
REPUBLIC of PARAGUAY

Multi-annual Indicative Programme 2021-2027

1. The overall lines of the EU international cooperation in the partner country/region

1.1. Basis for programming

EU partnership with Paraguay will remain guided by the 2030 Agenda and the SDGs, as well as the Paris Agreement and the new European Consensus on development.

EU-Paraguay partnership for the period 2021-2027 is based on the National Development Plan (NDP) of Paraguay, which was adopted in 2014 and updated in 2020. Adoption by Decree of the updated version is expected in 2021. The NDP is structured around four strategic areas: (i) reduction of poverty and social development, (ii) inclusive economic growth, (iii) insertion of Paraguay in the world, and (iv) institutional strengthening. The NDP is broadly aligned to EU interests and priorities in Paraguay, though its impact on government sectoral policies is uneven. The EU partnership will also contribute to the implementation of the Economic Recovery Plan, which was adopted in 2020 to face the economic and social consequences of the COVID crisis.

The programming of the EU partnership with Paraguay for the period 2021-2027 is based on the EU and Paraguay common interests, and will contribute to promoting European values. The MIP reflects the main EU policy priorities such as the European Green Deal, sustainable growth and decent jobs (including promotion of trade and investment, in particular in the framework of the EU-Mercosur Association Agreement), and fighting inequalities by building a more inclusive economy and society (targeting in particular women and young people). It will contribute to a green, digital and sustainable economic recovery in Paraguay, which remains an EU ally in promoting multilateralism and market liberalisation.

Paraguay presents challenges and opportunities. It is a politically and macro-economically stable country, characterised by solid economic growth: 4.6% per annum in real terms between 2003 and 2018 (above regional average), while growth in 2019 was near to zero (due to weather patterns, low commodity prices and economic crisis in neighbouring countries), and in 2020 was -0.6% of GDP due to COVID crisis. Inflation is under control, and public debt remains relatively low despite the recent increase to finance exceptional measures taken to face COVID-19 (34.2% of GDP). Fiscal deficit has reached 6.2% of GDP in 2020. Poverty has been reduced substantially (from 45% in 2007 to 25% in 2019, with an increase to 26.9% in 2020), though the reduction has been less substantial since 2015. A number of social indicators have shown improvements. Growth has been based on extensive leveraging of the country's natural wealth (particularly land and hydroelectric energy), on a favourable external environment (increases in the prices of major agricultural export products), and on its demographic dividend (sizable expansion of the working-age population).

Economic growth and macroeconomic stabilisation have contributed to raising the living standards of Paraguayans, including increased incomes and improved access to basic services such as free health care and education. However, economic and social inequalities remain very high, as well as the level of informality of the economy. The current economic expansion has also put increasing pressure on the rich environmental endowment of the country. Paraguay has one of the cleanest energy mixes in the region, diverse ecosystems and abundant natural resources. However, deforestation is a critical issue, driven by increased land use for agriculture and livestock development.

Governance institutions are still undergoing transformations: further institutional strengthening is necessary to increase trust and ensure the rule of law. High levels of perceived corruption hinder trust in public institutions, constrain business opportunities, and erode social capital. Financing flows for development are low compared to other Latin American countries despite recent improvements in both public and private flows. Foreign direct investment (FDI) flows have increased over the last decade but, at 1.16% of GDP, remain small.

To meet the population's expectations, sustained high growth is needed, but, even more importantly, this growth needs to become more inclusive and sustainable in the medium and long-term. An adjustment of the economic development model, still very much agriculture-based, would be instrumental to increase sustainability and inclusiveness. Two critical factors to unlock competitiveness are to improve educational outcomes and to improve state capacity in delivering quality public services. Maintaining the pace of development and increasing its inclusiveness will also require Paraguay to face a number of institutional constraints that challenge its current development model.

All actions taken under this programming exercise shall comply with EU legislation, in particular EU restrictive measures (sanctions) adopted pursuant to Article 215 of the Treaty on the Functioning of the European Union.

1.2. Status of joint programming

Only four Member States are present in Paraguay: France, Germany, Italy and Spain. Only Spain and Germany have sizeable cooperation portfolios, and the latter is phasing out. Spain has recently adopted its cooperation framework 2020-2023 with Paraguay, which includes actions in areas that are highly complementary to this MIP. With an EU cycle 2021-2027, and assuming Spain maintains its 3 years cycle, there will be a potential to synchronise in 2028, or for Spain to phase in as from 2024.

The EU priorities have been identified by discussing upstream with MSs and EU financial institutions (mainly the EIB and KfW) a coordinated approach to key partnership areas in support of Paraguay. Two Team Europe Initiatives have been identified: the Green Alliance for Paraguay and Fighting against inequalities.

1.3. Priority areas of the EU's partnership with the partner country/region

The choice of priority areas has been guided by the need, for the EU and its MSs, to have a transformational impact in Paraguay. In a situation of an ever increasing number of priorities to face the consequences of the COVID-19 and limited resources, the need to focus in a limited number of domains and to ensure an optimal division of labour have also been taken into account (within the EU family and with respect to other Cooperating Partners).

The partnership between the EU and Paraguay will combine a certain degree of continuity (in areas where the EU is already the lead donor and a recognised partner) with working in "new" areas. The EU will continue to support Paraguay in reducing inequalities through further developing its human capital and creating more opportunities for its people, with particular focus on the most vulnerable ones. This include informal workers, children excluded from the education system, women and indigenous people amongst others. At the same time, we will contribute to making the country development model more sustainable and resilient, by focusing on issues linked to the green agenda.

