INTERNATIONAL MONETARY FUND

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PARAGUAY

January 2026

SIXTH REVIEW UNDER THE POLICY COORDINATION INSTRUMENT AND FOURTH REVIEW UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY ARRANGEMENT—PRESS RELEASE; STAFF REPORT; AND STAFF SUPPLEMENT

In the context of the Sixth Review Under the Policy Coordination Instrument, and Fourth Review Under the Resilience and Sustainability Facility Arrangement, the following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a lapse-of-time basis following discussions that ended on November 5, 2025, with the officials of Paraguay on economic developments and policies underpinning the IMF arrangement under the Policy Coordination Instrument and the Resilience and Sustainability Facility. Based on information available at the time of these discussions, the staff report was completed on January 14, 2026.
- A **Staff Supplement** updating information on recent developments.
- A **World Bank Assessment Letter** for the Resilience and Sustainability Facility.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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PRESS RELEASE

PR 26/014

IMF Executive Board Concludes the Sixth Review Under the Policy Coordination Instrument and Fourth Review Under the Resilience and Sustainability Facility Arrangement with Paraguay

FOR IMMEDIATE RELEASE

- The IMF Executive Board concluded the Sixth Review Under the Policy Coordination Instrument (PCI) and the Fourth Review under the Resilience and Sustainability Facility (RSF), the final reviews under both arrangements.

- Paraguay's economy performance remains strong, with the authorities making steady progress with reforms supported by the PCI and RSF, while advancing on their fiscal consolidation objectives and keeping inflation within the central bank's tolerance range.

- The reviews mark the successful completion of a comprehensive home-grown reform agenda supported by the PCI and RSF. Continued prudent macroeconomic management including the completion of the fiscal consolidation plan, and sustained progress with structural reforms remain critical to strengthen macroeconomic stability and sustainable, inclusive growth.

Washington, DC—January 22, 2026: The Executive Board of the International Monetary Fund (IMF) today completed the sixth review under the PCI arrangement and the fourth review under the RSF arrangement.[1] The completion of the reviews makes available SDR 85.6 million (about USD 117 million) to the authorities for disbursement under the RSF.

Paraguay's economy remains resilient despite global uncertainty. Real GDP growth is expected to stay robust in 2026 and thereafter, supported by macroeconomic stability and a wide range of reforms in train supported by the PCI and RSF arrangements. Inflation is under control and is expected to reach the central bank's target of 3.5 percent in 2026, justifying a data-driven approach to monetary policy. The external current account is expected to weaken short-term due to FDI-related imports but should strengthen over the medium term as new exports come on stream. Foreign reserves remain above adequacy thresholds. Risks are balanced, with weather shocks as a salient downside risk, and stronger-than-anticipated FDI as a key potential upside.

Completing the fiscal consolidation plan remains essential for maintaining macroeconomic stability. The authorities are making steady progress towards reducing the fiscal deficit to

[1] The Executive Board takes decisions under its lapse-of-time procedure when the Board agrees that a proposal can be considered without convening formal discussions.

1.5 percent of GDP by 2026 and remain committed to fulfilling this objective. Continuing efforts to strengthen tax collection, enhance government efficiency, and addressing the sustainability of the public pension system should help create space for development priorities while supporting fiscal consolidation goals. Efforts to improve public financial management are welcome, and sustaining momentum in this area is vital to reinforce credibility in fiscal policy implementation.

Sustaining the structural reform momentum will further underpin macroeconomic stability and foster sustainable, inclusive growth. The authorities have advanced a comprehensive reform agenda focused on strengthening governance and anti-corruption frameworks, developing domestic capital markets, improving the civil service, enhancing government efficiency and oversight, strengthening the National Directorate of Tax Revenues, enhancing the supervision and sustainability of private pension funds, facilitating private investment, safeguarding property rights, digitizing the national payment system, and bolstering resilience to natural disasters. Continued progress with structural reforms, including sustaining the implementation pace, is essential to further improve the investment climate.

Staff support completion of the sixth review under the PCI and fourth review under the RSF arrangement. The PCI remains on track to meet its objectives despite some missed targets, given compensating factors and the authorities' policy commitments. Based on the completion of RM1, RM2, and RM3 in past reviews and RM5 in this review, staff supports the authorities' request for the disbursement of SDR 85.6 million, or approximately USD 117 million under the RSF.

INTERNATIONAL MONETARY FUND

PARAGUAY

January 14, 2026

SIXTH REVIEW UNDER THE POLICY COORDINATION INSTRUMENT AND FOURTH REVIEW UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY ARRANGEMENT

EXECUTIVE SUMMARY

Context and outlook: Economic activity remains strong despite global uncertainty. Favorable medium-term growth prospects are underpinned by Paraguay's macroeconomic stability and the ongoing implementation of comprehensive structural reforms. Inflation remains under control, public debt at prudent levels, and foreign reserves above adequacy benchmarks. Fiscal consolidation is progressing in line with the authorities' plans and adherence to the Fiscal Responsibility Law is expected to be restored in 2026 for the first time since 2018. Risks to the outlook are balanced: Adverse weather shocks remain a significant downside risk, while higher-than-expected FDI inflows owing to the country's comparative advantages present upside potential.

PCI and RSF Program Implementation. All but one June 2025 PCI quantitative targets (QTs) were met. The QT on floating debt was missed, albeit after a substantial overperformance in the last review. Three out of six PCI reform targets (RTs) assessed in this review were implemented, one with delay. The authorities are working on the protocols and legal changes required to implement two of the remaining unmet RTs while the RT on the reform of the insolvency law has been postponed but remains on the authorities' agenda. Of the four remaining RSF Reform Measures (RMs), one was met, and three will not be completed before the expiration of the arrangement, which will reduce access accordingly. The authorities are requesting a disbursement under the RSF of SDR 85.6 million (about USD 117 million), based on the completion of RM1, RM2, and RM3 in past reviews and RM5 in this review.

Policy Recommendations. Completing the fiscal consolidation plan remains critical to preserve macroeconomic stability. Continuing efforts to strengthen tax administration and enhance the efficiency of public spending, alongside reforms to ensure the sustainability of the public pension system should help create fiscal space for development priorities. Sustaining efforts to improve public financial management would help reinforce credibility of fiscal policy implementation. With inflation contained and expectations well-anchored around the central bank's target, monetary policy should remain data driven. Sustaining progress on structural reforms—with a focus on reducing informality, strengthening governance, fighting corruption, and bolstering resilience to natural disasters—remains essential for achieving inclusive and lasting economic growth.

Approved By
Dora Iakova (WHD) and Eugenio Cerutti (SPR)

Discussions were held in Asunción between October 27–November 5, 2025. The staff team comprised Fabian Valencia (head), Keiichi Nakatani, Svetlana Vtyurina (all WHD), Lisa Kolovich (SPR), Maximiliano Appendino (Resident Representative) and Pablo Alonso Mendez (local economist). Diego Gutiérrez and Geraldine Cruz (both WHD) provided research and administrative assistance. Jorge Corvalan (OED) attended the policy meetings. The team met with the Minister of Economy and Finance Carlos Fernandez Valdovinos, Central Bank of Paraguay (BCP) President Carlos Carvallo Spalding, other senior officials from the government, private sector, banks, and International Financial Institutions (IFIs).

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CONTEXT

1. **These reviews mark the successful completion of a comprehensive reform agenda supported by the PCI and RSF arrangements.** The PCI, Paraguay's first program since the 2006–08 Standby Arrangement, aimed to preserve macroeconomic stability and continue reforms during and after the 2023 elections. Under the PCI, the authorities stayed committed to a comprehensive home-grown reform agenda and to increasing the economy's resilience (Box 1 and 2). Growth has remained robust, fiscal consolidation proceeded in line with commitments, and inflation remained in control with well-anchored expectations. Reforms are strengthening social protection and improving government efficiency and the business environment by addressing governance and corruption vulnerabilities. In 2023, Paraguay became the first South American country to receive an RSF, with reform measures that are helping enhance the country's resilience to natural disasters and supporting sustainable growth (Annex I).

Box 1. Achievements Under the PCI and the Way Ahead

In 2022, Paraguay requested a two-year PCI to help preserve macroeconomic stability and reform continuation during and after the 2023 presidential election. The PCI was extended in November 2023 alongside the approval of an RSF arrangement. The PCI focused on reforms around three pillars: (i) ensuring macroeconomic stability and resilience; (ii) enhancing productivity and fostering economic growth; and (iii) enhancing social protection and inclusiveness. Macroeconomic performance during the program period has been stellar, and most of the reforms have been completed.

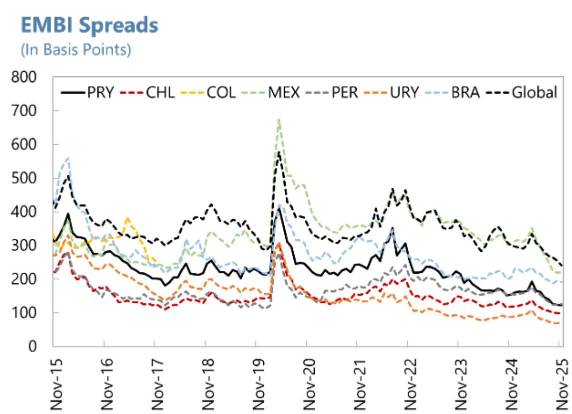
Pillar I: Macroeconomic stability has been sustained. Strong growth, controlled inflation, and fiscal consolidation have helped reduce sovereign spreads to regional lows. Reflecting this sound macroeconomic management and a strong record of institutional reforms over many years, Moody's upgraded Paraguay's sovereign bonds to investment grade status in mid-2024, while Standard & Poor's and Fitch upgraded the outlook to positive in January and October 2025, respectively. Fiscal consolidation has advanced as planned. The 2026 budget envisages the completion of the authorities' three-year commitment to reduce the fiscal deficit to 1.5 percent of GDP (from 4.1 percent in 2023), restoring compliance with the Fiscal Responsibility Law. Fiscal consolidation has been underpinned by laudable revenue mobilization efforts that helped lift tax revenues by 1.3 percentage points of GDP in 2024. Public financial management is gradually strengthening, including through the phased introduction of the Integrated State Resource Management System (SIARE).

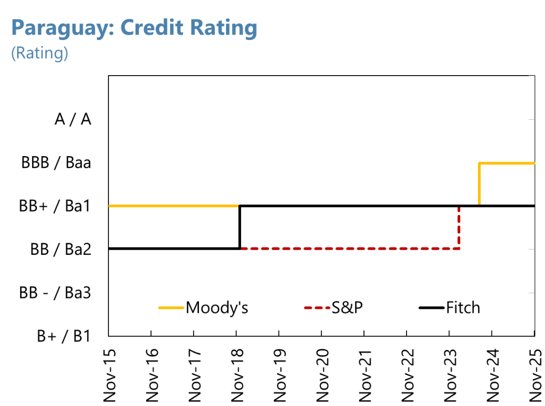
Pillar II: A multifaceted approach has aimed at boosting productivity and growth. The authorities' objective has focused on attracting private investment, strengthening property rights and collateral, increasing government efficiency and transparency, and tackling governance and corruption issues. Important reforms include the new law on Public Private Partnerships, which has the potential to increase private participation in public investment projects; the civil service law to improve civil service efficiency, among other legislative initiatives (Box 2).

Box 1. Achievements Under the PCI and the Way Ahead *(concluded)*

Pillar III: **Social inclusion and formalization of labor have advanced.** The authorities expanded transfer programs coverage by increasing the number of elderly adults and families receiving assistance and have integrated beneficiary information through the system for beneficiaries of social programs (SIPEN). A framework to protect vulnerable groups was introduced by approving the PNCUPA policy which includes the creation of childcare services, compensation for elderly home care, introduction of maternity and paternity leave, and the prevention of gender-based violence, including by efforts on introducing a unified registry of offenders. These reforms under the PCI have been complemented by additional measures to boost formalization and inclusion (¶25-27).

Building on these commendable achievements, sustaining reform momentum will further bolster macroeconomic stability and support sustainable growth. To further support fiscal resilience and the credibility of fiscal policy implementation, it will be essential to complete the fiscal consolidation plan, including through continued efforts to strengthen tax collection, enhance government efficiency and public financial management; and address the sustainability of the public pension system. Reforms to develop local capital markets, to strengthen insolvency frameworks, and address governance and corruption vulnerabilities, including through the full implementation of the National Regime for Integrity, Transparency and Prevention of Corruption, will continue enhancing the business environment. Finally, further reducing informality and continuing to build resilience to natural disasters will remain essential to ensuring sustainable and inclusive growth. Many of these reforms are consistent with the objectives of the recently launched *National Development Plan*, *Paraguay 2050*.



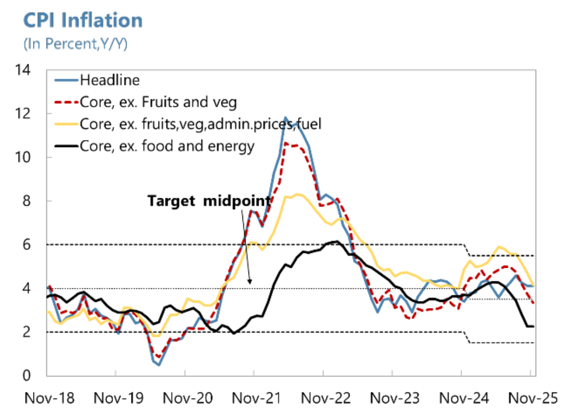


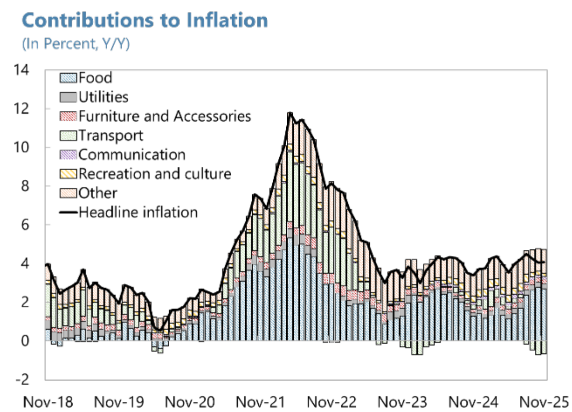
Note: Data as of Nov. 12, 2025
Sources: Central Bank of Paraguay; Bloomberg LP; Haver Analytics; and IMF staff calculations.

RECENT ECONOMIC DEVELOPMENTS

2. The economy continues to grow at a robust pace driven by domestic demand. Real GDP expanded 5.9 percent, y-o-y, in the first half of 2025,[1] underpinned by strong performance of services, manufacturing, electricity, and construction. On the expenditure side, growth was driven by buoyant private consumption—supported by favorable dynamics in services and durable and non-durable goods—and by gross fixed capital formation in imported machinery and equipment, and in construction. Net exports were weaker, reflecting lower soybean and grain exports and higher imports. The monthly economic indicator (IMAEP) expanded 5.9 percent y-o-y, cumulatively, as of October. The unemployment rate stood at 4.9 in 2025Q3.

3. Headline inflation remains well within the central bank's tolerance range around the inflation target. The headline inflation stood at 4.1 percent, y-o-y, in November, primarily explained by a decline in fuel prices, associated with lower international prices and the recent appreciation of the Guaraní against the dollar. Beef prices rose around 18 percent y-o-y, reflecting higher international prices and strong external demand. Beef prices explain about 1.3 percentage points of the November headline y-o-y inflation reading. Measures of core inflation are declining from their recent peaks. Services inflation stood at 3.2 percent, y-o-y, in November.





Sources: Central Bank of Paraguay; and IMF staff calculations.

