Paraguay

“Land of opportunities for investment in Agriculture..”

Dr. Bruno Hug de Belmont
General Information

PARAGUAY

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Facts and Figures about PARAGUAY

<table>
<thead>
<tr>
<th>Area (km²):</th>
<th>406.752</th>
</tr>
</thead>
<tbody>
<tr>
<td>Languages:</td>
<td>Spanish and Guaraní</td>
</tr>
<tr>
<td>Currency:</td>
<td>Guaraní (Since 1943)</td>
</tr>
<tr>
<td>Exchange rate (US Dollar – Guaraní):</td>
<td>1 USD = 4,400 Gs.</td>
</tr>
<tr>
<td>Population (2010):</td>
<td>6,382,000-</td>
</tr>
<tr>
<td>Real Gross Domestic Product (GDP) (in Bill. US$), (1994 Base Year)</td>
<td>17,900</td>
</tr>
<tr>
<td>Country’s Capital:</td>
<td>Asunción</td>
</tr>
<tr>
<td>Other important cities:</td>
<td>Ciudad del Este, Encarnación, Concepción</td>
</tr>
<tr>
<td>48.5% of Pop.</td>
<td></td>
</tr>
<tr>
<td>Rate of unemployment (2010):</td>
<td>5.7% of the WAP</td>
</tr>
</tbody>
</table>

Source: Dirección Nacional de Estadísticas, Encuestas y Censos (www.dgeec.gov.py)
*Projection for 2010, according to the Central Bank of Paraguay - BCP

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Regional economic potentials

- Mejillones
- Sepetiva
- Iron Mines
- Natural Gas
- AGRIBUSINESS
- Hydroelectricity
- Natural Gas
- The 2nd largest producer of Ethanol
- The 2nd largest producer of Soybeans
- Largest producer of Hydroelectricity
- The 2nd world’s freshwater reserves
- The 5th world oil reserves

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Government Fiscal Incentives and Relevance of Agriculture in Paraguay

Favorable Climate for Investment in Agriculture

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

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Personal Income Tax

Note: It will become effective in 2013

Value Added Tax (VAT)


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Relevance of Agriculture
GDP Share by sectors:

<table>
<thead>
<tr>
<th>Sector</th>
<th>Share</th>
</tr>
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<tbody>
<tr>
<td>Agriculture</td>
<td>30.4%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>13.7%</td>
</tr>
<tr>
<td>Commerce &amp; Services</td>
<td>48.3%</td>
</tr>
<tr>
<td>Taxes</td>
<td>7.6%</td>
</tr>
</tbody>
</table>

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

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

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Relevance of Agroindustries in Paraguay (cont.)

- The production of real goods is closely related to the agroindustries sector.

- In conclusion:
  - 41% of the Paraguayan total GDP corresponds to the agricultural-forestry, agroindustries and rural construction to the service of primary and agroindustries production.

- Of that 41%:
  - 30% represent to the primary sector
  - 8.5% represent to the agroindustries
  - 2.5% represent to the rural and agroindustries construction

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Relevancy of Agribusiness in Paraguay (cont.)

“The agricultural and forestry activities of the primary and secondary sector as mentioned in the previous slide, constitute 41% of total GDP”

“The agricultural and forestry activities of all the sectors (primary, secondary and third sector) constitute 56.4% of total GDP”

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Macroeconomic Stability

Stable Fiscal and Monetary policy

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In 2010 Paraguay has grown 15% 
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Note: GDP (constant 1994 Base Year)

Source: Central Bank of Paraguay - www.bcp.gov.py
*Projection for 2011, according to preliminary data of the BCP
Rate of Inflation

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Source: Banco Central del Paraguay - www.bcp.gov.py

*Preliminary data yr. 2011
From 2010 to 2011, IR has grown **19.8%**

It more than doubles the national external debt amount.

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

Fiscal Balance (last 7 years it shows a surplus)

Source: Ministerio de Hacienda

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Source: Ministerio de Hacienda
External Debt/GDP

2011 = (12.8% of GDP); US$ 2.306 Mill.

