FEATURED Q&A

Why Is Paraguay Faring Better in the Region’s Recession?

Citing the Covid-19 pandemic, Paraguay’s central bank last month lowered its forecast for economic growth this year by 1 percent, to a contraction of 3.5 percent. Its forecast is relatively less grim than the IMF’s latest regional outlook, which predicts a more than 9 percent decline for Latin American economies overall in 2020. Which segments of Paraguay’s economy will weather the pandemic relatively well, and which will see the biggest downturns? How well is the government of President Mario Abdo Benítez handling the economic impact of the pandemic? What more should it and the central bank be doing to mitigate the economic damage from the crisis?

Benigno López, Paraguay’s finance minister: “Although the Paraguayan economy will be one of the region’s least affected by the pandemic, the drop forecast by the central bank is significant. Agribusiness and construction will be the least affected sectors and will even see growth, while the services and commerce sectors will be the most affected and register significant contractions. Another main factor for growth will be the energy sector, where productivity of the Itaipú dam will be a key player over the coming years. However, just as a contraction is expected, strong growth is expected for 2021 on the order of 5 percent to 6 percent, which shows that the growth potential and comparative advantages of our country remain fully established. The fiscal package of an emergency law that was implemented immediately after its approval in March to support the economy, jobs, credits and social policies, as well as to strengthen the health system,

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**POLITICAL NEWS**

**Abinader Pledges to Fight Corruption in Inaugural Address**

Luis Abinader took office as the president of the Dominican Republic on Sunday, pledging in his inauguration speech before the National Congress that his administration would not tolerate corruption, Listín Diario reported. “A full recognition of the fundamental rights of citizens also requires the existence of a just regime of consequences for those who violate the law, without any type of privilege or impunity,” he said. In signing his first decree, Abinader designated former Supreme Court Justice Miriam Germán Brito as independent attorney general and former prosecutor Yeni Berenice Reynoso as deputy attorney general. A businessman who has never before held elected office, Abinader, 53, last month defeated Gonzalo Castillo of the Dominican Liberation Party, PLD, which has ruled the country for 20 of the past 24 years, according to the Associated Press. Outgoing President Danilo Medina did not attend the swearing-in ceremony, citing the coronavirus pandemic, breaking a half-century tradition, Dominican Today reported. U.S. Secretary of State Mike Pompeo attended the ceremony, a signal that the administration of President Donald Trump intends to support Abinader and start a “new era” in Dominican-U.S. relations, political analyst Geovanny Vicente Romero wrote for Al Jazeera. Pompeo used the opportunity to call for elections to be held in neighboring Haiti, Reuters reported. It is “critical” that Haiti hold a delayed vote and strengthen the rule of law and human rights, Pompeo told Haitian President Jovenel Moïse in a separate meeting on Sunday, according to the report. Haiti has been without a parliament since January after missing a deadline to hold legislative elections, and Moïse has yet to set a date for new elections.

**Brazil’s Bolsonaro Sees Higher Job Approval Ratings**

Brazilian President Jair Bolsonaro appears to have turned around his negative public opinion ratings, according to a new Datafolha poll published Friday by Folha de S.Paulo. In the two-month period from June to August, Bolsonaro’s “good/excellent” job performance rating advanced from 32 percent to 37 percent, with 27 percent saying “average.” Meanwhile his “bad/terrible” rating dropped 10 points from 44 percent to 34 percent. His negative ratings had climbed steadily this year, and the latest poll from Datafolha is the first to show a reversal of the trend. Brasilia-based political scientist David Fleischer said in his Brazil Focus newsletter Friday that, in large part, the inversion can be attributed to interviewees who received an emergency stipend from the government due to the pandemic, the so-called “coronavoucher effect.” According to the survey, almost half of Brazilians think Bolsonaro bears “no responsibility at all” for the country’s more than 100,000 deaths from the coronavirus pandemic, Reuters reported. Forty-seven percent of Brazilians do not assign him any blame for the body count, the world’s second largest, while only 11 percent of Brazilians do. The telephone poll, which surveyed 2,065 voters on Aug. 11-12 in all states of the country, had a two-point margin of error. In related news, Bolsonaro’s former health minister, Luiz Henrique Mandetta, in an interview with The Guardian accused the Brazilian president of playing a “pivotal” role in steering the country toward a catastrophe with the pandemic. Bolsonaro played politics with citizens’ lives at a time of global crisis, he said, as Brazil’s death toll rose to more than 105,000, according to the report. Mandetta,