4. After reaching 3.4 percent of GDP in 2024, the current account deficit is projected to deteriorate somewhat this year. As of October 2025, total goods exports have increased 3.3 percent, y-o-y, due in large part to increased international demand for beef. Total goods imports, however, driven by the dynamism of private consumption and investment, increased 10.0 percent over the same period. Relatively weak exports of soy, a key agricultural product, are explained by the impact of last year's drought on production and lower international prices. Electricity exports growth remains subdued reflecting mainly strong domestic electricity consumption. The guarani appreciated about 10.5 percent against the U.S. dollar by end-November

[1] The BCP is revising the national accounts reflecting methodological improvements in the calculation of services, where 2024 real GDP growth would increase from 4.2 percent to 4.7 percent. These changes will be reflected in the quarterly national accounts at the time of the next release, expected after the completion of the staff report.

in 2025, in nominal terms, in the context of a global weakening of the US dollar. Net international reserves stood at US$10.1 billion at end-November (gross reserves are well above adequacy thresholds, at about 159 percent of the IMF's reserve adequacy metric).

5. The fiscal deficit is on track to reach the 2025 budget target of 1.9 percent of GDP. The fiscal deficit reached 1.1 percent of GDP, cumulatively as of October. After an impressive increase of 1.3 percentage points of GDP in 2024, tax revenue has continued to perform strongly, growing by about 10 percent, y-o-y, cumulatively through October. The performance responds mainly to a vibrant economic activity and a series of tax administration measures implemented since 2023, including the enhanced use of e-invoicing, the merger of custom and revenue agencies, tighter controls in the border areas, and further expansion of the taxpayer base through formalization. Over the same period, current primary expenditure grew by about 5.4 percent, y-o-y, while capital expenditure showed a modest 1.8 percent decrease. Nonetheless, the authorities are verifying claims by suppliers of several line ministries about outstanding payment obligations. Verified obligations to suppliers of the Ministry of Public Works and Communications (about 0.4 percent of GDP) and of the Ministry of Social Development (about 0.1 percent of GDP) have been integrated into the 2025 budget execution and the Treasury's cash flow plan and would be settled by February 2026.[2] The authorities are still evaluating claims from suppliers of the Ministry of Public Health and have verified a total of around US$500 million (about 0.9 percent of GDP). As of early December, US$470 million of those verified claims remained pending and will largely be integrated into the 2026 budget execution and cash flow plan.

6. The public debt-to-GDP ratio is projected to decline in 2025. It will come down to 41 percent of GDP in 2025, from 45 percent in 2024, reflecting a reduction in the primary deficit, the recent appreciation of the guarani against the US dollar, and strong economic activity. The authorities have been steadily de-dollarizing public debt, with the fraction of dollar-denominated debt reaching 82 percent in September down from 87 percent as of end-2023. Paraguay guarani-denominated global government bonds (PYG Globals) will be included in the JPMorgan's GBI-EM series in 1H 2026, which will enhance Paraguayan sovereign bonds' attractiveness to global investors.

7. Strong economic activity is supported by a well-capitalized and profitable banking sector. However, credit growth is moderating as liquidity has declined. After peaking in early 2025 at 22 percent, credit growth recorded 11 percent in September, y-o-y. However, consumer credit is still expanding at 21.7 percent. In September, banks' liquid assets stood at 22.9 percent of total liabilities, down from 25.5 one year earlier and capital adequacy ratios at 13.1 percent and 16.7 percent, well above the 8 percent and 12 percent regulatory minimums. The banking system remains profitable with a return over assets (ROA) of 2.4 percent and return over equity (ROE) of 21.9 percent, also as of September. Asset quality improved, with the nonperforming loan (NPL) ratio

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[2] Additional claims relate to unpaid interest for ¼ percent of GDP dating back to 2023, which the authorities dispute. A pronouncement from the Attorney General's office is pending.

declining y-o-y to 2.4 percent for total credit and to 4.4 percent for consumer loans, from 2.5 percent and 5.2 percent, respectively, in September.

8. **Reform momentum continued with new legislative initiatives submitted to Congress in July.** Following a comprehensive reform agenda from the past two years (Box 2), in July, the executive branch submitted to Congress 10 new draft laws to: (i) boost industry and job creation; (ii) facilitate private investment in energy generation; (iii) develop domestic capital markets (securities law); and (iv) reform public transportation and arbitration systems. As of November 2025, Congress approved five of these laws: i) the tax incentive regime for domestic and foreign investment to replace Law No. 60/90; ii) the establishment of the National Policy for the Production and Assembly of Electrical, Electronic, Electromechanical, and Digital Equipment; iii) the amendment of Law No. 1064/97 "On Export Maquiladora Industries;" iv) reform of the arbitration system; and v) the securities law.

Box 2. Recent Legal Reforms in Paraguay

Improving civil service efficiency. This Civil Service law (December 2022 RT, enacted in January 2025, defines clear career progression rules, guarantees merit-based hiring, and promotes objective evaluations and greater transparency across public institutions, while respecting the constitutional autonomy of government branches and careers within their own regimes. A gradual implementation of its provisions started in July 2025, reinforced by its implementation decree, which establishes an orderly and progressive process of application. IMF capacity development is supporting benchmarking public sector pay and the development of a baseline of civil service payroll.

More efficient government structure. The structure of the State Law 7278/2024 (July 2023 RT) allows for more efficient management of ministries and state agencies fostering results-based and better coordinated work among institutions. Three key laws were enacted on: (i) merging domestic tax and customs agencies, the Sub-secretariat of State for Taxation and the National Customs Directorate, under the National Directorate of Tax Revenue (DNIT) to enhance tax administration; (ii) creating the Ministry of Economy and Finance by merging the Ministry of Finance, the Secretary of Planning, and the Secretary of Public Employees; and (iii) establishing a Securities Superintendency, replacing the National Securities Commission (CNV), as the authority responsible for the regulation, supervision and oversight of the securities market, to strengthen its development.

Enhancing supervision of pension funds and its sustainability. The law creating the Superintendency of Pensions, the authority responsible for the supervision and regulation of the entire pension system, was enacted in December 2023. It establishes a participatory and transparent process where the Social Security Council, including the unions and retirees' representatives, oversees the Superintendency of Pensions, and submits to the President of the Republic a shortlist of candidates for Superintendent, selected through a public competition, for appointment. Last year, Law No. 7446/24 strengthened the sustainability of the Social Security Institute (IPS) through three key measures: the direct transfer of employers' contributions to the IPS health fund instead of to the government; a parametric reform of the pension system for private-sector employees under IPS; and the regularization of certain IPS real estate assets.

Box 2. Recent Legal Reforms in Paraguay *(concluded)*

Attracting private investment to infrastructure projects. The updated public-private partnerships (PPP) law (June 2024 RT), enacted in late 2024, updates and modernizes the PPP framework for promoting infrastructure investment. Its main objectives are: (i) fostering competition among bidders; (ii) strengthening oversight by the Ministry of Economy and Finance; (iii) expanding private sector participation in infrastructure projects; and (iv) providing stronger incentives for private initiatives. The authorities have already identified a pipeline of potential PPP projects, including road infrastructure. The first road project under the new law was awarded and construction is expected to start in 2026.

Securing property rights through the National Unified Registry (RUN). To enhance the integrity of the public land cadaster, a law enacted in January 2025 established the RUN to centralize property surveying, cadaster, and registration under the judicial branch. It consolidates the General Directorate of Public Registries (DGRP), the National Cadaster Service (SNC), and the Department of Surveying and Geodesy, simplifying procedures and addressing the overlapping of titles. An inter-institutional transition team has developed a Technical Registry Manual that will be supported by a Resolution of the Supreme Court of Justice, which includes the revision of the regulatory standards of the General Directorate of the National Cadaster Service. The 2026 budget includes resources for the RUN's start of operations in 2026.

Digitalizing the payments system. The National Payment System Law 7503/2025, enacted in June 2025, aims to increase security, efficiency, innovation, financial inclusion and competition and enhance the BCP's regulatory and supervisory role.

Governance and Anticorruption. Law 7389/24, enacted in 2024, established the National Regime for Integrity, Transparency and Prevention of Corruption. It creates a stronger institutional framework to combat corruption, with mechanisms for citizen complaints and coordination among supervisory bodies, led by the Comptroller General of the Republic with inter-institutional participation. This coordination supports the implementation of Paraguay's National Strategy to Combat Corruption (ENCC).

PERFORMANCE UNDER THE ARRANGEMENTS

9. Quantitative Targets (QTs): End-June 2025 fiscal targets on the budgetary central government's deficit and current primary expenditure were met. Inflation was within the consultation band. The QT on floating debt was not met as bunching of expenditure bills in early 2025 resulted in a smaller-than-envisaged reduction by end-June, in the context also of a sizable overperformance relative to the end-2024 target assessed at the time of the last review. The combined reduction between the last and this review largely outpaced the cumulative reduction envisaged at the time of the third review, when the targets were set, by around 0.5 percent of GDP. Targets on social assistance benefits and on non-accumulation of external debt payment arrears, as well as standard continuous targets were met.

Text Table 1. Quantitative Targets

	2025
	June
Quantitative Targets	
Ceiling on the central government fiscal deficit	met
Ceiling on current primary expenditure of the central government	met
Ceiling on the net incurrence of floating debt by the central government	not met
Continuous Targets	
Ceiling on accumulation of external debt payment arrears by the central administration	met
Inflation Consultation Band	
Inflation	met
Memorandum Items	
Social assistance benefits	met

Sources: Paraguayan authorities; and IMF staff calculations.

10. PCI Reform Targets (RTs). Three of six RTs scheduled to be assessed in this review were implemented, with the program remaining on track to meet its objectives considering also compensating factors:

- The RT on establishing an institutional framework for compliance risk management through a regularly functioning Risk Management Committee, supported by the tax and customs subcommittees (June 2025). **Met.**

- The RT on developing and implementing a risk-based compliance improvement plan to address at least one key risk to customs (October 2025). **Met.**

- The RT on the preparation and publication of the procedures manual for the monitoring and evaluation unit of the National Directorate of Public Investment and implementation for a set of pilot investment projects (September 2025). **Not met, implemented with delay.**

- The RT on the implementation of a pilot of an information exchange system to carry out cross-checking examinations of public officials' net worth information (August 2025). **Not Met.** The system is ready but legal changes are required to address impediments with automatic data sharing across various agencies. The verification of public servants' net worth declarations already takes place, although the system under the RT will simplify the verification process before and after joining the service.

- The RT on the implementation of the system for recording the cases of violence against women and establishing a single registry (September 2025). **Not Met.** While the system has been fully developed, the authorities need more time to establish administrative procedures to facilitate the necessary institutional coordination and information sharing. In the meantime, the recording of cases is already happening, just not through an integrated system.

- The RT on completing the new version of the Insolvency Law and submitting the draft to one of the two chambers of Congress (October 2025). **Not Met**. The reform remains in the authorities' plans but they are pursuing other legal initiatives of higher near-term priority in their reform agenda.

11. RSF Reform Measures (RMs). The authorities met one of the remaining four RMs**:**

- The independent cost study for ANDE, the state electricity supply company, and its external audit have been finalized and published (**RM5**). **Met**
- ANDE used the inputs from RM5 and RM8 for developing methodologies for adapting gradually electricity tariffs with the technical support of IDB and a regional consulting firm, but the authorities need more time for their approval and implementation in 2026 (**RM6**). **Not met**
- The authorities prepared a draft amendment to the electromobility law, adjusting fiscal incentives, including caps on tax incentives and excluding micro hybrid vehicles from exemptions, but, given current priorities on the legislative agenda, they have postponed the submission to Congress. They installed 8 charging units for electric buses, and published a document depicting their plans for the electrification of public transportation (**RM10**). **Not met**
- In the context of an ambitious legislative agenda, the authorities have postponed the submission of the draft law to replace existing fuel excise taxes with an explicit carbon tax (**RM9**). This decision allows more time to continue the technical evaluations and preparations at Tax Authority (DNIT) and Ministry of Industry and Trade (MIC) for its eventual introduction and administration. In the meantime, the existing fuel excise taxes act as an implicit carbon tax. **Not Met**

OUTLOOK AND RISKS

12. Real GDP growth is projected to reach 5.3 percent in 2025 and to moderate to 3.8 percent in 2026 while inflation would converge to the target. The favorable momentum in private consumption and investment should continue in 2026, albeit at more moderate pace, bolstered by low inflation and unemployment. Monetary policy is geared towards facilitating the convergence of inflation to the target of 3.5 percent in 2026, supported by lower fuel prices, the recent appreciation of the guarani, and the dissipation of temporary factors (e.g., high beef price inflation). Sovereign spreads should remain among the lowest in the region, reflecting growth prospects, continuing fiscal consolidation, and prudent debt levels. Paraguay's favorable prospects as an investment destination, reflecting its macroeconomic stability and reform momentum, should mitigate the effects of global uncertainty. Soy and electricity production and exports are expected to increase in absence of new adverse weather shocks, while meat exports would continue to expand as Paraguay accesses new markets. The external current account balance is anticipated to deteriorate temporarily next year as large FDI-related imports increase.[3]

[3] FDI is projected to pick up in the near term to over 2 percent of GDP during 2026-2028, owing to significant private investment from Paracel (paper pulp from eucalyptus foresting) and Atome (green fertilizer producer). These projects

(continued)

Text Table 2. Medium-Term Outlook for Selected Macroeconomic Indicators
(In percent of GDP, unless otherwise indicated)

			Act.	Proj.					
	2022	2023	2024	2025	2026	2027	2028	2029	2030
	(In Percent of GDP, unless otherwise indicated)								
Real GDP growth (in percent)	0.2	5.0	4.2	5.3	3.8	3.5	3.5	3.5	3.5
Per capita GDP (U.S. dollars, thousands)	6.7	6.8	7.0	7.6	8.4	8.8	9.3	9.7	10.2
Consumer prices (end of period; in percent)	8.1	3.7	3.8	4.0	3.5	3.5	3.5	3.5	3.5
Terms of trade (annual percent change)	-6.8	-3.2	-4.3	0.9	2.0	-0.5	0.2	-0.1	-0.1
External current account	-7.0	-0.3	-3.4	-3.6	-3.8	-2.9	-2.1	-1.5	-1.0
Gross international reserves (in US$ billion)	9.5	9.9	9.6	10.1	10.4	10.7	11.0	11.3	11.6
Central government fiscal balance	-2.7	-4.1	-2.6	-1.9	-1.5	-1.5	-1.5	-1.5	-1.5
Public sector debt	40.5	41.1	44.8	40.8	40.0	39.5	39.0	38.5	38.1

Sources: Central Bank of Paraguay; Ministry of Finance; and IMF staff estimates and projections.

13. Risks to the outlook are balanced (Annex II).

Main downside risks are:

- Severe climate shocks (e.g., droughts) might affect agricultural production, water transportation, and hydro-electricity production, reducing exports, growth, and putting pressures on the currency.

- Given that Paraguay's main export markets are its regional trading partners, an escalation of global trade tensions and the resulting deceleration in global demand could impact Paraguay mainly through second-round effects, including through its potential impact on main trading partners. These second-round effects could include fluctuations in commodity and other tradeable goods prices that could lead to a deterioration in terms of trade, volatility in domestic prices, lower FDI flows if combined with increases in uncertainty and tighter financial conditions, and lower growth.

- Domestically, the financial situation of the public pension system and health funds of the social security institute, along with other contingent liabilities, continue to pose medium- to long-term fiscal risks.

  Main upside risks include:

- Stronger-than expected agricultural production and meat exports expansion (the Philippines, Singapore, and Panama have recently become new markets) [4] could lead to higher growth.

are expected to begin construction once financing is finalized and come on stream over the medium term (IMF Staff report, June 2025).