The **two priority areas** for the EU partnership with Paraguay for the period 2021-27 are:

1. **Green and Resilient Economy**, with the objective of supporting Paraguay in making its development more sustainable, its economy resource-efficient and more competitive. Along with enhanced policy dialogue, this would also help implement the EU-Mercosur Association Agreement (should it be signed and enter into force), as well as the EU Farm to Fork Strategy. Actions will be focused on the following two sectors:
 - a. **Biodiversity preservation/restoration, fight against deforestation and sustainable forest management** (DAC Codes: 410 General environment protection and 312 Forestry), which can include reforestation, fire management, conservation/restoration of water basin ecosystems and protected areas, and support to the promotion of sustainable, including

deforestation- free agricultural and forestry supply chains, including traceability mechanisms. The development of a forest partnership could be explored.

- b. Sustainable production and support to sustainable value chains (DAC Codes 311 agriculture), including support to the gradual transition towards more sustainable food systems (in line with the Farm to Fork Strategy), develop circular economy based on the EU Circular Economy Action Plan and relevant experiences in the region, and develop sustainable policies and legislative frameworks to foster implementation of sustainable production practices, that do not contribute to deforestation, biodiversity loss and pollution.

A twin approach at landscape level will be sought. To ensure synergies and increase effectiveness of the EU action in the two sectors a geographic convergence of interventions will be privileged.

2. **Fight against Inequalities**, which have been further aggravated by COVID-19. The sectors identified are the ones where the EU has an added-value and can generate a transformational impact in fighting inequalities. Particular attention will be paid to digitalisation of systems and services within the selected sectors.
 - a. Inclusive education (DAC code 110 education), multi-dimensional programme to prevent and reduce desertion rates (with focus on completion of secondary education and retention of vulnerable groups into the education system), with a particular attention to the needs of indigenous communities).
 - b. Create opportunities for all through support to the implementation of Social Protection programmes (DAC codes 16010 social protection and 16020 employment creation) by focusing on the labour integration and employability (formalisation, decent jobs, vocational training), digitalisation of social protection services, and implementation of care policies.
 - c. Enhance gender equality and non-discrimination (DAC codes 15180 ending violence against women and girls and 15170 women's right) to ensure equal opportunities: raise awareness on gender equality and support informed public debate, as well as support the reduction in gender based violence and girls sexual abuses and pregnancies. Special attention will be given to address multiple grounds for discrimination (based on ethnic origin, age, sex and disability).

1.4. Justification and context

The two priorities areas that have been selected for 2021-27 EU partnership not only reflect some of the main EU and Paraguayan policy priorities, but also respond to some of the key challenges in the country. The need for a more sustainable and inclusive development in Paraguay is widely recognised. The adaptation of its development model towards a more sustainable path and the creation of new opportunities (especially for the youth) will also facilitate its insertion in the world (which is one of the 2030 NDP objectives). The EU support will contribute to creating the conditions for Paraguay to fully benefiting from the EU-Mercosur Association Agreement. The strengthening of public institutions and continuous policy dialogue will also be key to ensure consistent policy-making and a more efficient, effective and transparent use of public resources for the purposes of this MIP.

This MIP is relevant for the 2030 Agenda and directly contributes to the progressive achievement of a number of SDGs: SDG 1 no poverty; SDG 4 quality of education; SDG 5 gender equality; SDG 7 affordable and Clean Energy; SDG 8 Decent Work and Economic Growth; SDG 10 Reduced Inequalities; SDG 11 Sustainable Cities and Communities; SDG 12 Responsible Consumption and Production; and SDG 13 Climate Action.

Green and Resilient Economy

Paraguay is very vulnerable to climate change and biodiversity loss due to the heavy reliance on its agriculture and hydroelectricity for both domestic consumption and for export. Though the country has one of the lowest levels of greenhouse gas emissions in the region, the per-capita CO₂ emissions are superior to those of the US. Biomass (primarily wood) accounts for around half of energy consumption. Deforestation remains a major challenge (at a current rate of 240.000ha/year) largely due to land clearing for cattle pasture, charcoal and extensive agricultural practices. Climate change an environmental degradation affects more the vulnerable population in Paraguay (i.e rural women, indigenous, 40% of population with less income).

Industry still plays a minor role in the economy, but its pollution of water, soil and air is virtually uncontrolled. The “polluter pays” principle fails to be enforced, and State incentives for environmental friendly behaviours are lacking. Paraguay currently also lacks the resources and capacities to tackle existing challenges. While environmental and climate action policies exist (Paraguay is a promoter of the global climate agenda, signed the Paris Agreement and has NDC and Mitigation/Adaptation strategies in place), implementation and enforcement remain challenging. There is also low environmental awareness among citizens and private sector.

The EU is a natural ally and has a clear comparative advantage and credibility in relation to other international players. Beyond cooperation activities in the identified sectors, the EU action will also aim at: (i) building Alliances with Paraguayan civil society (including social partners), private sector, academia and media (with a particular focus on the role of youth), and (ii) raising awareness on possible benefits that a greener model can bring in terms of economic development, employment opportunities, health, trade, etc.

Investment from development financial institutions (possibly European) will also be sought, as well as opportunities through the External Action Guarantee to leverage additional resources and attract further investment, especially from private sector. Copernicus data will be exploited when formulating the programmes. Attention will be given to the use of digital and data technologies to increase the resource efficiency, develop circular business models and reduce environmental impacts.