**North American Countries Extend Border Controls Until Sept. 21 Due to Virus**

The United States has reached an agreement with Canada and Mexico to extend land border restrictions on nonessential travel until Sept. 21 due to continued fears about the coronavirus pandemic, Fox News reported Sunday. The restrictions were first put in place in March. Essential cross-border workers, such as health care professionals, airline crews and truck drivers, are still allowed to cross along the border.

**Pierluisi Defeats Vázquez in Puerto Rico Primary**

Pedro Pierluisi on Sunday defeated Puerto Rican Gov. Wanda Vázquez in a special second-round primary of their pro-statehood party, the Miami Herald reported. Vázquez conceded the race when it became clear she was a full 15 percentage points behind her rival with most of the votes counted. "We have to abide by the decision of the majority," Vázquez said in a brief speech, the Associated Press reported. The original primary held on Aug. 9 needed to be supplemented due to problems with ballots arriving on time. The U.S. territory’s general election is scheduled to take place Nov. 3.

**Brazil’s Wildlife Studios Raises $120 Million From Vulcan Capital**

Brazilian gaming company Wildlife Studios said on Friday that it had raised $120 million from Vulcan Capital, an investment that brings the value of the company to $3 billion, Reuters reported. The mobile-game developer, which was founded in 2011, had become a unicorn last year with a $1 billion valuation after it raised $60 million from U.S. hedge fund Benchmark Capital. Wildlife said it plans to use the funds to carry out new acquisitions and become a gaming platform for mobile devices.
who has hinted he will challenge Bolsonaro for the presidency in 2022, was fired in April over his differences with the far-right president over social distancing and other health measures.

**ECONOMIC NEWS**

Peru’s GDP Falls by 18 Percent in June

Peru’s economy shrank by 18 percent in June, according to data from the National Institute of Statistics and Informatics (INEI), state news agency Andina reported Saturday. The decline follows a contraction in April of 40 percent and in May of 32 percent. Retail sales fell 31 percent in June, while construction investment fell 44 percent. From January to June, production declined by 17 percent. Peru’s nationwide lockdown to slow the spread of the novel coronavirus came to an end on June 30, but localized quarantines continue in some regions.

**BUSINESS NEWS**

Spain’s BBVA Secures $47 Billion in Finance for Climate Change

Spanish lender BBVA said today it recently secured more than 40 billion euros ($47 billion) in sustainable finance to combat climate change. In a statement, BBVA said one of its projects under the plan, announced last year, is the first revolving credit line linked to sustainability in Latin America, signed with Mexican real estate investment company Fibra Uno. The rate of the $1 billion facility is linked to the company’s credit rating and the performance of environmental indicators, such as the power consumption of assets managed by the company in kilowatt-hours per square meter occupied. The bank has pledged to secure 100 million euros in sustainable financing between 2018 and 2025.

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has been significant. This package comprises actions equivalent to 6 percent of GDP, which is one of the largest packages in the region. This has been possible thanks to the credibility that public policy in Paraguay has gained from international markets and cooperation agencies. We have also started implementing a plan for our economy’s transformation and reactivation. The plan, ‘Napu’á Paraguay,’ can be translated as ‘we raise Paraguay together.’ This plan seeks to carry out structural transformations to increase the potential for inclusive growth in the long term, with reforms in the field of civil service, public procurement and fiscal responsibility as well as improvement of the business climate, among others. These reforms will generate efficiency and savings and also improve the quality of the services that the state provides to its citizens. The central bank is an autonomous and independent entity, and it has implemented measures to reduce its policy interest rate, as well as liquidity injection and flexibilities in financial regulation, which are unprecedented in our recent economic history. We have full confidence that this institution will continue to evaluate the performance of the economy and take the necessary measures in a timely manner to stimulate it.”