[4] Despite the contraction in agricultural exports through October 2025, in part affected by low global soy prices, beef exports grew at 25 percent, cereals at 22.5 percent, and soy oil at 40 percent y-o-y (January–October 2024 vs. January—October 2025, total export values).

- Paraguay could benefit from trade diversion of agricultural commodities derived from global trade tensions resulting from other countries facing higher tariffs than Paraguay to access certain export markets.

- The wide range of recent and ongoing structural reforms imply near and medium-term upside risk to growth. Paraguay is already attracting large-scale foreign investments whose materialization could lead to higher-than-expected growth as their impact is not fully captured in staff forecasts given residual uncertainty about their timing. Faster and larger-than-expected FDI flows are also possible in other sectors of the economy, including forestry, where Paraguay maintains strong comparative advantages.

POLICY DISCUSSIONS

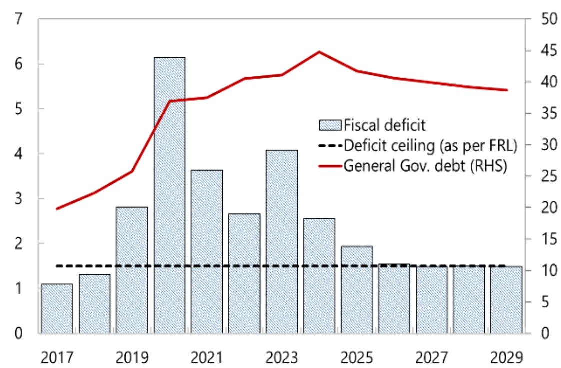
A. PCI: Strengthening Macroeconomic Stability, Economic Growth, and Social Inclusion

Pillar I (Ensure Macroeconomic Stability and Resilience)

Fiscal Policy

14. The 2026 budget is in line with the medium-term fiscal adjustment plans. It envisages a fiscal deficit of 1.5 percent of GDP, down from 1.9 percent of GDP in 2025, which would restore compliance with the deficit ceiling stipulated in the Fiscal Responsibility Law (FRL) for the first time since 2018 after a series of negative shocks (e.g., droughts, the pandemic). Fiscal consolidation in 2026 would be driven by ongoing tax administration improvements and expenditure restraint, including through nominal wage freezes, while prioritizing spending on health, education, security, and social protection. The authorities have committed to integrating any remaining verified claims from suppliers into the 2026 budget execution and to completing their fiscal consolidation plan (Policy Statement (PS) ¶6).[5] This may result in compression of public investment financed by the budget.[6]

Fiscal Deficit vs Debt
(In Percent of GDP)



Source: National authorities; and IMF staff calculations.

[5] Under the Paraguayan Treasury's accounting system, obligated expenditure—the definition of expenditure for computation of the fiscal deficit—is such that future payment is assured under the Treasury's cash flow plan.

[6] Paraguay would still benefit from significant off-budget investments directly undertaken by Itaipu—close to 1.2 percent of GDP per year, on average over 2024-26. A recently awarded PPP project under the new legal framework (about 0.9 percent of GDP)—expected to start construction in 2026—would also contribute to investment spending.

15. Staff emphasized that continuing enhancing public financial management is critical to reinforce credibility of fiscal policy and reduce risks of future contingent liabilities. The recent integration of the commitment phase of public works into the Goods and Services Integrated System (SIGEBYS) of the SIARE and the planned expansion for 2026 to cover decentralized entities are welcome steps (PS ¶6). The authorities are committed to consolidating SIARE as an effective tool for controlling and planning spending. Broader use of digitalization and technology, including by sub-national governments, should help expedite administrative processes,[7] improve forecasting capacity, and better control inventories. The implementation of the new health information system in public hospitals—end-June 2025 reform target—and the forthcoming new system designed to improve tracking of medicine use and inventory management, is a promising advance that will facilitate enhanced oversight and planning of health expenditures. Building on these efforts, the authorities' plans for more efficient management of medicine inventories and enhanced reporting of medicines spending planning and execution by the Ministry of Public Health are welcome.

16. Efforts to strengthen revenue administration continue with potential for additional revenue gains. One important reform underway is the adoption of a Compliance Risk Management (CRM) framework across the DNIT by unifying tax and customs under a single compliance strategy, strengthening coordination, and improving revenue mobilization. With the support of Capacity Development (CD) provided by the Fund and IDB, the DNIT has established a Risk Committee supported by two technical subcommittees **(June 2025 RT)**—one for internal taxes and one for customs—and developed and started implementing two respective risk-based compliance improvement plans (CIPs) to enhance voluntary compliance (PS ¶8). The first plan aims to reduce duplicate invoices to improperly increase tax credits, while the second addresses the undervaluation of imported goods **(October 2025 RT)**. Over time, the CIPs will be expanded to cover domestic taxes, particularly measures linked to VAT gaps. The successful implementation of the compliance plans will depend largely on the DNIT addressing the key structural risks identified in each plan, such as improving data quality, strengthening the customs sanctioning framework and procedures, and strengthening post-clearance auditing. The Fund's ongoing CD will continue to support the authorities' efforts to strengthen the DNIT's capacity for independent reforms, expand the use of digital platforms, including the fuller coverage of taxpayers under e-invoicing, and improve audit and verification processes.

17. Conducting regular cost-benefit analyses of tax incentives under special tax regimes should help keep tax expenditures contained. While Fund CD has estimated that tax expenditures from these regimes[8] are currently small at 0.1 percent of GDP, these tax incentives risk creating distortions and increasing administration costs. In September 2025, Congress enacted a law to revise tax incentives for investment, replacing the long-standing Law 60/90. The reform preserved exemptions from import duties, VAT, and taxes on dividends for foreign investments and extended them to domestic investors. However, it also introduced new proportionality conditions, time limits,

[7] Part of the claims from suppliers relate to an accumulation of bills earlier in the year and administrative delays as some processes were still conducted manually.

[8] The assessment covered four special regimes: the National Automotive Policy, Raw Materials Regime, Free Zones, and Maquila (prior to the recently passed reform).

and stricter eligibility criteria, under stronger supervision by the Ministry of Industry and Trade (MIC) in technical decisions and involvement of the DNIT in the Investment Council. Another law was enacted to modernize the *maquila* regime, aligning it with international trade requirements through digitized processes, adoption of new technologies, and expansion to include the *maquila* of services. This law aims to improve industrial competitiveness, attract investment, and expand formal employment. While the implications of these new laws for tax expenditure are expected to be limited, the authorities should conduct ongoing cost-benefit assessments to evaluate the effectiveness of these regimes and minimize administrative burden (PS ¶9). Once efficiency gains are exhausted through administrative efforts, a comprehensive review of tax regimes—including all tax expenditures—may be warranted to address Paraguay's social and infrastructure spending needs.

18. Efforts to strengthen public investment project implementations continue. The authorities published a procedural manual for the monitoring and evaluation unit of the National Directorate of Public Investment (**September 2025 RT**). The evaluation and monitoring exercises conducted for pilot investment projects, and subsequently more widely, will address key impediments identified by the Public Investment Management Assessment (PIMA) to effectively execute public investment projects (PS ¶7). Standardized evaluations will help align future project design with medium- and long-term development goals, and enhanced monitoring will enable more timely intervention and multi-year financing allocation. In the context of the recently launched National Development Plan, Paraguay 2050, the authorities plan to develop, with IDB support, a National Infrastructure Plan, which will help identify priority projects, including those that could be suitable candidates for Private-Public Partnerships (PPP) under the new PPP legal framework.

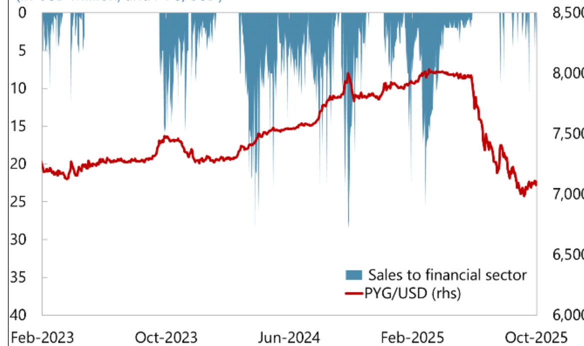
19. Addressing the sustainability of the public pension system (Caja Fiscal) remains a high priority. As of September, there is a USD250 million (0.5 percent of GDP) deficit, which is funded by the central government's budget and crowds out other spending. The deficits are projected to remain stable in the near-term at around 0.6-0.7 percent of GDP and rise to about 1 percent of GDP by 2030. The authorities are consulting with stakeholders to seek consensus on parametric reforms, including the introduction of a minimum retirement age for sectors lacking one and with a view to submitting a draft bill to Congress by end- 2025 (PS ¶10).

Monetary and Financial Policies

20. The current monetary policy stance remains appropriate, while continued vigilance of consumer credit expansion is warranted. At 6 percent, the policy rate is close to neutral in ex-ante real terms. Overall liquidity levels have declined, partly explained by BCP's FX sales in 2024 and early 2025. With headline inflation well within the central bank's tolerance range and inflation expectations at the monetary policy horizon (18–24 months) well anchored, the monetary policy stance remains appropriate. High beef price inflation is expected to subside, with the recent appreciation of the guaraní and expected lower fuel prices further supporting inflation converging towards the target. Nonetheless, buoyant economic activity and risks of increased volatility in import prices due to global trade tensions call for a cautious and data driven approach to monetary policy. While overall credit growth is moderating, the rapid expansion of consumer credit should continue to be monitored closely, especially as high lending rates for this market segment may pose repayment challenges for some borrowers.

21. The exchange rate should continue to serve as an instrumental external shock absorber. The BCP intervenes in the foreign exchange market to avoid excessive volatility in the exchange rate, in the context of a shallow FX market and seasonal flows. The BCP has reduced its footprint in the FX market in recent months, allowing the guarani to appreciate, in the context of a weaker U.S. dollar globally. The BCP remains committed to transparency regarding its FX operations and publishes detailed reports of its foreign exchange activities on its website.

Total Net Sales to Financial Sector
(In USD Million, and PYG/USD)



Source: Central Bank of Paraguay.

22. Modernization of the digital payment infrastructure continues through legal and technological reforms. Law 7503 of the National Payment System (SNP) replaces the 2012 law and enhances the BCP's supervisory and regulatory role for the clearing, settlement, and custody of payments and securities, focusing on security, efficiency, interoperability, and financial inclusion. In 2022, Paraguay launched the retail fast payment system (SPI, Sistema de Pagos Instantáneos) as part of the Paraguay Payment System (SIPAP, Sistemas de Pagos del Paraguay), managed by the BCP. The SPI enables instant, fee-free transfers. The BCP simplified person-to-person transfers through the SPI by using phone numbers, email addresses, or national ID numbers. By mid-2025, the SPI surpassed 1 million daily transactions, advancing financial inclusion. The BCP is working on enabling the SPI for person-to-merchant transactions to lower costs and entry barriers for micro and small firms (MSMEs).

23. The recently enacted law on the securities and products market is a welcome step towards developing the capital market and updating its infrastructure. The law, whose regulation is now open for public consultation, was drafted with the participation of the private sector and the CD from the IDB and the IMF. It seeks to unify and modernize the legal framework for securities and products markets, establishing a legal framework that aligns with international standards. Investor protection is prioritized through clear rules, greater transparency, equity in operations and strengthening of corporate governance.

24. The operationalization of the Pensions Superintendency is progressing, which is intended to facilitate capital market development and broaden investment options for pension funds. The Council of Social Security—responsible for oversight of the Superintendency—was formed in July with the provisional (1 year) appointment of two representatives from the retirees (PS ¶11). Since then, the Council has met several times and two regulatory decrees concerning both council operations and the appointment process of the president of the council have been enacted. The selection and appointment process of the Superintendent concluded in December. These actions conform with the three-year transition period stipulated in the law. The central bank's draft 2026 budget allocates funding for the establishment of the Superintendency at its facilities, and the BCP started providing (CD) assistance to pension funds.

Pillar II (Enhance Productivity and Foster Economic Growth)

25. The authorities are working on improving governance and reducing corruption vulnerabilities. The recently established National Anti-Corruption Council, which includes representatives from all branches of government facilitating coordination, will monitor progress in implementing the ENCC, while expanding its scope through new initiatives. These include establishing codes of ethics with consistent standards and clear guidance on the expected conduct for public officials, aiming to reinforce a culture of integrity throughout all levels of government; strengthening administrative sanctions for ethical violations, with effective enforcement and systematic reporting, and use of information technologies to create open platforms that facilitate prevention and citizen oversight. Several RTs were closely related to the ENCC, including the implementation of a pilot on an information exchange system to carry out cross-checking examinations of public officials' net worth declarations (**August 2025 RT**). Though the RT was not met, work is advancing. The operationalization of the system requires legal changes to facilitate automatic data sharing between various government entities (PS ¶17). The Comptroller General's Office has developed a draft law that would address these obstacles prior to launching the new system. Meanwhile, the Comptroller has increased significantly cross-checking examinations of net worth declarations using a case-by-case approach to data access.

26. Paraguay is making progress in strengthening its AML/CFT framework and these efforts should continue. With IMF support, SEPRELAD (the Financial Intelligence Unit) is enhancing its capacity to conduct both operational and strategic analysis. Efforts are also underway to reduce defensive Suspicious Transaction Reports (STRs) and ensure that reports provide useful and actionable information. On the supervisory side, agencies with AML/CFT responsibilities are strengthening their risk-based supervisory frameworks, with recent progress expanding to the real sector, gaming operators, and cooperatives. To sustain this momentum, strong political support is essential. The authorities should address remaining technical deficiencies in the legal framework (AML Law 1015) to bring it in line with international standards, expedite the approval of the updated National Risk Assessment, and ensure that relevant AML/CFT agencies are adequately resourced and empowered to carry out their mandates effectively (PS ¶18).

27. The work on revamping the Insolvency Law to ensure timely and transparent business resolution should continue. The draft law has been through several iterations incorporating comments from various stakeholders but it is delayed as other legislative initiatives have taken priority (**October 2025 RT**). A stronger insolvency framework, including facilitating corporate restructurings and limiting unnecessary liquidations, would further enhance the business environment. The reform remains on the authorities' agenda, and they plan to continue engaging with relevant stakeholders (PS ¶15).

Pillar III (Enhance Social Protection and Inclusiveness)

28. Efforts to increase formal employment continue. After a labor formalization campaign that ended in January 2025, the President approved in August decree No. 4416 on the Integrated Strategy for the Formalization of Employment 2025-2028 (PS ¶21). Built through tripartite and inter-institutional dialogue, this public policy aims to promote formal employment, reduce informality, and improve working conditions. It aims to simplify regulations, strengthen control and education in labor rights, incorporate technological innovation, and articulate policies that facilitate access to formal and quality employment. The objective is to increase the number of social security contributors over 2025-2028 by 6 percent. The decree also creates an inter-institutional commission responsible for facilitating coordination and promoting social dialogue during the implementation of the strategy.

29. The transition to a digital economy should help increase financial inclusion. With 70 percent of small businesses still operating informally, the authorities plan to boost formalization, e-commerce growth, and digital entrepreneurship through the Digital Economy Accelerator Plan. The Digital Agenda of Paraguay outlines a national strategy to modernize digital infrastructure and promote formalization in the digital economy, including through free digital training for entrepreneurs, expansion of internet access and 5G infrastructure, and government-Fintech partnerships. The authorities are also working on the financial inclusion of Micro, Small and Medium-Sized Enterprises (MSMEs). The recent regulation of the law on MSME seeks to simplify procedures, facilitate their access to financing, and improve their legal categorization. The National Development Bank and the Development Finance Agency have developed a Financial Strengthening Program that improves conditions for access to credit for operating capital, investment, and debt refinancing, offering lower rates, longer terms, and more flexible requirements.

