National Public Investment and Development Fund (FONACIDE, created by Law 4758), towards the education sector.

OTHER REVENUES. Other revenues for municipalities include royalties, fines, service fees (public lighting, cemeteries, waste collection fees, park fees, etc), charges for the rental of municipal land, etc. Yet the rates of tariffs and fees are closely regulated by the National government. The City of Asunción and other large-size cities benefit more from other revenues and fees, in particular car-parking fees.

OUTSTANDING DEBT	% GDP	% GENERAL GOVERNMENT
OUTSTANDING DEBT (2013)	-	-

According to the Municipal Law, municipalities are able to borrow, once validated by the municipal council. Yet in practice, this is quite restricted by the central level.

A joint- study of:



Sources: IMF Government Finance Statistics • Organización Paraguaya de Cooperación Intermunicipal : <http://www.opaci.org.py> • R. Gaete (2012), Estudio de la descentralización de los servicios esenciales para el caso del Paraguay, UN CEPAL • Ley Organica Municipal • Ministerio de Hacienda: "Transferencias a Gobiernos Municipales: Enero a Diciembre 2013" • P. Katsamuniska, A. Rosenbaum (2014), Institutionalizing Local Government as an Instrument of Democratic Consolidation: The Cases of Bulgaria and Paraguay • Paraguay, Selected issues, IMF Country Report N° 16/117 (2016)