Fight against Inequalities

Despite Paraguay's economic growth, reduction of poverty levels and improvement of living standards, inequalities remain among the highest in Latin America (Gini 0.46 in 2019). The pandemic is further exacerbating those inequalities, including gender inequalities with an increase of unemployment of women of 11%. Noting these inequalities regarding women in the workforce and a persisting unequal distribution of domestic and care work between men and women, is in the EU's interest to support efforts by Paraguay to promote the mechanisms to fully implement the concept of equal pay for work of equal value by women and men.¹

In the education sector, despite the achievement of an almost universal access to primary schooling, challenges remain in supplying pre-primary education and in increasing completion rates: 10% of 14-year-olds are out of school, rising to 28% for 17-year-olds. Socio-economic status and area of origin remain strong determinants of completing secondary education, perpetuating inequalities. Poor quality and the low relevance of skills taught also impact on learning outcomes and make insertion into the labour market difficult. Protection of vulnerable groups, including women, indigenous

¹ In line with ILO Convention 100 and also outlined in the National Development Plan 2014-2030 [pnd2030.pdf \(stp.gov.py\)](#).

communities, and people with disabilities, as well as the fight against child labour and promotion of decent work are equally instrumental to fight against inequalities.²³

The social protection system adopted in 2019 is still fragmented and has limited reach. Only a quarter of Paraguayans are covered by at least one social protection programme, also due to high informality rate (informal workers estimated at 70%); it is in the EU's interest to support efforts by Paraguay to tackle informality. The importance (weight) of income from employment in Paraguay makes labour integration key to fight against inequalities and create equal opportunities for all.

Gender inequality is also high: gender index gap for 2020 is 0.683 (100 out of 153 countries, the third worst country in LAC region). Major gaps exist in the area of political empowerment (participation of women in politics) as well as in the economic sphere. Women labour force participation is 60% vs 87% for men and more than 50% of women work in low productivity and precarious sectors. Women's political participation is low (far from parity-14% presence in Parliament) with almost inexistent participation of indigenous groups, (EU Electoral Observation Mission report, 2018). Violence against women and girls as well as pregnancy rates in girls and teenagers are one of the highest in Latin America.

Helping Paraguay towards a more inclusive development path requires co-ordinated action to increase the capacity of the state to redistribute wealth, to improve the delivery of public services, and to sustain efforts to break the intergenerational transmission of poverty and inequality. The ability of the country to ensure employability and formalisation, as well to improve living standards and that of the education and training system to endow citizens with the necessary skills will be critical. Special attention will be given to boosting skills and awareness (to general population and to children in schools) needed for a greener, more resilient and digital economy.

The EU and MSs are already recognised as the leading partners in the education and social protection sectors. This support had led to encouraging results such as increased access to education and the set-up of the first ever integrated Social Protection System. Continue investing in reducing inequalities, including through digital transformation and promotion of gender equality, would further raise the profile of the European partners in the country, while tackling a major obstacle to inclusive development. To ensure that Paraguay remains stable and peaceful, it is in the EU interest to help a growth that is sustainable, more equal, based on better education outcomes, more gender-balance, more respectful of rights of vulnerable groups, including indigenous rights. Being equity one of the foundations of EU social model, it is an area where the UE has experience, legitimacy and thus can bring added value to Paraguay.

Synergies between different EU instruments, in particular bilateral cooperation under this MIP, regional/global programmes and thematic cooperation, will be key. These instruments are designed in a complementary way so to support each other. Thematic instruments will in particular address areas that are not directly targeted through the MIP (such as human rights and labour rights, democracy (including follow-up of EU EOM recommendations), accountability), and will provide an opportunity for the EU to continue engaging in a strategic partnerships with civil society. This will be further reinforced by the Civil Society Roadmap to be adopted in 2021. CSOs are an important ally in the two selected priority areas: their active involvement can also reinforce citizens' participation to public debate, transparency and oversight.

Support to public finance management, institutional strengthening, and enhanced digitalisation will be essential cross cutting elements to achieve the objectives under this priority area.

² In line with ILO Convention C111

1.5. Duration of the MIP and option for synchronisation

This MIP will have a duration of 7 years, with a review in 2024.

The 7-year period provides predictability of EU partnership in Paraguay, while the mid-term review ensures the necessary flexibility to adjust to the evolving context in the country. Additional ad hoc reviews will be possible where and when needed.

The allocations under this MIP are divided as follows:

- An indicative allocation immediately available for an initial period (2021 to 2024).
- An additional amount for the rest of the 7-year period to be determined, which may become available after a decision by the European Commission within the last 6 months of the initial period. This decision will be preceded by a dialogue with the partner country on the implementation of the initial indicative allocation, and will also be based on the performance during this initial period.

2. EU support per priority area and proposals of Team Europe Initiatives

2.1. Priority area 1: Green and Resilient Economy

The overall objective of the EU support in this area is to contribute to sustainable development in Paraguay through actions that make Paraguayan economy and society more resilient.⁴

EU support under this priority area will directly contribute to the implementation of the following SGDs: SGD7 affordable and Clean Energy, SGD10 Reduced inequalities, SGD11 Sustainable Cities and Communities, SGD12 Responsible Consumption and Production, and SGD13 Climate Action, SGD15 Ecosystems, and SGD17 Partnerships.

2.1.1. Specific objectives, results and indicators related to priority area 1

SO1. To preserve and restore biodiversity by fighting against deforestation and promoting sustainable forest management.