30. Social protection and inclusion policies are helping safeguard vulnerable populations. Zero Hunger program guarantees free daily meals to more than 1 million students, distributed across 7,036 educational institutions in 263 districts across the country, achieving 100 percent coverage through ninth grade and through the third year of secondary education in 22 districts. The authorities advanced on the RT on the launch of the system for recording the cases of violence against women and establishing a single registry (**September 2025)**. The IT system is ready; however, the RT was not met as establishing a single registry requires first sorting out legal impediments to data sharing across institutions (PS ¶20). The Personal Data Protection Act, approved by Congress in November, will strengthen the legal framework for this information sharing. Currently, case registration is carried out through separate registries, which will be integrated into a single registry upon completion of the reform. The Ministry of Women is working to enhance coordination with the Office of the Public Prosecutor, Justice Courts and the National Police.

B. RSF: Strengthening Resilience to Natural Disasters

Reforms under the RSF are helping strengthen Paraguay's macroeconomic resilience and reduce medium- to long-term balance of payments risks by (i) making public investment more resilient to natural disasters, (ii) enhancing the regulation to facilitate sustainable investment and preserve financial stability against climate risks, (iii) preserving and expanding Paraguay's renewable electricity matrix, (iv) containing fuel and petroleum product imports, and (v) improving governance over forests, a critical sector for economic and exports diversification in the country.

31. Most reform measures have been implemented (Annex I), and significant progress has been made on the remaining 4 with 1 completed in this review (PS ¶22):

- **ANDE's financial sustainability for the preservation and expansion of the clean electricity matrix (RM5 and RM6).** ANDE has published a comparative study of its costs against regional benchmarks prepared by the IDB and a regional consulting firm. Alongside this study, ANDE published the external audit of its financial statements for 2022 and 2023 **(RM5)**. The cost study and the external audit along with ANDE's loss reduction plan (RM8, Second Review) have supported the development of transparent methodologies, also with the support of IDB and the same firm, for adapting ANDE's electricity tariffs to adequately reflect its operating and investment costs. ANDE is preparing a gradual implementation plan, which the authorities need time to evaluate and approve before its implementation in 2026 **(RM6)**. This in turn will help strengthen ANDE's financial sustainability, facilitate the financing of its investment needs, and support the expansion of the clean energy matrix in the country.
- **Containing imports of fossil fuels (RM9 and RM10).** The submission of the draft law for an explicit carbon tax[9] **(RM9)** has been postponed owing to higher legislative priorities in the authorities' reform agenda and to allow more time for ongoing technical evaluations and preparations at DNIT and MIC, while the existing excise taxes on liquid fuels act as an implicit carbon tax. The electrification of private and public transportation, powered by abundant domestic clean electricity, has the potential to significantly reduce the economy's reliance on imported fossil fuels. The authorities prepared a draft amendment to the electromobility law to introduce caps on tax incentives and eliminating exemptions for micro hybrid vehicles therefore reducing tax expenditures, but they have postponed its submission to Congress given current priorities on the legislative agenda. ANDE called for bids for the acquisition of 30 new charging units for cars that will be deployed across the country to further support private electromobility. Eight charging units for electric buses have been installed which will support a pilot program with 30 public electric buses in the metropolitan area of Asunción. The regulatory framework for the private sector operation of the government's charging units and buses in this pilot will inform the plans for increasing overall electrification of public transport as reflected in a recently published white paper. The paper also includes targets for an increased share of electric buses in

[9] The draft law envisages replacing selective taxes on the consumption of diesel, gasoline, and LPG with an explicit carbon tax.

the metropolitan area of Asuncion **(RM10)**. These efforts are part of the reform of the public transportation system underpinned by the draft law currently in Congress.

PROGRAM MODALITIES AND CAPACITY DEVELOPMENT

32. Access. The PCI expires on February 20, 2026, with November 1, 2025, as the last review date. The RSF arrangement also expires on February 20, 2026. RSF access amounts to SDR 302.1 million or 150 percent of quota. Based on the completion of RMs up to the third review, 32.5 percent of quota, or SDR 65.46 million, remain available for disbursement as the authorities requested disbursement only of 72.5 percent of quota, or SDR 146 million, in the previous review based on the completion of RM4, RM7, RM8, RM11, RM12 and RM13.[10] The authorities have requested a disbursement of 42.5 percent of quota, or SDR 85.6 million, upon the completion of this review based on the completion of RM1, RM2 and RM3 up to the third review, and RM5 in this review.

33. Financing assurances and capacity to repay the Fund. The program is fully financed for the next 12 months. Staff assess that the authorities' prospective policies deliver a projected post-program performance that adequately safeguards repayments to the Fund and is consistent with a sustainable debt path. Paraguay's outstanding credit is projected to rise to 115.0 percent of quota (or 0.6 percent of GDP) in 2026 if the RSF arrangement, with the exception of RM6, RM9 and RM10, is completely disbursed (Table 8). The assessment is anchored in debt ratios forecasted to decline and then stabilize over the medium term, an overall low risk of sovereign stress, and the government's track record of implementing reforms and prudent macroeconomic management. Obligations to the Fund are expected to stay at or below 0.1 percent of exports of goods and services, 0.3 percent of government revenue, and 0.3 percent of gross international reserves throughout the repayment period.

34. Safeguards Assessment. Progress in addressing the recommendations from the 2024 safeguards assessment remains gradual (PS ¶19). Efforts to enhance decision-making through increased delegation and improving the composition of the Audit Committee are advancing. Further work is needed to transform the Audit Committee into a truly independent oversight body. Additionally, legal reforms remain necessary to strengthen aspects of the BCP's autonomy and governance arrangements. Other outstanding recommendations, including those related to strengthening the internal audit function and aligning its practices with international standards, are also progressing.

35. Capacity development and data. Fund CD support remains closely aligned with the programs' priorities and the authorities' reform objectives. It focuses, inter alia, on domestic revenue mobilization, cybersecurity, forex operations and liquidity, macroprudential policies, securities

[10] See Staff Report and Program Statement for the 5th Review of the PCI and 3rd Review of the RSF for the justifications for the partial disbursement under the RSF.

markets, national accounts, and balance of payments. Paraguay is a pilot country under the Fund-Bank Joint Domestic Resource Mobilization Initiative. There is an ongoing CD jointly provided by the Fund and Bank on the local currency bond market development while a series of CDs have been provided to increase tax collection capacity and efficiency of public expenditure since the inception of the initiative. Paraguay is a subscriber to the IMF's Special Data Dissemination Standard (SDDS) since 2024.

STAFF APPRAISAL

36. Paraguay's economy remains resilient despite global uncertainty. Real GDP growth is expected to stay robust in 2026 and thereafter, supported by macroeconomic stability and a wide range of reforms in train supported by the PCI and RSF arrangements. Inflation is under control and is expected to reach the central bank's target of 3.5 percent in 2026, justifying a data-driven approach to monetary policy. The external current account is expected to weaken short-term due to FDI-related imports but should strengthen over the medium term as new exports come on stream. Foreign reserves remain above adequacy thresholds. Risks are balanced, with weather shocks as a salient downside risk, and stronger-than-anticipated FDI as a key potential upside.

37. Completing the fiscal consolidation plan remains essential for maintaining macroeconomic stability. The authorities are making steady progress towards reducing the fiscal deficit to 1.5 percent of GDP by 2026 and remain committed to fulfilling this objective. Continuing efforts to strengthen tax collection, enhance government efficiency, and addressing the sustainability of the public pension system should help create space for development priorities while supporting fiscal consolidation goals. Efforts to improve public financial management are welcome, and sustaining momentum in this area is vital to reinforce credibility in fiscal policy implementation.

38. Sustaining the structural reform momentum will further underpin macroeconomic stability and foster sustainable, inclusive growth. The authorities have advanced a comprehensive reform agenda focused on strengthening governance and anti-corruption frameworks, developing domestic capital markets, improving the civil service, enhancing government efficiency and oversight, strengthening the National Directorate of Tax Revenues, enhancing the supervision and sustainability of private pension funds, facilitating private investment, safeguarding property rights, digitizing the national payment system, and bolstering resilience to natural disasters. Continued progress with structural reforms, including sustaining the implementation pace, is essential to further improve the investment climate.

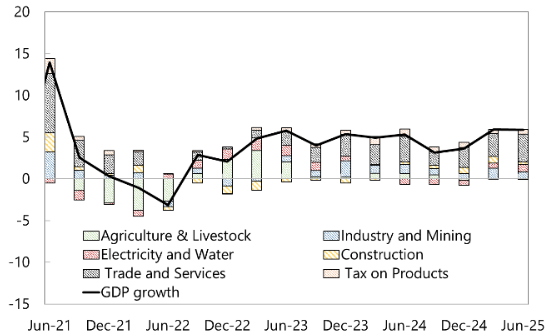
39. Staff support completion of the sixth review under the PCI and fourth review under the RSF arrangement. The PCI remains on track to meet its objectives despite some missed targets, given compensating factors and the authorities' policy commitments. Based on the completion of RM1, RM2, and RM3 in past reviews and RM5 in this review, staff supports the authorities' request for the disbursement of SDR 85.6 million, or approximately USD 117 million under the RSF.

40. It is recommended that the Article IV consultation reverts to the standard 12-month cycle.

Figure 1. Paraguay: Recent Developments

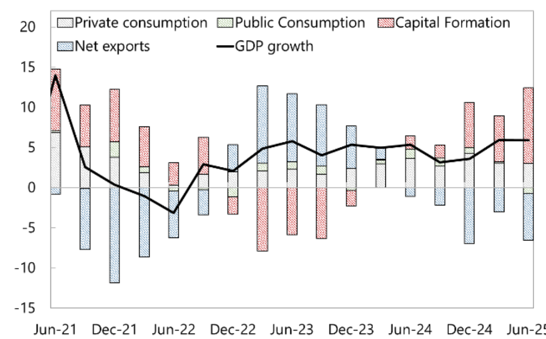
Economic activity continued to be robust in 2025.

Aggregate Supply Growth Decomposition
(In Percent, Y/Y)



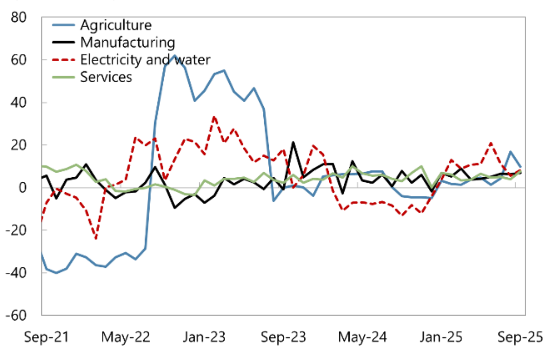
Consumption and investment have been a strong driving force.

Aggregate Demand Growth Decomposition
(In Percent, Y/Y)



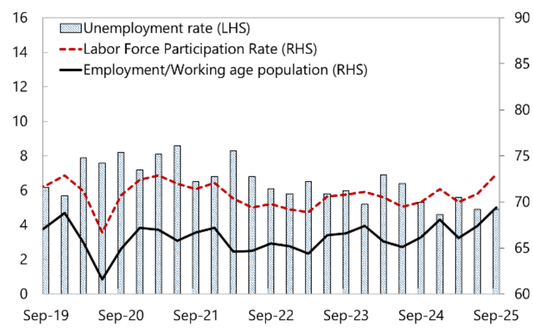
Agricultural production is still recovering from the 2024 drought.

IMAEP by Sector
(In Percent, Y/Y)



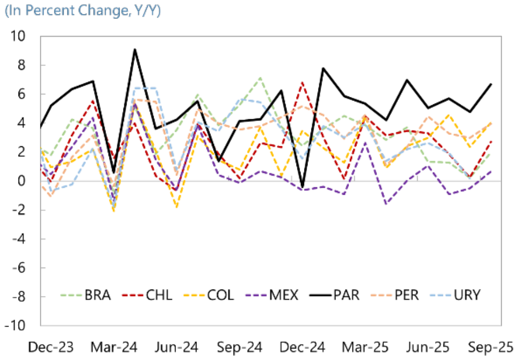
Unemployment remains low, while employment and labor force participation increased to pre-pandemic levels.

Labor Market
(In Percent)



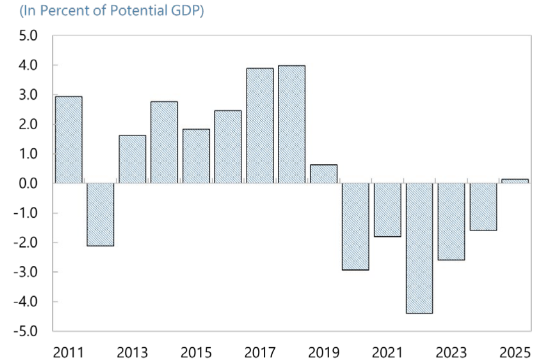
Economic activity continues to outperform regional peers.

Monthly Economic Indicator
(In Percent Change, Y/Y)



The output gap has closed.

Output Gap
(In Percent of Potential GDP)

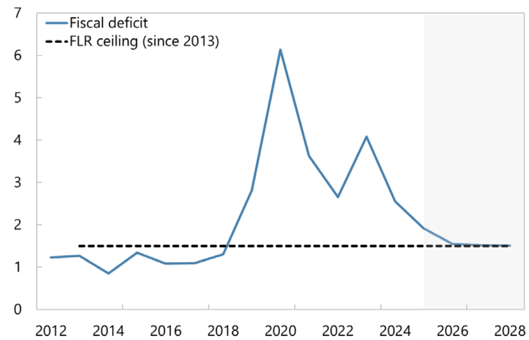


Sources: BCP; Ministry of Economy and Finance; Haver analytics, and IMF staff calculations.

Figure 2. Paraguay: Fiscal Developments

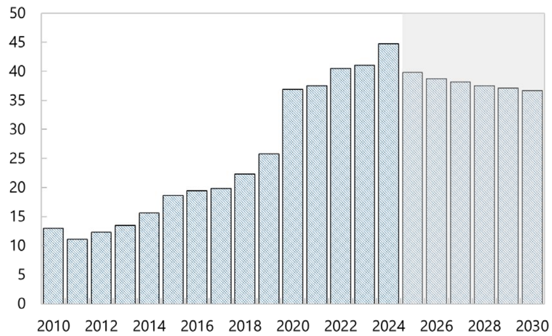
Fiscal consolidation aims to reduce the deficit to the Fiscal Responsibility Law ceiling by 2026.

Central Government Fiscal Deficit
(In Percent of GDP)



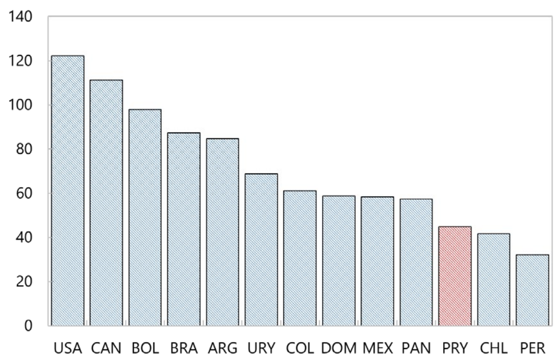
Public debt increased substantially after the pandemic but is expected to gradually decline....