**G**erardo Ramón Ruiz Godoy, partner at PCG in Asunción:

“Paraguay’s macroeconomic performance has been quite solid, with fiscal rules, inflation targets and a flexible exchange rate regime. This gives it a certain advantage over others to implement an expansive policy and absorb the shock caused by Covid-19. This scenario is not causing major damage to agricultural production, livestock or the export of hydroelectric energy. The construction industry continues to attract local and foreign investment. However, domestic consumption, the gastronomic sector, hotels, transport and commerce in general decreased, mainly on the borders with Argentina and Brazil, experiencing a sharp drop, primarily due to the closure of the border. Unemployment grew more than 10 percent, decreasing the income of families. So, on average, the

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The economy is estimated to fall by 2 percent, much less than the average for the region. Still, more is expected from the government, and it is logical because of the anxiety of the different actors in the economy and families. In general, I think that work should be first of all in the area of social containment and financial and tax support for SMEs. But you must be more aggressive in investment expenses to generate more employment, which is what is needed. Undoubtedly, maintaining monetary and exchange rate policy is key, and the performance so far is very good. If greater investments in public works are agreed on, we will be able to overcome it with fewer difficulties than other countries in the region."

Teresa R. de Velilla, president of Financiera El Comercio: “The sectors that can survive the pandemic in a relatively better position are livestock and agriculture. In agriculture, more favorable results are being confirmed, given the harvest of the most important agricultural products, such as soybeans. The services sector will see the greatest negative impact from Covid-19, with significant decreases in industries such as hotels and restaurants, as well as services to households and to companies. Commercial activity continues to suffer, and its recovery will largely depend on the reopening of borders, taking into account the high dependence on trade. Little by little, some sectors are recovering, as is the case of construction, which after suffering the impact of the strictest phase of quarantine began to rebound based on both public and civil works. Such is also the case for the importation of machinery and equipment, mainly those to be used in construction, agricultural and sanitary sectors. The government and its economic team have taken appropriate measures, such as the emergency law to provide the health sector with greater resources, the postponement of tax payments and exemption or deferral of basic services payments, among others. They have also provided funds to programs such as FOGAPY (Guarantee Fund for Micro, Small and Medium Enterprises) and have taken social protection measures through various programs aimed at the most vulnerable segments of the population. All this in addition to reducing regulatory bills. However, despite all these measures, the GDP growth rate for 2020 is expected to be around negative 3.5 percent. What's pending for the government continues to be the lack of transparency in its processes, as despite the initiatives mentioned above, many of them are not strong enough in the face of the population, a result of weak government management and lack of transparency.”

Flora Rojas, director of CEMAF: “Agribusiness will resist the most. Paraguay is an exporter of meat, and it sells meat and its derivatives for domestic consumption. Agriculture also benefits from the cultivation of fruits and vegetables, which are consumed in the domestic market. The primary sector will see growth of 8 percent in 2020. The pandemic badly hit commerce and the services sector, and the number of unemployed increased, which will be very difficult to reverse in the short term. Some 1.8 million households saw their incomes reduced by 68.5 percent in the second quarter of the year. It’s a complex situation. It’s too uncertain to predict the economic impact of the pandemic. Paraguay has managed its macroeconomics well for decades. Public debt was 23 percent of GDP in 2019, but a higher level of indebtedness was necessary this year, of 8 percent of GDP, to finance the state’s expenditure and provide subsidies to families affected by the pandemic. The central bank has reduced the legal reserve requirement for deposits in national or foreign currency in order to give banks greater availability of resources for loans. A law has been enacted that grants a 90 percent state guarantee for loans to micro and small enterprises and thus help them open their businesses and attract jobs.”

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