Expected results

- Deforestation is reduced and forest cover in selected areas is re-established
- Selected water basin ecosystems and protected areas are conserved/restored
- Deforestation-free supply chains and traceability of supply chain mechanisms are promoted
- CSO oversight and participation are increased.

Proposed indicators (indicative list)

- o Greenhouse Gas (GHG) emissions avoided (tonnes Co2) with EU support
- o Rate of deforestation in areas receiving EU support (Ha per year)
- o Areas of terrestrial and freshwater ecosystems under (a) protection, (b) sustainable management with EU support (km2)
- o Number of civil society organisations benefiting (or reached by) EU support and of government environmental policies developed or revised with CSO participation

SO2. To support sustainable production models, including circular economy, and sustainable value chains development.

Expected results

⁴ Based inter alia on experiences gained in the past with other instruments such as the Disaster preparedness interventions.

- Selected food value chains in Paraguay are made more sustainable (economically, socially and environmentally) and competitive, and support is provided to meet EU market requirements.
- Circular economy practices are expanded and production and consumption patterns are cleaner
- Green certification/rating opportunities are increased
- Policy environment is more conducive to increased investments in sustainable value chains (incentives/disincentives).

Possible indicators (indicative list)

- o Number of enterprises/SMEs applying sustainable consumption and production practices with EU support
- o Adoption of circular economy practices
- o Volume of green/organic certified production
- o Policies and legislations approved that provide incentives/disincentives for sustainable production (it can include adoption of green public procurement).

2.1.2. Possible use of blending and guarantees for investment under EFSD+

Use of innovative financial instruments (blending and External Action Guarantee) under this priority areas will be sought, in particular in the area of sustainable production and reforestation, where some Financial Institutions are already active (such as the Dutch Development bank FMO), while others are developing new tools.

While preference will be given to European Financial Institutions (FI), operations with other regional and global FI are not excluded. This would allow to leverage additional resources from public and private sectors for the development of such a strategic sector for Paraguay.

2.2. Priority area 2: Fighting against inequalities

The overall objective of the EU support in this area is to contribute to reducing inequalities and creating more opportunities, focusing on the 40% bottom of the population.

EU support under this priority area will directly contribute to the implementation of the following SGDs: SDG1 no poverty, SDG4 quality of education, SDG5 gender equality, SDG8 Decent Work and Economic Growth, SDG10 Reduced Inequalities, and SDG 17 Partnerships. Actions may also support the implementation of the EU Election Observation Mission recommendations.

2.2.1. Specific objectives, results and indicators related to priority area 2

SO1: To promote the inclusiveness of the education system through improved access and reduction of exclusion of the most vulnerable children and adolescents from school.

Expected results

- Access to education for the most vulnerable people is improved (indigenous people, poor, disabled, etc.)
- Retention rates are increased (with particular focus on secondary education) for the most vulnerable
- Educational outcomes are improved for the most vulnerable groups focusing on schools with the lowest results
- Public investment in the sector prioritises vulnerable children and schools
- Civil society oversight and participation for increased transparency and pro-poor education policies is fostered.

Possible indicators (indicative list)

- Number of students from most vulnerable groups enrolled in education with EU support in primary, secondary and tertiary (disaggregated by age, sex, ethnic origin, poverty, children with disabilities)
- Graduation rate on completion of twelve years of schooling disaggregated by sex, urban /rural location, socio-economic quintile and minority/indigenous groups of population
- Number of teachers trained and qualified to deliver general basic education in Guarani
- Investment in schools in poor communities, including small infrastructure and digital adaptation (connectivity, digital skills, affordable digital services)
- Number of Civil society organisations benefiting (or reached by) EU support and number of government education policies developed or revised with CSO participation.

SO2: To promote labour integration, employability and formalisation through the implementation of Social Protection programmes.

Expected results

- Access to formal employment opportunities is increased, particularly for youth and women
- Vocational training that is relevant for labour market is provided (with special focus in green and digital jobs)
- National Care Policy is implemented to remove barriers for equal access to employment.
- Social Protection services are more digital and integrated (including digital financial services).

Possible indicators (indicative list)

- Employment rate disaggregated by sex and age
- People from 18 to 29 years without a tertiary or university degree having completed vocational training courses (customisation of EU result framework indicator :Number of people who have benefited from institutional or workplace based VET or skills development interventions supported by the EU)
- National care policy approved and budget allocated for its implementation
- Number of care services offered by the government (disaggregated by type of population: childcare, elderly care, disable care, etc.)
- Number of digital services offered by the social protection system
- Interoperability of the Integrated Social Information System (ISIS) with other systems and registries (including with the single electronic identity) functioning.

SO3: To enhance gender equality and reduce gender-based violence

Expected results

- Increased awareness among decision makers and general population, as well as in the education system on gender equality and non-discrimination issues
- Improved coverage of gender equality issues in the media
- Gender-based violence cases decrease, including girls and adolescents sexual abuses
- Systems for prevention of gender-based violence cases and for treatment of victims are improved.

Possible indicators (indicative list)

- Number of debates on gender equality in Public Institutions (legislative, executive, judiciary, etc.)
- Number of journalist trained in gender equality
- Femicide rate
- Number of girls and teenagers' pregnancies (disaggregate by age, ethnic origin, etc.)

- Number of women benefitted by governmental gender based violence programmes
- Integrated database/registry for gender-based violence operational.