Public Debt
(In Percent of GDP)



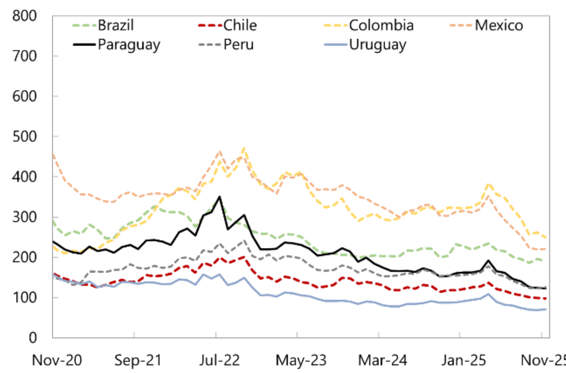
... and is still low compared to other countries in the region.

Public Debt, 2024
(In Percent of GDP)



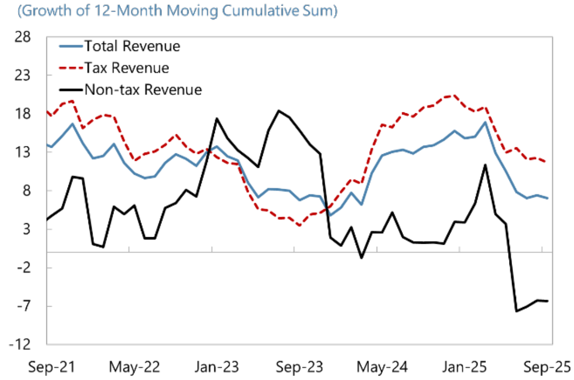
Paraguay's credit spreads have been converging towards other investment grade countries.

Sovereign Spreads
(In Basis Points)



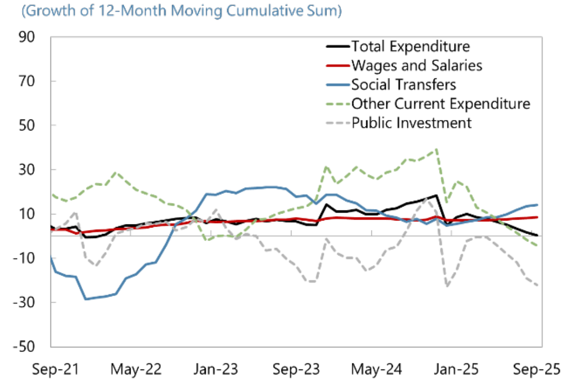
Supported by strong tax collections, total revenue continues to perform robustly.

Central Government Revenue
(Growth of 12-Month Moving Cumulative Sum)



Higher expenditure growth was offset by lower public investment.

Central Government Expenditure
(Growth of 12-Month Moving Cumulative Sum)



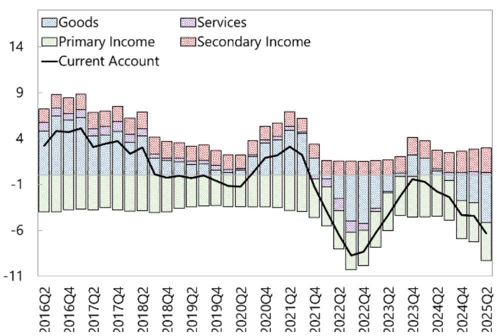
Sources: Ministry of Economy and Finance; Bloomberg; WEO; and IMF staff estimates.

Figure 3. Paraguay: External Sector Developments

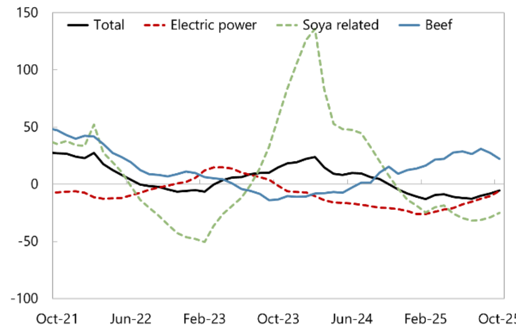
The current account deficit widened in 2025 owing to import growth outpacing exports growth….

…as electricity exports are growing modestly and international soy prices remain low. Meat exports, however, are expanding rapidly.

Current Account Balance
(In Percent of GDP)



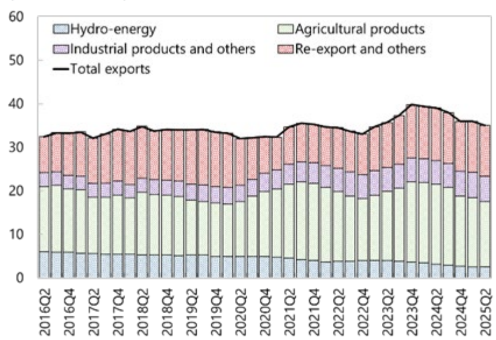
Exports of Goods
(Growth Rate in Percent, 12-Month Moving Average)



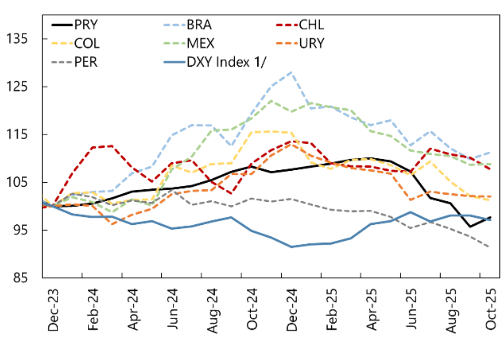
Agricultural products remain the primary source of export revenue.

The nominal exchange rate appreciated in 2025 in the context of a global weakening of the U.S. dollar.

Composition of Goods Export Revenues
(In Percent of GDP)



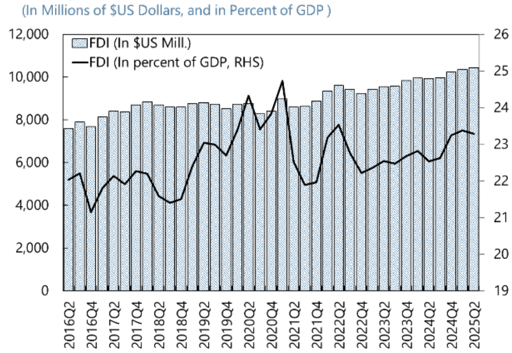
Nominal Exchange Rate
(Local Currency per US$, Index Dec 2023 = 100, End of Period)



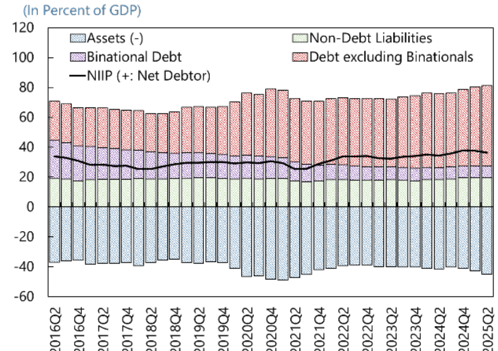
Foreign direct investment increased slightly.

The net international position remained stable.

Foreign Direct Investment Stock
(In Millions of $US Dollars, and in Percent of GDP)



Net International Investment Position
(In Percent of GDP)



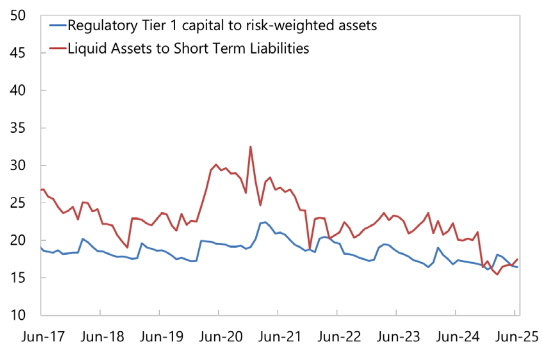
Sources: BCP; and IMF staff calculations.

1/ An increase in the DXY index represents a depreciation of the U.S. dollar against other major currencies.

Figure 4. Paraguay: Financial Sector Developments

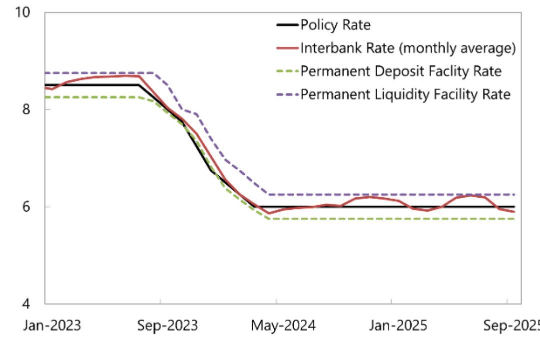
Banks' capitalization levels remain stable although liquidity levels have declined from post-pandemic peaks....

Capital Adequacy and Liquidity
(In Percent)



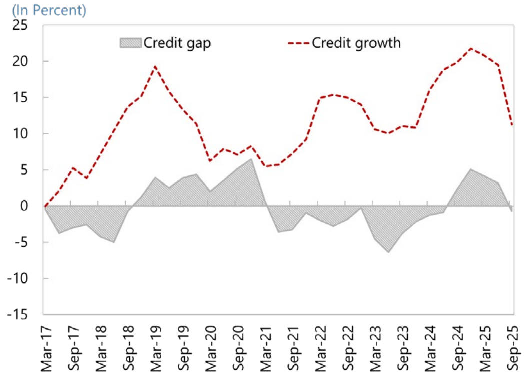
...leading to the interbank rate to temporarily hit the ceiling of the monetary policy rate corridor.

Interest Rates
(In Percent)



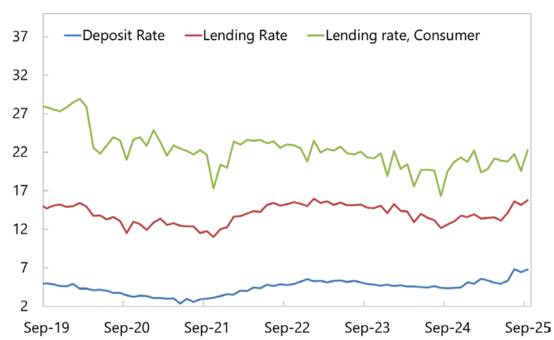
The credit gap closed as credit growth moderated

Credit to GDP Gap
(In Percent)



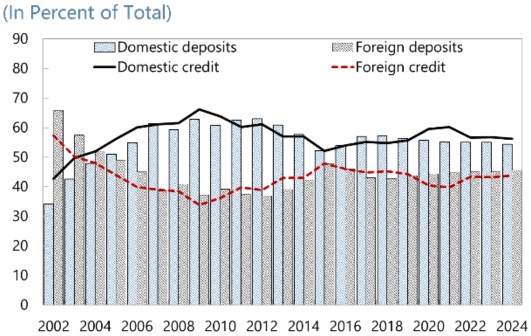
Guarani rates increased in mid-2025 reflecting tighter liquidity

Lending and Deposit Rates
(Local currency; in Percent)



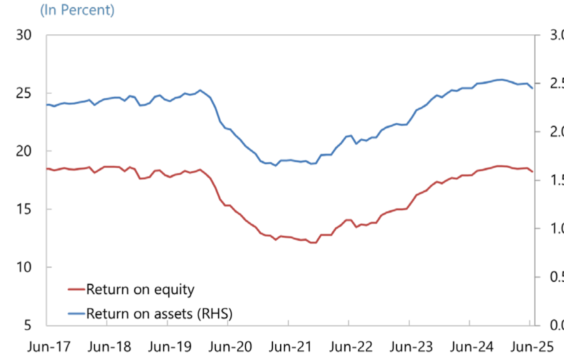
The level of dollarization of deposits and loans has been stable over the past decade and lending broadly mirrored the currency composition of deposits.

Assets and Liabilities
(In Percent of Total)



Bank profitability remains stable.

Bank Profitability
(In Percent)



Sources: BCP; and IMF staff calculations.

Table 1. Paraguay: Timeline of the RSF Reviews and Reform Measures Completion

	Dec 2023	June 2024	Dec 2024	May 2025	November 2025
	RSF Approval	RSF 1st Review	RSF 2nd Review	RSF 3rd Review	RSF 4th Review
Key Challenge 1: Public investment is not resilient to climate shocks			Met **RM1:** MEF to amend and publish the Decree 4436/20 to incorporate **climate aspects** at each stage of project **development of public investment projects** (appraisal, selection, external audit etc.) in line with Fund TA recommendations.		
Key Challenge 2: Lack of financial resources to support adaptation and mitigation efforts			Met **RM2:** MEF and BCP to publish a **green taxonomy** aligned with Paraguay's NDC.		
Key Challenge 3: Vulnerability of financial sector to climate shocks				Met **RM3:** BCP to: (i) establish reporting requirements and a data repository for material climate-related exposures of banks; (ii) adopt a framework to monitor and assess **climate-related financial risks** for banking sector; and (iii) issue **supervisory guidelines for banking sector to incorporate climate-related risks** to their risk management frameworks, along with timelines for the adoption of the guidelines.	
Key Challenge 4: Preservation and expansion of clean electricity matrix		Met **RM4:** MOPC and VMME to enact **regulation of** the non-conventional **renewable energy law** 6977/2023, including (1) the specification / rationalization of economic incentives, (2) technical aspects (i.e., requisites to connect to the national interconnection system, detailed criteria for licenses, and conditions that would enable an effective development of non-hydro non-conventional renewable energy through all the defined players (generators, co-generators, self-providers, and exporters)).			Met **RM5:** ANDE to publish an **external audit and a study of international benchmarks** for its costs at different segments of its operations and efficiency parameters by an internationally reputed firm.
		Met **RM7:** MOPC/VMME and MIC to establish by decree energy **efficiency standards** for the three appliances that represent the largest share of household electricity consumption in line with international benchmarks by the International Organization for Standardization.	Met **RM8:** ANDE and MOPC/VMME to **develop, publish, and gradually implement a plan for ANDE loss reduction** with quantitative targets, to install 20,000 smart meters to reduce non-technical electricity losses. 8b. ANDE to implement progressively hourly/dynamic tariffs. 8c. ANDE to increase inspections against electricity theft by 10 percent above same period in 2023.		Not met **RM6:** ANDE to **develop, publish, and gradually adopt transparent and well-specified methodologies for** adapting **electricity tariffs** in line with Law 966/64, accounting for operating costs, the financial costs of projected capital spending needs for preserving and expanding the clean electricity matrix, and efficiency gains on the basis of the results of the external audit and study by an internationally reputed firm (RM5), and the evolution of losses according to the plan in RM8.
Key Challenge 5: C02 emissions from the transport and residential sectors					Not met **RM9:** MEF, in coordination with DNIT, to adopt an **explicit carbon tax** replacing existing excise taxes on liquid fuels.
					Not met **RM10:** MOPC/VMME-VMT, MIC and MEF to enact regulation of the **Electromobility Law** 6925/2023, and to adjust fiscal incentives in favor of electric vehicles. MIC, MOPC/VMT and ANDE to install **additional electric public charging infrastructure**. VMT to lead the selection of the **operational model and develop regulations for electric public transportation** in the metropolitan area of Asuncion and set targets for an increased share of electric buses in the metropolitan area of Asuncion.
Key Challenge 6: Conservation of forests		Met **RM11:** INFONA, MADES, MOPC/VMME, and MAG to replace the Decree 4056 of 2015 to create the **registry of industrial biomass users and establish the prerequisites for the use of biomass**. INFONA, MADES, National Police and SENAD will regulate and implement a decree to create **joint intervention protocols for land use change using the National Forest Monitoring System**. The institutions in charge of the protocol will coordinate with other institutions of the Estate, including the Attorney General, to ensure the interventions in the protocol.			
		Met **RM12:** INFONA to change its normative framework aiming at strengthening its **institutional and financial capacities to protect native forests and respond to deforestation alerts**. This includes the creation of a National Directorate for the National Forest Monitoring System.			
Key Challenge 7: Contain methane emissions				Met **RM13:** MIC to enact regulation of the law 7014/2022 that promotes the **reutilization, recycling, and use of plastic** (polyethylene terephthalate) **containers**.	