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

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“Policy Issues”
Main Investment Incentives

PARAGUAY

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

- **Import tariff on** Capital Goods (machinery & equipment) **0%**
- **Value Added Tax (VAT) on** acquired Capital Goods (in or out of the country) **0%**
- **Taxes on remittances abroad & payments of loans** obtained abroad (capital, interest & commissions) applied to investments over US$ 5 Mill. **0%**
- **Taxes on payment of dividends & transfer of profits abroad** (applied for investments over US$ 5 Mill. for 10 years) **0%**


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

**Results last two years:**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Projects</th>
<th>National</th>
<th>Foreign</th>
<th>Total Investment US$ Million</th>
</tr>
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<tbody>
<tr>
<td>2009</td>
<td>64</td>
<td>98%</td>
<td>2%</td>
<td>$72.9</td>
</tr>
<tr>
<td>2010</td>
<td>122</td>
<td>39%</td>
<td>61%</td>
<td>$486.5</td>
</tr>
<tr>
<td>% Growth</td>
<td>91%</td>
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Paraguay has a “special treatment” regarding “rules of origin” of manufactured products until 2023.

It is easier for a product to acquire “MERCOSUR origin” in Paraguay than in other Mercosur member country.

* If the service is provided by a Company established in Paraguay.

Source: Mercosur 01/04 decision – www.mercosur.int
**“Maquila” Law Regime**

- **Enterprise Contractor Abroad**
- **Head Office**
- **Maquila Enterprise**
- **Sub Maquila Enterprise**

To produce:
- Goods and services “for export”

**TAX**: Single tax rate of 1% over sales invoicing. Only “value added” considered in tax calculation.

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What is **REDIEX**? and Investment Opportunities

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REDIEX OPERATIONS AND KEY ACTIVITIES

What is REDIEX?

“Investment Attraction and Export Promotion Agency“
It is a Program to support Paraguayan Investment Attraction and Exports.

Funding: IDB Loan Nº 1916/BL-PR (US$ 12 million for 4 years)

REDIEX Goal:

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

REDIEX Work Methodology:

NETWORK: all actors are conscious and involved in the process
FOCUS: focalization in sectors and markets with high impact
EXPORT: actions oriented and resources applied towards export promotion and investment attraction in those sectors with high impact

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Exports of REDIEX supported sectors

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

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# REDIEX Co-financed Projects

<table>
<thead>
<tr>
<th>Program support (ceilings)</th>
<th>Business</th>
<th>Estructurants</th>
</tr>
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</table>
|                            | a) Individuals: 65% or USD 14,000 per project  
  • Total USD 42,000, during the life of this program  
  b) Associative: 75% or USD 56,000 each project | 85% |
| Private investment         | 35% Individuals  
  25% Associatives            | 15% |
| Basic requirements previous to the presentation of each project | • Export diagnosis  
  • Business Plan | Project must be approved by 2/3 of the members of the sectorial boards by simple vote |
Potential Sectors selected by Government related to Agriculture

INVESTMENT OPPORTUNITIES

Meat & Leather
Exports jan-nov 2011
870 millions US$

Wood Products
Exports jan-nov 2011
96 millions US$

Biofuels
National Market only
No exports so far..
Mandatory Law to mix
Ethanol with Gasoline
24%, and Diesel with
Biodiesel up to 20%

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Potential Sectors selected by Government related to Agriculture

INVESTMENT OPPORTUNITIES

Stevia
Exports jan-nov 2011
US$540.000
Up 138%

Fruits & Vegetables
Exports jan-nov 2011
31.4 millions US$
Up 40%

Essential Oils
Average yearly Exports:
15 millions

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

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

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

Empresa: **PETROPAR**  
Cap. Instalada: 30.000.000 lts/año  
Volumen de Prod.: 26.000.000 lts/año  
Localización: Tebicuary, Dpto. del Guaira  
Materia Prima: Caña de Azúcar

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

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

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

Mano de Obra Agrícola: 18.000 Personas  
Industrial: 1.500 Personas

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

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

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

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

Empresa: **Mauricio Jose Troche, Dpto. del Guaira**  
Materia Prima: Caña de Azúcar

Mano de Obra Agrícola: 18.000 Personas  
Industrial: 1.500 Personas

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

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

Prod. Zafra 2008: 117.000.000 lts  
Demanda/mezcla Año 2008: 73.000.000 lts

Prod. Año 2009: 150.000.000 lts  
Demanda/mezcla Año 2009: 95.000.000 lts/año

Volumen Exportable zafra 2009: 55.000.000 lts
Why you should invest in Paraguay?

1. Abundance of natural resources and labor

2. Abundant electrical energy, environmentally clean and renewable.

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

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

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

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

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

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

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

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

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