2.2.2. Possible use of blending and guarantees for investment under EFSD+

Use of blending and/or guarantees is not envisaged for this priority area.

2.3. Proposals of country/multi-country/regional Team Europe Initiatives

In the framework of the Team Europe approach, the choice of priority areas has been guided by the Team Europe Initiatives (TEI) that have identified the areas where the EU and the EU MSs can have a transformational impact in Paraguay. Two TEIs have been developed.

1. Climate Change Action and Protection of the Environment

This TEI responds to the need to progressively make the development model in Paraguay more sustainable, build resilience of its economy and society, and reduce vulnerability to climate change. Action from the EU and MSs will have to deal with limited institutional capacities, the lack of public resources/investments for the environment, and a widespread misperception that doing more for the environment would necessarily slow down economic development. There is also low environmental awareness among citizens.

While environmental and climate action laws and policies exist, implementation and enforcement remain challenging. Environmental sustainability has to be seen in the context of the post COVID-19 recovery agenda. EU and MSs action under this TEI has the potential to install the topic on the political agenda, triggering public (green) policies and private actors' actions. The strengthening of public institutions will remain key to ensure consistent policy-making, respect for environmental rights, and a more efficient, effective and transparent use of public resources for the environment.

The EU and Paraguay are natural allies and have a common interest in sharing technology, best practices, knowhow and bringing financial resources to achieve these commitments. The EU has a clear comparative advantage and credibility in relation to other international players. The TEI has also strong potential to facilitate EU-Mercosur Association Agreement implementation. In particular, the TEI could reinforce the dialogue with the government on the growing concern between consumers, investors and private sector actors about sustainable production systems, deforestation and about the respect of the principles of sustainable development in trade agreements.

The TEI is articulated around three main axes:

- i) **Building Alliances:** EU and MSs will reach out and build alliances with Paraguayan civil society, private sector, academia and media, with a particular focus on youth. Paraguay is a very “young nation” (with 60% of the population below the age of 30), and new generations seem to be much more aware of the need to work for a more sustainable development model.
- ii) **Raising awareness:** on the impact of the main environmental challenges and possible benefits of a greener model can bring in terms of economic sustainable development and employment opportunities. Call on consumers and citizens' action to trigger greener private sector practices and influence public action to protect the environment.
- iii) **Specific actions or programmes:** in the sectors identified in this MIP: (a) Biodiversity preservation/restoration, fight against deforestation and sustainable forest management, (b) sustainable production and support to sustainable value chains. These actions can contribute to provide opportunities for EU private sector investments and leveraging additional resources through Financial Institutions (blending and guarantees). Regional synergies could be developed

for transboundary biodiversity corridor (Chaco region with Argentina and Pantanal with Bolivia and Brazil).

EU Member States will have an important role to achieve the objectives of this TEI. Spain will contribute through its action in the water and sanitation sector, as well as through support to value chains and sustainable cities.

The EU countries that signed the Amsterdam Declaration Partnership (ADP) on fight against deforestation and support to sustainable commodities (Belgium, Denmark, France, Germany, Italy, Spain, The Netherlands) have also expressed their interest in contributing to the implementation of this TEI.

The EU's indicative contribution to this TEI (approximately EUR 10 million for the period 2021-2024, from priority area 1) is subject to the confirmation of the Team Europe partners' indicative meaningful contribution as early as possible. In the absence thereof, the EU's indicative contribution may be redirected in accordance with the priority areas of the MIP and their allocations. The obligation of the Union and the Member States to coordinate their development policies following initiatives by the Commission to this effect, as per article 210 TFEU, always applies.

2. Fight against Inequalities

The fight against inequalities is an area where European partners can join forces, have a transformative impact and further raise the EU profile in Paraguay in the years to come. Inclusive education and Social Protection are instrumental to make Paraguay more equal.

Paraguay is amongst the most unequal countries in Latin America (GINI Index 0.46 in 2019). Only a quarter of Paraguayans are covered by at least one social protection programme, also due to high informality rate (informal workers estimated at 70%). Paraguay has the lowest rate of coverage of social security and pensions in Latin America. Only 11% of Paraguayans either contribute to social security or receive a contributory benefit. Inequalities also exist in, and are further exacerbated by, the education system. While access has considerably improved over the last 20 years, retention, quality and adaptation to the evolving labour market demand remain major challenges.

The socio-economic consequences of COVID-19 are further aggravating inequalities. The crisis has shown how digital divide in Paraguay affects an already deficient public institutions' system, and hinders access to basic services (including social protection and education), leading to further increase of inequalities.

The EU and MSs, which are already recognised as the leading partners in the education, social protection and gender equality sectors, have an obvious comparative advantage in these areas, as well as a clear interest to continue assisting Paraguay in developing its human capital. In order to respond to these challenges, the EU and MSs have agreed a response around complementary equality builders on two key areas:

- Insertion into labour market through Social Protection, with particular focus on the strengthening of digital solutions such as the use of the "Integrated Social Information System" (that will allow efficient and transparent identification and monitoring of social protection programmes' beneficiaries through a single electronic identity), or the development of digital financial services (to be delivered via digital infrastructure). This will allow to improve transparency and accountability, reduce leakage, and contribute to formalisation of the economy.
- Education, with the aim of facilitating access and retention for the most vulnerable students (including through possible development of ICT infrastructure and improvement of

connectivity), through development of teaching material and teaching systems, and skills development through vocational training (with participation of private sector).