Table 2. Paraguay: Selected Economic and Social Indicators

Population 2024 (millions)	6.4	Gini index (2023)	44.4
Unemployment rate (2025Q3)	4.9	Life expectancy at birth (2023)	74.0
(of which, female: 6.3; male: 3.8)		Adult literacy rate (2020)	95.0
Percentage of population below the poverty line (2024)	20.1	(of which, female: 94.0; male: 95.0)	
Rank in UNDP development index (2022)	102 of 193	GDP per capita (US$, 2024)	6,976

				2025		2026		Proj.			
	2022	2023	2024	Proj.	CR 25/161	Proj.	CR 25/161	2027	2028	2029	2030
	(Annual percent change, unless otherwise indicated)										
Income and Prices											
Real GDP	0.2	5.0	4.2	5.3	3.8	3.8	3.5	3.5	3.5	3.5	3.5
Nominal GDP	8.2	7.3	6.9	9.2	6.4	7.5	7.0	7.0	7.0	7.0	7.0
Per capita GDP (US$ thousands)	6.7	6.8	7.0	7.6	6.5	8.4	6.8	8.8	9.3	9.7	10.2
Consumption (contribution to growth)	1.2	2.7	4.2	2.4	2.0	2.2	2.2	1.0	1.3	1.3	1.4
Investment (contribution to growth)	2.5	-5.5	2.4	3.7	0.4	2.7	1.6	1.4	1.6	1.6	1.7
Net exports (contribution to growth)	-3.6	7.7	-2.4	-0.8	1.4	-1.1	-0.3	1.1	0.6	0.6	0.4
Consumer prices (end of period)	8.1	3.7	3.8	4.0	3.7	3.5	3.5	3.5	3.5	3.5	3.5
Nominal exchange rate (LC$/US$, eop) 5/	7,331	7,274	7,828	7,057	...	...	...	...	...	...	...
Monetary Sector											
Credit to private sector 1/	11.6	10.1	17.5	11.2	16.5	10.1	15.0	8.8	8.5	7.9	7.9
Monetary policy rate, year-end 5/	8.5	6.8	6.0	6.0	...	...	...	...	...	...	...
External Sector 2/											
Goods exports	-3.1	25.8	-7.9	7.3	5.9	2.7	3.6	4.4	4.5	2.6	3.5
Goods imports	16.7	4.6	3.2	9.9	2.3	3.3	3.0	1.1	1.6	0.5	1.7
Terms of trade	-6.8	-3.2	-4.3	0.9	-0.2	2.0	0.7	-0.5	0.2	-0.1	-0.1
Real effective exchange rate 3/	1.9	-3.0	0.4	...	...	...	...	...	...	...	...
	(In percent of GDP, unless otherwise indicated)										
Current account balance	-7.0	-0.3	-3.4	-3.6	-2.4	-3.8	-2.8	-2.9	-2.1	-1.5	-1.0
Trade balance	-5.0	1.7	-1.9	-2.3	-0.9	-2.4	-0.9	-1.5	-0.8	-0.3	0.1
Exports	35.7	43.1	39.4	38.6	40.6	35.5	39.5	34.9	34.3	33.3	32.5
Of which: Electricity	4.0	3.6	2.7	2.5	3.0	1.9	2.9	1.8	1.9	1.7	1.5
Imports	40.7	41.4	41.3	40.9	41.5	38.0	40.4	36.4	35.0	33.6	32.5
Of which: Oil imports	5.5	4.3	4.6	3.8	3.9	3.2	3.6	3.1	3.1	3.1	3.1
Capital account (net)	0.4	0.4	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Financial account (net)	-6.1	-2.0	-3.5	-4.2	-2.5	-3.9	-2.9	-2.9	-2.1	-1.6	-1.1
Of which: Direct investment (net)	-1.9	-0.8	-0.8	-1.2	-0.8	-1.5	-1.6	-1.4	-1.2	-1.0	-1.0
Gross international reserves (in US$ millions)	9,520	9,893	9,568	10,068	9,818	10,368	10,093	10,668	10,968	11,293	11,643
In months of next-year imports of goods and services	6.4	6.5	5.8	5.9	6.1	6.0	6.1	6.0	6.1	6.2	6.2
Ratio to short-term external debt	2.1	2.0	1.6	2.1	2.1	2.0	2.0	2.0	1.9	1.9	2.0
Saving and Investment											
Gross domestic investment	27.7	20.2	22.8	25.1	22.4	26.6	23.2	27.1	27.6	28.2	28.9
Gross domestic saving	20.7	19.8	19.4	21.5	20.0	22.8	20.4	24.2	25.6	26.8	27.9
Central government finances 4/											
Revenues	14.3	14.0	15.1	14.8	15.3	14.9	15.3	14.9	15.0	15.0	15.0
Of which: Tax revenues	10.2	10.1	11.4	11.5	11.6	11.7	11.7	11.9	12.0	12.1	12.2
Expenditures	17.0	18.1	17.7	16.7	17.2	16.4	16.8	16.4	16.4	16.4	16.5
Of which: Compensation of employees	6.5	6.5	6.5	6.5	6.5	6.4	6.4	6.3	6.2	6.1	6.0
Of which: Net acquisition of non financial assets	2.9	2.6	1.9	1.5	1.7	1.3	1.7	1.6	1.7	1.9	2.0
Net lending/borrowing	-2.7	-4.1	-2.6	-1.9	-1.9	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5
Primary balance	-1.4	-2.4	-0.6	0.1	0.2	0.4	0.6	0.4	0.4	0.3	0.2
Public sector debt (excl. Central Bank bills)	40.5	41.1	44.8	40.8	45.0	40.0	44.2	39.5	39.0	38.6	38.1
Of which: Foreign currency	36.2	35.9	38.1	33.8	39.5	32.8	38.8	31.9	31.6	30.8	30.0
Of which: Domestic currency	4.3	5.2	6.7	6.9	5.5	7.2	5.5	7.6	7.4	7.7	8.1
Memorandum Items:											
GDP (billions of guaranies)	292,947	314,282	336,114	366,995	357,554	394,611	382,583	422,135	451,685	483,303	517,134
GDP (US$ billions)	42.0	43.1	44.5	...	...	...	...	...	...	...	...

Sources: Central Bank of Paraguay; Ministry of Finance; World Bank; and IMF staff estimates and projections.

1/ Includes local currency credit and foreign currency credit.

2/ BOP is prepared under BPM6 since 3rd review of the PCI onwards.

3/ Average annual change; a positive change indicates an appreciation.

4/ SDR 146 million (about USD 199 million) were disbursed in 2025 under the RSF and SDR 85.6 million (about USD 117 million) are expected to be disbursed in 2026 following the completion of this review.

5/ Data as of end-November 2025.

Table 3a. Paraguay: Operations of the Central Government

(GSFM2001 Presentation) (In billions of guaranies)

			2025		2026		Proj.			
	2023	2024	Proj.	CR 25/161	Proj.	CR 25/161	2027	2028	2029	2030
				(In billions of Guaranies, unless otherwise indicated)						
Revenue	**43,942**	**50,882**	**54,313**	**54,607**	**58,721**	**58,548**	**63,055**	**67,584**	**72,298**	**77,388**
Taxes	31,750	38,210	42,370	41,398	46,261	44,597	50,422	54,405	58,676	63,273
Income taxes	8,165	10,631	11,559	11,648	12,863	12,708	13,850	14,868	16,117	17,471
Excises	3,139	3,721	4,163	3,983	4,400	4,238	4,817	5,293	5,816	6,281
Value added tax	16,963	19,385	21,608	21,037	23,652	22,714	25,810	27,836	29,765	31,848
Import duties	2,980	3,680	4,174	3,886	4,413	4,033	4,948	5,341	5,837	6,451
Other	502	794	867	844	932	904	997	1,067	1,141	1,221
Social contributions	3,710	3,240	3,462	3,430	3,699	3,649	3,943	4,204	4,483	4,780
Other revenue	8,483	9,432	8,481	9,779	8,762	10,302	8,690	8,974	9,139	9,335
Grants	1,810	1,937	1,903	2,132	2,046	2,282	2,189	2,342	2,506	2,682
Itaipu-Yacyreta	2,213	2,501	2,479	3,022	2,400	3,124	2,350	2,433	2,430	2,431
Other nontax revenue	4,460	4,995	4,099	4,625	4,316	4,896	4,151	4,199	4,203	4,222
Expenditure	**56,770**	**59,463**	**61,312**	**61,473**	**64,792**	**64,452**	**69,297**	**74,150**	**79,348**	**85,082**
Expense	**48,506**	**53,104**	**55,682**	**55,559**	**59,804**	**58,124**	**62,399**	**66,363**	**70,339**	**74,977**
Compensation of employees	20,524	21,993	23,720	23,280	25,105	24,303	26,511	28,002	29,577	31,240
Purchases of goods and services	6,111	6,679	5,569	5,864	7,501	5,656	6,184	6,790	7,274	8,025
Interest	5,217	6,633	7,245	7,578	7,575	8,256	7,872	8,268	8,577	8,956
Grants	5,172	5,998	6,409	6,341	6,769	6,738	7,118	7,489	7,880	8,290
Social benefits	9,162	9,608	11,016	10,630	11,844	11,374	12,987	13,966	15,056	16,351
Other expense	2,321	2,193	1,724	1,866	1,009	1,797	1,727	1,848	1,977	2,115
Gross Operating Balance	**-4,564**	**-2,222**	**-1,369**	**-952**	**-1,083**	**424**	**656**	**1,220**	**1,959**	**2,410**
Net acquisition of nonfinancial assets	8,264	6,358	5,630	5,914	4,988	6,328	6,898	7,787	9,009	10,105
Net Lending/Borrowing (Overall Balance)	**-12,828**	**-8,580**	**-6,999**	**-6,866**	**-6,071**	**-5,904**	**-6,242**	**-6,567**	**-7,050**	**-7,695**
Net Financial Transactions	**12,828**	**8,580**	**6,999**	**6,866**	**6,071**	**5,904**	**6,242**	**6,567**	**7,050**	**7,695**
Net Acquisition of Financial Assets	**-527**	**-36**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Financial investments	-1,278	-763	0	0	0	0	0	0	0	0
Net lending	751	727	0	0	0	0	0	0	0	0
Net Incurrence of Liabilities	**10,131**	**15,005**	**6,999**	**6,866**	**6,071**	**5,904**	**6,242**	**6,567**	**7,050**	**7,695**
Domestic	624	4,501	1,277	882	2,964	2,493	3,342	1,027	2,731	3,414
o/w: Debt securities	1,957	1,425	1,277	882	2,964	2,493	3,342	1,027	2,731	3,414
Issuances of TB	2,503	1,460	2,300	1,952	3,132	2,678	3,561	2,825	3,091	5,418
Amortizations	546	35	1,023	1,070	168	184	218	1,798	359	2,005
Foreign	9,507	10,504	5,722	5,985	3,107	3,411	2,900	5,540	4,319	4,281
Disbursements	10,869	12,938	10,913	11,413	7,261	7,971	9,549	9,673	11,306	11,454
of which: RSF disbursement 1/	0	0	1,494	1,533	848	1,664	0	0	0	0
Amortizations	1,362	2,434	5,191	5,429	4,154	4,560	6,649	4,133	6,987	7,172
Statistical Discrepancy 2/	2,170	-6,461	0	0	0	0	0	0	0	0
Memorandum items:										
Primary balance	-7,611	-1,947	247	712	1,505	2,352	1,630	1,702	1,527	1,261
Current primary expenditure	41,723	45,070	47,321	46,778	51,550	48,706	53,410	56,903	60,491	64,666
Change in floating debt 3/	2,289	-3,017	0	0	0	0	0	0	0	0

Sources: Ministry of Finance; Central Bank of Paraguay; and Fund staff estimates and projections.

1/ SDR 146 million (about USD 199 million) were disbursed in 2025 under the RSF and SDR 85.6 million (about USD 117 million) are expected to be disbursed in 2026 following the completion of this review.

2/ Captures the discrepancy between above-the-line calculations and financial accounts.

3/ Consistent with the definition used to monitor the quantitative target.

Table 3b. Paraguay: Operations of the Central Government

(In percent of GDP, unless otherwise indicated)

			2025		2026		Proj.			
	2023	2024	Proj.	CR 25/161	Proj.	CR 25/161	2027	2028	2029	2030
					(In percent of GDP, unless specified otherwise)					
Revenue	**14.0**	**15.1**	**14.8**	**15.3**	**14.9**	**15.3**	**14.9**	**15.0**	**15.0**	**15.0**
Taxes	10.1	11.4	11.5	11.6	11.7	11.7	11.9	12.0	12.1	12.2
Income taxes	2.6	3.2	3.1	3.3	3.3	3.3	3.3	3.3	3.3	3.4
Excises	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.2	1.2	1.2
Value added tax	5.4	5.8	5.9	5.9	6.0	5.9	6.1	6.2	6.2	6.2
Import duties	0.9	1.1	1.1	1.1	1.1	1.1	1.2	1.2	1.2	1.2
Other	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Social contributions	1.2	1.0	0.9	1.0	0.9	1.0	0.9	0.9	0.9	0.9
Other revenue	2.7	2.8	2.3	2.7	2.2	2.7	2.1	2.0	1.9	1.8
Grants	0.6	0.6	0.5	0.6	0.5	0.6	0.5	0.5	0.5	0.5
Itaipu-Yacyreta hydroelectric plants	0.7	0.7	0.7	0.8	0.6	0.8	0.6	0.5	0.5	0.5
Other nontax revenue	1.4	1.5	1.1	1.3	1.1	1.3	1.0	0.9	0.9	0.8
Expenditure	**18.1**	**17.7**	**16.7**	**17.2**	**16.4**	**16.8**	**16.4**	**16.4**	**16.4**	**16.5**
Expense	**15.4**	**15.8**	**15.2**	**15.5**	**15.2**	**15.2**	**14.8**	**14.7**	**14.6**	**14.5**
Compensation of employees	6.5	6.5	6.5	6.5	6.4	6.4	6.3	6.2	6.1	6.0
Purchases of goods and services	1.9	2.0	1.5	1.6	1.9	1.5	1.5	1.5	1.5	1.6
Interest	1.7	2.0	2.0	2.1	1.9	2.2	1.9	1.8	1.8	1.7
Grants	1.6	1.8	1.7	1.8	1.7	1.8	1.7	1.7	1.6	1.6
Social benefits	2.9	2.9	3.0	3.0	3.0	3.0	3.1	3.1	3.1	3.2
Other expense	0.7	0.7	0.5	0.5	0.3	0.5	0.4	0.4	0.4	0.4
Gross Operating Balance	**-1.5**	**-0.7**	**-0.4**	**-0.3**	**-0.3**	**0.1**	**0.2**	**0.3**	**0.4**	**0.5**
Net acquisition of nonfinancial assets	2.6	1.9	1.5	1.7	1.3	1.7	1.6	1.7	1.9	2.0
Net Lending/Borrowing (Overall Balance)	-4.1	-2.6	-1.9	**-1.9**	-1.5	**-1.5**	-1.5	-1.5	-1.5	-1.5
Net Financial Transactions	**4.1**	**2.6**	**1.9**	**1.9**	**1.5**	**1.5**	**1.5**	**1.5**	**1.5**	**1.5**
Net acquisition of financial assets	**-0.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Financial investments	-0.4	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net lending	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Incurrence of Liabilities	**3.2**	**4.5**	**1.9**	**1.9**	**1.5**	**1.5**	**1.5**	**1.5**	**1.5**	**1.5**
Domestic	0.2	1.3	0.3	0.2	0.8	0.7	0.8	0.2	0.6	0.7
o/w: Debt securities	0.6	0.4	0.3	0.2	0.8	0.7	0.8	0.2	0.6	0.7
Issuances of TB	0.8	0.4	0.6	0.5	0.8	0.7	0.8	0.6	0.6	1.0
Amortizations	-0.2	0.0	-0.3	-0.3	0.0	0.0	-0.1	-0.4	-0.1	-0.4
Foreign	3.0	3.1	1.6	1.7	0.8	0.9	0.7	1.2	0.9	0.8
Disbursements	3.5	3.8	3.0	3.2	1.8	2.1	2.3	2.1	2.3	2.2
of which: RSF disbursement	0.0	0.0	0.4	0.4	0.2	0.4	0.0	0.0	0.0	0.0
Amortizations	-0.4	-0.7	-1.4	-1.5	-1.1	-1.2	-1.6	-0.9	-1.4	-1.4
Statistical Discrepancy 1/	0.7	-1.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum Items:										
Primary balance	-2.4	-0.6	0.1	0.2	0.4	0.6	0.4	0.4	0.3	0.2
Output gap 2/	-2.6	-1.6	0.1	-0.2	0.1	0.2	0.0	0.0	0.0	0.0
Cyclically adjusted primary balance 2/	-2.0	-0.3	0.0	0.2	0.4	0.6	0.4	0.4	0.3	0.2
Fiscal Impulse (-Δ Cyclically adjusted primary balance)	1.3	-1.7	-0.4	-0.7	-0.3	-0.4	0.0	0.0	0.1	0.1
Central government gross debt	34.8	38.4	34.7	38.7	34.3	38.2	33.9	33.5	33.1	32.8
Nominal GDP (in billions of Guaranies)	314,282	336,114	366,995	357,554	394,611	382,583	422,135	451,685	483,303	517,134

Sources: Ministry of Finance; Central Bank of Paraguay; and IMF staff estimates and projections.