Gender equality and non-discrimination are considered equally important to ensure equal opportunities. EU and MSs will mainstream gender equality in both areas ensuring that reforms reach and benefit women. Targeted actions in this area are also envisaged.

The EU's indicative contribution to this TEI (EUR 26 million for the period 2021-2024, under priority area 2) is subject to the confirmation of the Team Europe partners' indicative meaningful contribution as early as possible. In the absence thereof, the EU's indicative contribution may be redirected in accordance with the priority areas of the MIP and their allocations. The obligation of the Union and the Member States to coordinate their development policies following initiatives by the Commission to this effect, as per article 210 TFEU, always applies.

Also relevant in Paraguay's context is the regional TEI on Security and Justice in Latin America and the Caribbean.

In line with the priority areas defined above, 28 % of the financial allocations defined under section 4 could be mobilised from the present MIP for the participation of the country in the EFSD+. Sustainable finance represents a real potential in the region and will help accelerate financial flows towards green, inclusive and resilient transitions. Use of blending and/or External Action Guarantee to support guarantee operations under EFSD+ may occur under the under Green and Resilient Economy priority area, though specific operations have not been identified yet (especially for the use of guarantees).

Subject to confirmation during the implementation phase, it is expected that an indicative amount of up to 28% of the resources of this MIP may be used to provision EFSD+ guarantees and to finance bilateral and regional blending operations to which the country will be eligible. From this indicative amount about one third would be dedicated to EFSD+ provisioning, representing 5 million euros for 2021-2024 under the Green and Resilient Economy priority areas.

Technical Assistance (TA) plays a key role for the successful implementation of the blending and guarantees programme. TA may be needed for both intermediary/local financial institutions, as well as for the final beneficiaries of the action. Should the use of these financial instruments be confirmed, part of the EU resources would be allocated for accompanying TA.

Sustainable finance represents a real potential in the region and could help accelerate financial flows towards green, inclusive and resilient transitions, e.g. through green bonds and other relevant sustainable finance instruments.

3. Support measures

3.1. Measures in favour of civil society

Paraguay counts with a rather vibrant civil society as demonstrated by the proliferation of Civil Society Organisations (CSO) in recent years. However, they often lack capacity to constructively dialogue with the government and to act as "policy actors". This is also due to a poor enabling environment and limited spaces for structured dialogue with State actors.

Civil society is a key partner for the EU. In the past years, the EU Delegation has developed a strong partnerships with civil society, though dialogue has been mainly with organisations funded by the EU in sectors where projects were implemented. There is a need to promote a broader and more strategic dialogue, with particular emphasis on engagement with women and youth organisations. The

Roadmap for engagement with civil society and the Gender Action Plan will provide a structured framework for this purpose.

The EU will also help facilitate dialogue between “traditional” civil society organisations and business federations in particular under the Green and Resilient Economy objective.

In addition to mainstreamed engagement with civil society in each of the priority areas, a targeted support is also foreseen. This support will allow promoting an enabling environment for civil society in Paraguay, developing its capacities and reinforcing citizens’ participation to public debate and scrutiny of public policies.

The measures in favour of the civil society could include the support to: studies on regulatory framework for CSO, development and implementation of advocacy strategies and activities, enhance dialogue with State actors and private sector (including dialogue platforms), research, capacity building activities (advocacy, analytical skills, communication, project monitoring, transparency and accountability, etc.), participation in regional and global networks, scrutiny of National budget process, participation in SDG monitoring and implementation. Particular emphasis will be given to actions enhancing knowledge and capacities in the environmental and social protection sectors, both being relatively new for Paraguay.

While the broad spectrum of CSO will be considered for this targeted support, special attention may be given to human right’s organisations, indigenous organisations, women’s organisations, youth organisations and cooperatives, for their key role in promoting equalities and work with the most vulnerable groups. The Delegation will seek expanding its relations and support to organisations with whom work has been limited in the past such as religious groups, media, trade unions, and students/youth groups. Support measures could be also use to accelerate implementation of the gender action plan and the human rights and democracy strategy for Paraguay.

This targeted support will complement the work with civil society in the framework of thematic programmes EIDHR and CSO/LA. While the support under this MIP will mainly support cross cutting issues (such as creating space for dialogue and capacity building) and will primarily focus on priority areas, thematic programmes may cover other sectors and will finance specific projects with a limited number of partner organisations. Synergies between bilateral cooperation, regional/global programmes and thematic cooperation will be ensured as those instruments are fully complementary and support each other.

3.2. Cooperation facility

The Cooperation Facility will support the preparation, implementation and evaluation of the EU partnership with Paraguay as defined in this MIP. This Facility will also contribute to strengthen the EU strategic partnership with Paraguay through reinforced policy dialogue.

The Cooperation facility may be used for (non-exhaustive list):

- Supporting capacity development and institutional building, including through technical assistance and exchange of public expertise;
- Supporting policy dialogue: events, conferences, studies, fellowships, exchange platform to support sector dialogues leading to policy reform and engagement with government and other stakeholders;
- Support to facilitate Joint Programming/Team Europe coordination at country level;
- Support the participation of Paraguay in UE global or regional programmes with special emphasis in programmes on connectivity and digitalisation (i.e Bella);
- Support the preparation, implementation and evaluation of the EU cooperation’s programmes;

- Financing communication including strategic communication and fight against disinformation and visibility actions on the EU cooperation;
- Support public diplomacy actions to promote EU policies in Paraguay and improve the understanding and perception of the EU, through for example youth fora, Erasmus alumni engagement activities, think tanks dialogues, media/influencers exchanges, business fora, cultural diplomacy activities (e.g. festival, fairs). Public diplomacy activities will help to improve the understanding and perception of the UE in Paraguay, and to facilitate partnership and achievement of policy priorities. Complementarity and coherence between public diplomacy activities under this facility (long term) and press and information activities (short term) will be ensured.