1/ Captures the discrepancy between above-the-line calculations and financial accounts.

2/ In percent of potential GDP.

Table 4. Paraguay: Balance of Payments 1/
(In millions of U.S. dollars)

	2022	2023	2024	2025	2026	2027	2028	2029	2030
				Proj.					
	(In millions of U.S. dollars, unless otherwise indicated)								
Current account balance	**-2,941**	**-148**	**-1,528**	**-1,761**	**-2,069**	**-1,642**	**-1,262**	**-950**	**-699**
Goods and services	-2,117	733	-866	-1,133	-1,331	-859	-482	-168	36
Goods balance	-1,849	783	-979	-1,463	-1,605	-1,075	-599	-224	97
Credit	12,815	16,125	14,857	15,935	16,366	17,089	17,856	18,322	18,959
Hydroelectricity	1,662	1,549	1,188	1,205	1,044	1,007	1,167	1,087	1,011
Agricultural products	5,951	7,955	7,171	7,384	7,631	7,805	7,982	8,074	8,253
Industrial products and others	2,341	2,373	2,555	1,811	1,840	2,068	2,166	2,250	2,397
Unregistered	810	912	1,162	1,240	1,316	1,396	1,482	1,574	1,670
Re-exports	3,108	4,377	3,913	4,294	4,535	4,812	5,059	5,337	5,627
Debit	14,665	15,342	15,835	17,398	17,971	18,164	18,455	18,546	18,862
Registered Imports	14,606	15,082	15,933	17,076	17,641	17,822	18,100	18,175	18,474
Consumption Goods	4,189	4,437	4,969	5,353	5,398	5,395	5,439	5,560	5,650
Intermediate Goods	5,470	4,576	4,931	5,107	5,135	5,140	5,165	5,235	5,281
Capital Goods	4,947	6,069	6,033	6,616	7,108	7,286	7,496	7,380	7,543
Unregistered Imports	603	726	308	322	331	342	356	371	388
Services (net)	-268	-50	113	331	275	216	118	55	-61
Credit	2,155	2,455	2,654	2,898	2,945	2,947	2,935	3,026	3,073
Debit	2,423	2,505	2,542	2,567	2,670	2,731	2,818	2,970	3,134
Primary income (net)	-1,364	-1,558	-1,471	-1,567	-1,687	-1,733	-1,739	-1,753	-1,760
Secondary income (net)	540	676	810	939	948	951	960	971	1,026
Capital account (net)	**159**	**171**	**220**	**213**	**238**	**251**	**266**	**280**	**296**
Financial account (net)	**-2,546**	**-867**	**-1,534**	**-2,048**	**-2,132**	**-1,690**	**-1,296**	**-995**	**-752**
Direct investment (net)	-803	-324	-335	-595	-793	-815	-738	-653	-679
Portfolio investment (net)	-100	-207	-854	-791	-251	21	-375	-37	-32
Financial derivatives (net)	0	0	0	0	0	0	0	0	0
Other investment (net)	-1,642	-336	-345	-662	-1,088	-897	-184	-304	-41
Net errors and omissions	**99**	**-517**	**-552**	**0**	**0**	**0**	**0**	**0**	**0**
Gross official reserves	**-138**	**373**	**-325**	**500**	**300**	**300**	**300**	**325**	**350**
	(In percent of GDP, unless otherwise indicated)								
Memorandum items:									
Current account balance 2/	-7.0	-0.3	-3.4	-3.6	-3.8	-2.9	-2.1	-1.5	-1.0
Exports of goods and services	35.7	43.1	39.4	38.6	35.5	34.9	34.3	33.3	32.5
Imports of goods and services	40.7	41.4	41.3	40.9	38.0	36.4	35.0	33.6	32.5
Gross Reserves (in US$ Millions)	9,520	9,893	9,568	10,068	10,368	10,668	10,968	11,293	11,643
Gross official reserves (in percent imports of goods and services)	6.4	6.5	5.8	5.9	6.0	6.0	6.1	6.2	6.2
External public debt in percent of GDP 2/	36.2	35.9	39.3	36.0	35.3	34.7	34.6	34.2	33.5

Sources: Central Bank of Paraguay, and IMF Staff Calculations.
1/ BOP is prepared under BPM6 since 3rd review of the PCI onwards.
2/ Based on average exchange rate valuation of GDP.

Table 5. Paraguay: Summary Accounts of the Financial System 1/

(In billions of Guaranies; end-of-period)

	2022	2023	2024	2025	2026	2027	2028	2029	2030
				Proj.					
				I. Central Bank					
Currency Issued	**18,526**	**19,549**	**20,809**	**22,036**	**23,381**	**24,784**	**26,295**	**27,873**	**29,573**
Growth	2.5	5.5	6.4	6.1	6.4	6.2	6.4	6.0	6.1
Net International Reserves /2	**70,068**	**72,230**	**75,083**	**73,807**	**75,831**	**79,047**	**82,316**	**85,849**	**89,663**
In millions of U.S. dollars	9,557	9,930	9,592	10,092	10,392	10,692	10,992	11,317	11,667
Net Domestic Assets	**-50,906**	**-52,045**	**-53,581**	**-48,850**	**-52,384**	**-53,773**	**-54,781**	**-56,223**	**-58,097**
Nonfinancial public sector, net	-10,692	-8,862	-9,687	-8,476	-9,405	-9,405	-9,405	-9,405	-9,405
Credit to banking system, net	-36,733	-38,411	-33,005	-32,290	-33,237	-34,645	-35,673	-37,135	-39,029
Reserve requirements	-16,577	-19,093	-21,693	-22,611	-24,668	-26,346	-27,770	-29,275	-31,044
Free reserves	-4,971	-5,390	-3,907	-2,574	-2,569	-2,602	-2,635	-2,668	-2,703
Monetary control instruments 3/	-15,404	-14,432	-8,754	-8,340	-7,236	-6,933	-6,504	-6,427	-6,518
Other	219	505	1,349	1,235	1,235	1,235	1,235	1,235	1,235
Other assets and liabilities (net)	-4,116	-5,417	-11,588	-9,909	-9,913	-9,896	-9,880	-9,863	-9,846
Capital and reserves	-3,798	-4,990	-12,047	-11,466	-11,464	-11,477	-11,489	-11,502	-11,515
Other assets net 4/	-318	-428	459	1,556	1,551	1,580	1,609	1,639	1,669
				II. Monetary Survey					
Net Foreign Assets	**65,103**	**66,077**	**65,863**	**65,190**	**67,378**	**70,287**	**73,251**	**76,475**	**79,971**
In millions of U.S. dollars	8,880	9,084	8,414	8,913	9,233	9,507	9,781	10,081	10,406
Net Domestic Assets	**146,064**	**169,819**	**207,466**	**228,007**	**246,594**	**265,503**	**287,695**	**309,401**	**332,005**
Credit to the public sector	-17,716	-15,697	-16,320	-15,766	-16,682	-16,667	-16,651	-16,635	-16,618
Credit to the private sector	149,423	164,503	193,211	214,851	236,657	257,444	279,382	301,346	325,029
Other	14,356	21,014	30,575	28,922	26,619	24,726	24,964	24,690	23,594
Broad Liquidity (M4)	**191,397**	**211,677**	**241,321**	**259,910**	**277,523**	**295,879**	**315,047**	**334,469**	**355,429**
Bonds and issued securities	36,492	41,861	51,909	57,198	62,631	66,094	72,081	77,589	82,729
Other monetary liabilities	8,966	10,181	12,245	14,471	16,778	19,613	20,726	21,902	23,255
Central bank securities with private sector	936	1,261	863	592	0	0	0	0	0
Broad Liquidity (M3)	**145,003**	**158,374**	**176,304**	**187,650**	**198,114**	**210,171**	**222,240**	**234,979**	**249,445**
Foreign currency deposits	55,945	62,037	69,501	75,030	79,107	84,441	89,382	94,616	101,127
Money and Quasi-Money (M2)	**89,057**	**96,337**	**106,803**	**112,620**	**119,007**	**125,731**	**132,858**	**140,362**	**148,318**
Quasi-money	46,811	52,701	59,045	63,055	66,523	70,182	74,042	78,114	82,411
Money (M1)	42,246	43,635	47,758	49,565	52,484	55,549	58,816	62,248	65,907
				(Annual percent change)					
M0 (Currency issued)	2.5	5.5	6.4	5.9	6.1	6.0	6.1	6.0	6.1
Credit to the private sector	11.6	10.1	17.5	11.2	10.1	8.8	8.5	7.9	7.9
M1	0.4	3.3	9.4	3.8	5.9	5.8	5.9	5.8	5.9
M2	3.7	8.2	10.9	5.4	5.7	5.6	5.7	5.6	5.7
M3	3.6	9.2	11.3	6.4	5.6	6.1	5.7	5.7	6.2
Of which: Foreign currency deposits	3.4	10.9	12.0	8.0	5.4	6.7	5.9	5.9	6.9
Memorandum Items:									
Total stock of LRMs outstanding 3/	16,340	15,693	9,617	8,932	7,236	6,933	6,504	6,427	6,518
Monetary base 5/	25,574	27,590	30,345	32,043	33,716	35,551	37,584	39,712	41,993
Monetary base, annual growth	3.4	7.9	10.0	5.6	5.2	5.4	5.7	5.7	5.7
Ratio of foreign currency deposits to M3 (percent)	38.6	39.2	39.4	40.0	39.9	40.2	40.2	40.3	40.5
Ratio of foreign currency deposits to total private sector deposits (percent)	40.3	40.7	40.6	41.0	40.7	40.6	40.6	40.7	41.0

Sources: Central Bank of Paraguay; and IMF staff estimates and projections.

1/ Includes banks, finance companies, and the 20 largest cooperatives.

2/ In 2024, historical series was revised as one account was reclassified to other nonresident deposits. In addition, another account was reclassified to non-resident securities as this is a transitory account and is not yet part of the BCP Reserve Assets.

3/ Includes overnight-deposit facility and central bank bills (LRM). A fraction of LRM is held by non-bank institutions.

4/ Includes LRM held by the non-banking sector.

5/ Monetary base comprises currency issued plus legal reserve requirement deposits in guaraní held at the BCP.

Table 6. Paraguay: Gross External Financing Needs and Sources, 2022-26
(In millions of U.S. dollars, unless otherwise indicated)

				Proj.	
	2022	2023	2024	2025	2026
Gross Financing Requirements	**3,472**	**643**	**2,007**	**2,484**	**2,674**
External current account deficit	2,941	148	1,528	1,761	2,069
Debt amortization	531	495	480	723	605
Sources of Financing	**3,472**	**643**	**2,007**	**2,484**	**2,674**
Direct investment (net)	803	324	335	595	793
Medium- and long-term debt disbursements	1,834	1,529	1,818	1,450	1,000
Public sector	1,834	1,529	1,818	1,450	1,000
Official creditors (bi-and multilateral) 1/	1,334	1,029	818	51	383
External sovereign bond financing	501	500	1,000	1,200	500
IMF: RSF financing	0	0	0	199	117
Other capital flows (net), including E&Os	697	-837	-470	939	1,182
Change in gross international reserves	**138**	**-373**	**325**	**-500**	**-300**
Memorandum Items:					
Gross international reserves	9,520	9,893	9,568	10,068	10,368
In percent of ARA metric	175	167	159	161	163
Gross international reserves (excl'g RSF)	9,520	9,893	9,568	9,869	10,251

1/ Paraguay's main official creditors are CAF, IADB, and WB.

Table 7. Paraguay: Financial Soundness Indicators

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
					(In Percent)					
Basic Indicators										
Capital adequacy										
Regulatory capital/risk-weighted assets	18.0	18.5	17.6	17.2	19.1	18.8	17.4	16.5	16.2	16.7
Tier 1 capital/risk-weighted assets	13.4	13.8	13.4	13.5	14.9	15.2	13.9	13.4	12.5	13.1
Asset quality										
NPLs/total loans	2.8	2.7	2.4	2.4	2.3	2.2	2.9	3.0	2.2	2.4
Profitability										
Return on assets	2.2	2.3	2.2	2.4	1.6	1.7	2.0	2.2	2.4	2.4
Return on equity	23.8	24.2	22.5	23.7	15.5	15.3	18.4	21.3	23.4	21.9
Interest Margin/ gross income	8.8	8.5	7.6	7.5	7.0	6.0	6.6	7.1	6.4	6.1
Admin. expenses/operating margin	50.1	50.6	49.5	46.8	50.9	52.3	47.5	44.6	45.1	43.6
Liquidity										
Liquid assets/deposits	40.7	42.5	39.9	36.0	41.1	37.4	36.6	36.5	31.5	29.4
Liquid assets/liabilities	33.0	34.7	31.7	29.6	34.1	31.3	29.8	29.0	24.5	22.9
Market risk										
FX position/equity	8.5	9.6	17.3	15.8	13.9	9.3	9.6	13.3	10.7	10.6
					(In Percent)					
Recommended Indicators										
Capital/total and contingent assets	10.4	10.7	10.9	11.2	10.9	11.9	11.8	11.8	11.5	11.7
Personnel expenses/admin. expenses	45.6	44.9	44.9	44.8	43.9	43.2	41.8	39.5	37.4	37.2
FX deposits/total deposits	47.3	43.9	43.4	44.2	44.4	45.4	45.9	45.8	46.3	45.7

Source: Banco Central del Paraguay and IMF, Financial Soundness Indicators.
Note: Data as of September 2025. Information refers to banks only.