4. Financial overview

Although the duration of this MIP is seven years, the indicative allocations for Paraguay and for each of the priority areas and support measures laid down in the table below are provided for the 2021-2024 period only. The indicative allocations for 2025-2027, as well as the possible modification of other substantial elements of this MIP, will be subject to a decision by the EU. This decision should be preceded by a review of the implementation of this MIP, which should include a dialogue with the authorities and other stakeholders of Paraguay.

Priority Areas	Amounts (M€)	% of total
Green and Resilient Economy	22	43%
Fighting against Inequalities	26	51%
Support measures	3	6%
TOTAL for initial period	51	100%

Attachment

1. Intervention framework
2. Donor matrix

Attachment 1: Intervention framework

Priority area 1: Green and Resilient Economy		
Specific objective 1: To preserve and restore biodiversity by fighting against deforestation and promoting sustainable forest management		
Expected Results	Tentative Indicators	Baseline & targets (by 2027) (source of verification)
1.1 Deforestation is reduced and forest cover in selected areas is re-established	Greenhouse Gas (GHG) emissions avoided (tonnes Co2) with EU support Rate of deforestation in areas receiving EU support (Ha per year)	Baseline (2020): 80.361 tonnes of CO2, ok which 55% through LULUCF (Land use, Land-Use Change and Forestry). Target: LULUCF less than 50% Baseline (2020): 243.000ha tree cover loss per year (Global forest watch). Target: tbd
1.2 Selected water basin ecosystems and protected areas are conserved/restored	Areas of terrestrial and freshwater ecosystems under (a) protection, (b) sustainable management with EU support (km2)	Baseline: protected terrestrial areas: 6,199,989 ha (15% of total territory). Target: Tbd
1.3 CSO oversight and participation are increased	Number of CSOs benefiting (or reached by) EU support and number of government environmental policies developed or revised with CSO participation	Baseline (2021): 6 CSOs as main applicants benefitting from UE support, 2 policies per year with CSO participation Target: at least 10 CSO supported by EU and 4 policies
Specific objective 2: To support sustainable production models, including circular economy, and sustainable value chains development		
Expected Results	Tentative Indicators	Baseline & targets (by 2027)(source of verification)
2.1 Selected food value chains in Paraguay are made more sustainable (economically, socially and environmentally) and competitive	Number of enterprises/SMEs applying sustainable consumption and production practices with EU support	Baseline (2020): 0 Target: 500 (tbc)
2.2 Circular economy practices are expanded	Adoption of circular economy practices	Baseline (2019): 0 Target: tbd
2.3 Green certification/rating opportunities are increased	Volume of green/organic certified production	Baseline (2019) 2.956.440 Mts organic certified production Target: increase by 10%
2.4 Policy environment is more conducive to increased investments in sustainable value chains (incentives/disincentives).	Policies and legislations approved that provide incentives/disincentives for sustainable production	Baseline 2020: 0 policies approved Target: 2 per year

Priority area 2: Fighting against inequalities		
Specific objective 1: To promote the inclusiveness of the education system through improved access and reduction of exclusion of the most vulnerable children and adolescents from school		
Expected Results	Tentative Indicators	Baseline & targets (by 2027) (source of verification)
1.1 Access to education for the most vulnerable people is improved (indigenous people, poor, disabled, etc.)	N. of students from most vulnerable groups enrolled in education with EU support in primary, secondary and tertiary (disaggregated by age, sex, ethnic origin, poverty, children with disabilities)	Baseline enrolment rate disaggregated: Indigenous: tbd Disable: tbd, lower socioeconomic quintile: tbd Targets: increase by 15% (disaggregated targets tbd)
1.2 Retention rates are increased (with particular focus on secondary education) for the most vulnerable	Graduation rate on completion of twelve years of schooling disaggregated by sex, urban /rural location, socio-economic quintile and minority/indigenous groups of population	Baseline 12 year completion rate (2019) 44,5% Target: increase by 5%
1.3 Educational outcomes are improved for the most vulnerable groups focusing on schools with the lowest results	N. of teachers trained and qualified to deliver general basic education in Guarani	Baseline teachers trained to teach in Guarani: tbd Target: tbd
1.4 Public investment in the sector prioritises vulnerable children and schools	Investment in schools in poor communities, including small infrastructure and digital adaptation	Baseline: Investment in rural schools (particularly in the 652 schools in indigenous areas): tbd Target: tbd
1.5 Civil society oversight and participation for increased transparency and pro-poor education policies is fostered	Number of CSO benefiting (or reached by) EU support and number of government education policies developed or revised with CSO	Baseline (2021): 10 organisations (as part of observatorio de education ciudadano). 4 policies per year with CSO participation Target: at least 15 CSOs supported by EU and 6 policies
Specific objective 2: To promote labour integration, employability and formalisation through the implementation of the Social Protection System		
Expected Results	Tentative Indicators	Baseline & targets (by 2027) (source of verification)
2.1 Access to formal employment opportunities is	Employment rate disaggregated by sex and age	Baseline (4 ^a trimester 2020): 80.5% men, 54.4% women. Target: tbd

increased, particularly for youth and women		
2.2 Vocational training that is relevant for labour market is provided (with special focus in green and digital jobs)	People from 18 to 29 years without a tertiary or university degree having completed vocational training courses	Baseline (2020): 21,6% (2018 pre-covid: 24,4%) Target: 30%
2.3 National Care Policy is implemented to remove barriers for equal access to employment	National care policy approved and budget allocated for its implementation N. of care services offered by the government (disaggregated by childcare, elderly care, disable care, etc.)	Baseline: draft law for national care policy. Target: approval of the law and budget allocated Baseline: package of services offered under Social protection system. Target: tbd
2.4 Social Protection services are more digital and integrated (including digital financial services).	N. of digital services offered by the social protection system Interoperability of the Integrated Social Information System with other systems and registries functioning	Baseline digital services: tbd Target: tbd Baseline (2021): ISIS in process. Interoperability non-existent. Target: interoperativity functioning
Specific objective 3: To enhance gender equality and reduce gender-based violence.		
Expected Results	Tentative Indicators	Baseline & targets
3.1 Increased awareness among decision makers and general population on gender equality and non-discrimination	Number of debates on gender equality in Public Institutions (legislative, executive, judiciary, etc.)	Baseline (2021): tbd. Target: increase by 10%
3.2 Improved coverage of gender equality and issues in the media	Number of journalist trained in gender equality	Baseline (2021): tdb. Target: increase by 10%
3.3 Gender-based violence cases decrease, including girls and adolescents sexual abuses	Femicide rate Number of girls and teenagers' pregnancies (disaggregate by age, ethnic origin, etc.)	Baseline: 1,7 per 100,000 women (2018). Target: tbd Baseline: 7.397 births from girls 10-17 years (of which 589 from girls 10-14 years). Target: tbd
3.4 Systems for prevention of gender-based violence cases and for treatment of victims are improved	Number of women benefitted by governmental gender based violence programmes	Baseline (2018): 34.224. Target: increase by 10% Baseline (2021): single registry non-existent. Target: single registry operational

	Integrated database/registry for gender-based violence operational	
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Further guidance on results and indicators is available here (to note, this guidance is mainly a resource to help design projects and should be adapted to local contexts): <https://europa.eu/capacity4dev/results-and-indicators>

Attachment 2: Donor Matrix

Indicative allocations per sector (Grants in USD from 2015 to 2020)

SECTOR	EUROPEAN UNION	UN	TAIWAN	JAPAN	KOREA	IADB	USAID	UNDP - GEF	SPAIN	GERMANY	TOTAL BY SECTOR
AGRICULTURE AND RURAL DEV.	9,532,000	30,115,946		2,685,000	20,912,928	15,400,000			756,992	7,000,000	98,752,866
WATER AND SANITATION				18,960,000		2,400,000			1,218,993		22,578,993
ENVIRONMENT	1,227,124	87,332,630			866,712	900,000	10,400,000	24,880,483	527,285		123,484,234
TRADE		50,000				560,000					610,000
DEMOCRACY AND GOVERNANCE	9,954,110	1,865,018				350,000	13,440,343		304,000		25,913,471
HUMAN RIGHTS		525,459		350,000		19,000	200,000		1,106,926		152,201,385
LOCAL DEVELOPMENT		111,648									111,648
ECONOMY	22,688,000	3,255,000	7,492,393	11,252,659	11,804,000	650,000			150,000		57,292,052
EDUCATION	147,402,500	4,690,019	900,000		80,000	2,650,000	8,000,000		8,500		163,731,019
EMPLOYMENT		2,662,634	1,947,282		305,000	194,000			6,831,712	800,000	12,740,628
ENERGY		402,623			410,000					725,000	1,537,623
GENDER	947,368	2,705,285		1,718,404		1,078,000			2,242,133		8,691,190

SECTOR	EUROPEAN UNION	UN	TAIWAN	JAPAN	KOREA	IADB	USAID	UNDP - GEF	SPAIN	GERMANY	TOTAL BY SECTOR
PUBLIC ADMINISTRATION	57,192,000	3,714,597		1,651,765	12,800,000	25,455,416	11,233,772		1,389,100		116,086,650
INDIGENOUS		620,000							120,000		740,000
INFRASTRUCTURE			2,500,000	50,020,900	10,000	350,000					52,880,900
CHILDHOOD AND ADOLESCENCE		3,579,609							808,300		4,387,909
SOCIAL INTEGRATION										16,500	16,500
HEALTH		19,340,083		4,460,000	23,900,000		8,720,000		6,084,500		66,964,583
FOOD SECURITY		10,215,542			411,474				1,650,970		12,277,986
ICT					1,231,447	450,000					1,681,447
TRANSPORT					14,910,000						14,910,000
TURISM						350,000			231,690		581,690
HABITAT			1,400,000		3,500,000	2,235,000					7,135,000
MULTISECTORIAL			150,000,000*								
TOTAL	248,943,102	171,186,093	164,239,675	91,098,728	91,141,561	53,041,416	51,994,115	24,880,483	23,431,101	8,541,500	928,497,774

Source: Planning Ministry (*Secretaría Técnica de Planificación*)

*Multisectoral: The areas correspond to those established in the Memorandum of Understanding on Bilateral Cooperation (MOU) signed in October 2018: Humanitarian and Social Assistance, Education, Housing Solutions, Road Infrastructure, Security and Defence, Public Health. No detailed breakdown is available.