Table 8. Paraguay: Capacity to Repay Indicators, 2025–46 [1/] [2/]

(In millions of SDR, unless otherwise indicated)

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
Fund obligations based on existing credit																						
(in millions of SDR)	4.6	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Principal	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Charges and interest	4.6	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Fund obligations based on existing and prospective credit																						
In millions of SDR	6.1	9.5	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	28.2	31.6	30.8	29.9	29.1	28.2	27.4	26.5	25.7	24.8	5.5
Principal	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	18.9	23.2	23.2	23.2	23.2	23.2	23.2	23.2	23.2	23.2	4.3
Charges and interest	6.1	9.5	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.3	8.5	7.6	6.8	5.9	5.1	4.2	3.4	2.5	1.7	1.2
Total obligations based on existing and prospective credit																						
In millions of SDR	6.1	9.5	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	28.2	31.6	30.8	29.9	29.1	28.2	27.4	26.5	26.8	26.0	6.6
In millions of US dollars	8.2	12.7	12.9	12.9	12.9	13.0	13.0	13.0	13.0	13.0	13.0	38.0	42.7	41.5	40.4	39.2	38.1	36.9	35.8	36.2	35.0	8.9
In percent of gross international reserves	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.0
In percent of exports of goods and services	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0
In percent of debt service	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.0
In percent of government revenue	0.1	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.0
In percent of GDP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
In percent of quota	3.0	4.7	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	14.0	15.7	15.3	14.9	14.4	14.0	13.6	13.2	13.3	12.9	3.3
Outstanding Fund credit																						
In millions of SDR	146.0	231.6	231.6	231.6	231.6	231.6	231.6	231.6	231.6	231.6	231.6	212.7	189.6	166.4	143.2	120.1	96.9	73.8	50.6	27.4	4.3	0.0
In millions of US dollars	194.8	309.7	310.5	311.0	311.6	312.3	312.3	312.3	312.3	312.3	312.3	286.9	255.6	224.4	193.2	161.9	130.7	99.5	68.2	37.0	5.8	0.0
In percent of gross international reserves	2.0	3.1	3.0	2.9	2.8	2.7	2.7	2.6	2.5	2.4	2.3	2.0	1.7	1.5	1.2	1.0	0.8	0.6	0.4	0.2	0.0	0.0
In percent of exports of goods and services	1.1	1.6	1.6	1.5	1.5	1.4	1.3	1.3	1.2	1.2	1.1	1.0	0.8	0.7	0.6	0.5	0.4	0.3	0.2	0.1	0.0	0.0
In percent of debt service	7.6	12.2	10.7	12.1	10.5	10.3	10.5	12.8	12.1	11.5	11.5	10.5	9.4	8.2	7.1	5.9	4.8	3.7	2.5	1.4	0.2	0.0
In percent of government revenue	2.7	3.8	3.6	3.4	3.2	3.1	2.9	2.8	2.6	2.5	2.4	2.1	1.8	1.5	1.2	1.0	0.7	0.5	0.3	0.2	0.0	0.0
In percent of GDP	0.4	0.6	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.3	0.3	0.2	0.2	0.1	0.1	0.1	0.1	0.0	0.0	0.0
In percent of quota	72.5	115.0	115.0	115.0	115.0	115.0	115.0	115.0	115.0	115.0	115.0	105.6	94.1	82.6	71.1	59.6	48.1	36.6	25.1	13.6	2.1	0.0
Net use of Fund credit (in millions of SDR)	146.0	85.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-18.9	-23.2	-23.2	-23.2	-23.2	-23.2	-23.2	-23.2	-23.2	-23.2	-4.3
Disbursements	146.0	85.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and Repurchases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	18.9	23.2	23.2	23.2	23.2	23.2	23.2	23.2	23.2	23.2	4.3
Memorandum items																						
Nominal GDP (in millions of US dollars)	48,831	54,459	57,586	60,806	64,216	67,821	71,563	75,440	79,528	83,838	88,381	93,170	98,218	103,540	109,151	115,066	114,631	119,376	124,319	129,465	134,825	140,407
Exports of goods and services (in millions of US dollars)	18,200	18,819	19,574	20,233	20,960	21,779	23,350	24,495	25,674	26,904	28,189	29,532	30,936	32,303	33,577	34,947	36,554	38,240	40,003	41,848	43,778	45,797
Imports of goods and services (in millions of US dollars)	19,258	19,959	20,263	20,593	21,011	21,644	22,120	22,747	23,442	24,158	24,818	25,603	26,418	27,285	28,213	29,168	33,327	38,571	44,639	51,663	59,791	69,198
Gross International Reserves (in millions of US dollars)	9,818	10,093	10,393	10,693	11,018	11,368	11,718	12,118	12,618	13,118	13,618	14,168	14,718	15,268	15,818	16,368	16,918	17,468	18,018	18,568	19,118	19,668
External Government Debt service (in millions of US dollars)	2,554	2,536	2,891	2,575	2,982	3,020	2,985	2,448	2,586	2,723	2,723	2,723	2,723	2,723	2,723	2,723	2,723	2,723	2,723	2,723	2,723	2,723
Government revenue (in millions of US dollars)	7,245	8,081	8,562	9,076	9,592	10,157	10,632	11,194	11,789	12,413	13,070	13,762	14,490	15,257	16,065	16,915	17,810	18,753	19,746	20,791	21,892	23,050
Quota (in millions of SDRs)	201.4	201.4	201.4	201.4	201.4	201.4	201.4	201.4	201.4	201.4	201.4	201.4	201.4	201.4	201.4	201.4	201.4	201.4	201.4	201.4	201.4	201.4

Source: IMF staff estimates and projections

1/ Based on a drawing scenario under the RSF (Resilience and Sustainability Facility).

2/ Paraguay belongs to the RST interest Group C. Interest based on the RST rate of interest of 3.703 percent as of December 4, 2025.

Annex I. RSF Reform Measures: Content and Impact

First Review

1. RM4: Regulation of the non-conventional renewable energy law 6977/2023. Met.

- The regulation of the non-conventional renewable energy law (RM4) was enacted in February 2024 by the MOPC and VMME establishing the regulatory framework for alternative renewable energy sources, defines reference rates, and specifies permits for different types of generators.

- The government sent to Congress in July a draft law that aims to create the new Ministry of Industry, Commerce, Energy, and Mining and a proposal to modify some articles of the law 6977/2023 on non-conventional renewable energy to support more effective private investments in the electricity sector.

- In the medium term, these reforms would (i) reduce Balance of Payments (BOP) risks with the promotion of investments through lower counterparty risks, and increased regulatory certainty to facilitate the expansion and diversification of the fully renewable electricity matrix in Paraguay; (ii) reduce fiscal risks from the impact of increased droughts on hydropower; (iii) increase productivity, growth, investment, and net exports thanks to increased and reliable supply of electricity in the face of soaring demand.

2. RM11: Registry of industrial biomass users and prerequisites for the use of biomass, and joint intervention protocols for land use change using the National Forest Monitoring System. Met.

3. RM12: Strengthening of INFONA and creation of a National Directorate for the National Forest Monitoring System. Met.

- A registry for industrial biomass users is being developed, setting prerequisites for biomass usage to contain emissions and protect forests following Decree 1788, approved in May 2024, elevating the previous 4056 of 2015 to a presidential decree. Another decree from 2024 regulates the joint intervention protocols for land use change, enhancing coordination among several public agencies to ensure effective responses to illegal land use changes. A third Decree 1745 strengthens INFONA’s capacity to protect native forests and respond to deforestation alerts, including with the Directorate of the National Forest Monitoring System. Moreover, the regulation of the Carbon Credits Law (February 2025) can help mobilize additional financial resources for protecting forests.

- The authorities' quick reaction to fires in the Chaco in 2024 demonstrates the effectiveness of these efforts. Furthermore, INFONA’s monitoring systems enabled the identification and prosecution of those responsible for starting wildfires.

- These RMs are aligned with the National Forest Policy that aims to foster sustainable development, to diversify the economy, energy sources, and exports, and attract foreign investment in the emerging pulp mill industry. This supports long-term promotion of net exports, reduces dependence on fossil fuel imports, and contributes to economic and export diversification.

Second Review

4. RM1: MEF incorporated climate aspects at each stage of public investment projects. Met.

- MEF revised the Decree 4436/20 with the Decree 2882 to include climate-related aspects in the design, selection, and evaluation of public investment projects in November 2024.

- A C-PIMA mission and follow-up FAD STX mission supported this incorporation of climate aspects into the public investment process. MEF with further technical assistance by the World Bank and IMF is working to update and further refine specific guidelines.

- In the long run, resilient public capital, alongside adequate PFM, may improve fiscal and external sustainability due to the reduction of fiscal costs when natural disasters materialize and the need for external financing and import demand for reconstruction. It may also facilitate a quick recovery of growth and net exports after such shocks.

5. RM2: Green taxonomy aligned with Paraguay's NDC. Met

- MEF and BCP, with support from the IDB, have developed and published a Green Taxonomy aligned with Paraguay's Nationally Determined Contributions (NDCs) in December 2024. The Green Taxonomy covers five key sectors: energy, construction, agriculture, cattle ranching, and forestry, with the financial sector and public investment as cross-cutting areas. The taxonomy includes a timeline for incorporating additional sectors in future editions and an implementation plan that is progressing well including ongoing pilots.

- The taxonomy enables the identification of sustainable investment projects for a more resilient economy and helps to improve availability and transparency of information to boost investor confidence and reduce uncertainty, contributing to attracting external capital inflows.

6. RM7: Establishment of energy efficiency standards for household appliances. Met.

- After extensive consultations with the private sector, the government enacted Decree 2853 in November 2024, launching the National Program for Energy Efficiency Labeling. The National Energy Efficiency Committee coordinated by the VMME is implementing the labeling program.

- The committee is working to identify, initially, the three electrical appliances for domestic use with the highest consumption and is coordinating with the competent institutions in the preparation, development, and implementation of the necessary technical regulations for the effective implementation of the minimum efficiency standards in the Paraguayan market for next year.

- Higher efficiency in electricity consumption will contribute in the medium-term to the preservation of Paraguay's fully renewable electricity matrix.

7. RM8: 8a. ANDE loss reduction plan and 20,000 smart meters. 8b. Dynamic tariffs. 8c. Increase inspections. Met.

- ANDE with the support of the IDB and a regional consulting firm has developed and started implementing a comprehensive plan to reduce technical and non-technical losses in 2024. This strategy and the RM include the installation of smart meters—that facilitate the implementation of new regulations (49887 and 49888) for dynamic tariffs to manage demand—and reduce peak costs, and increase inspections to combat electricity theft. The Law 7300 from 2024 that increases penalties for illegal electricity theft and ANDE is evaluating the options for the cryptomining projects once their contracts expire, which will depend on demand and supply at that time, including possibly from private generation facilitated by the draft amendments to the Law on non-conventional renewable energy, currently in Congress.

- The reduction of technical and non-technical losses will enhance ANDE's financial sustainability, reduce fiscal contingent liability to the central government, and help sustain electricity provision in the face of soaring demand. Distribution and transmission losses were 22.04 and 4.01 percent in June 2025, respectively—below the corresponding end-year targets of 22.4 and 5.1 percent.

8. RM13: Recycling plastic containers. Met

- In 2024, the Ministry of Industry and Trade's resolution 1025 that regulates the Law 7014/2022 facilitated the promotion of the private sector's sustainable management and reuse of plastic containers that is aligned with the NDC to contain methane emissions as well as with the National Plan for the Comprehensive Management of Urban Solid Waste.

- Effective waste management in commerce may reduce the demand for imported petroleum products, enhancing BOP stability.

Third Review

9. RM3: Enhancing supervision of financial climate-related risks. Met

- The Superintendency of Banks, with the technical support from the World Bank, analyzed the climate-related risks in the financial sector. This analysis informed the incorporation of these risks into their risk assessment framework early this year (RM3), including amendments to the resolution governing data collection of the credit registry to ensure banks provide geographic information on loan portfolios and associated collateral (Resolutions 22/2025 and 23/2025, and Circular 61/2025), the development of the framework to monitor and assess climate-related financial risks (Resolution 31/2025), and the supervisory guidelines for the banking sector to incorporate climate-related risks into their risk management frameworks, along with timelines for their adoption. The Superintendency of Banks is working with financial institutions to secure implementation following the timeframe of these regulatory enhancements.

- This measure contributes to protecting the stability and integrity of the banking sector in the face of climate risks and developing the capacity to carry out financial stress tests against future climate-related shocks. It would allow the financial system to enhance the measurement of these risks and to reduce losses when those risks materialize, lowering recapitalization needs for banks.

Fourth Review

10. RM5: ANDE's external audit and costs study. Met

- In December, ANDE published an external audit conducted by an internationally reputed firm and a comparative study of its costs against regional benchmarks, prepared by the IDB and a regional consulting firm. Accounting standards have been harmonized, including the revaluation of ANDE's assets related to unpaid electricity by public entities whose obligations were included in the 2026 budget. The cost study is consistent with the results of the audit. Both documents inform the adaptation of electricity tariffs.

11. RM6: ANDE's methodologies for adapting electricity tariffs. Not met

- ANDE with the support of the IDB and a regional consulting firm has developed transparent methodologies for adjusting electricity tariffs in line with Law 966/64. These methodologies, developed with the support of the IDB and a regional consulting firm, account for operating costs, financial costs of projected capital spending, and efficiency gains. The published external audit and comparative cost study (RM5), and ANDE's loss reduction plan (RM8) will support the implementation of these methodologies, ensuring ANDE's financial sustainability and supporting the preservation and expansion of the clean energy matrix in the country. The authorities are evaluating its implementation process, expected in 2026.

- After consistent implementation of these methodologies, ANDE would improve its financial sustainability and may gain access to capital markets without the need for a sovereign guarantee, containing fiscal risks and the need for external financing.

12. RM9: Explicit carbon tax replacing existing excise taxes on liquid fuels. Not Met.

- The government has drafted a law, with technical assistance from the IMF, to introduce an explicit carbon tax on liquid fuels, which would replace the existing excise taxes on diesel, gasoline, and liquefied petroleum gas (LPG) by changing the tax base from liters to carbon content per ton of CO2 equivalent. However, the draft law has not been submitted to Congress as the authorities are prioritizing other legislative reforms in the near term, including economic laws, the public pension reform, and 2026 budget. This postponement allows also more time for ongoing technical evaluations and preparations at DNIT and MIC.

13. RM10: 10a. Regulation of the Electromobility Law, and to adjust fiscal incentives in favor of electric vehicles. 10b. Electric public charging infrastructure and operational model for electric public transportation and targets. Not met

- The government prepared revisions to the Electromobility Law 6925/2023 that adjust fiscal incentives by excluding micro-hybrids from exemptions and add caps based on vehicles' value to contain tax expenditures, but decided to postpone its submission to Congress given other priorities on the legislative agenda in the near term. Eight charging units for electric buses have been installed and will support a pilot program with 30 public electric buses in the metropolitan area of Asunción. The Vice-Ministry of Transport (VMT) published a paper depicting its plans for increasing overall electrification of public transport in the metropolitan area of Asunción and set feasible targets for an increased share of electric buses. The new public transport law in Congress underpins a general reform of the sector.

- ANDE called for bids for the acquisition of 30 new charging units for cars to be deployed across the country, and VMT, after evaluating bids, has selected the operator of the 30 electric buses and 8 charging units and is working to start operations soon. Further electrification of private and public transportation may reduce fuel imports supporting BOP stability.

14. The below table A summarizes how the RMs, taken together, contribute to the medium-term policy outcomes in each reform area covered by the RSF. These are closely related to the expected impact on BOP risk reduction for each reform area (which is also reported in Program Statement's, Table 5).

Annex I. Table 1. Paraguay: RSF RM Ambition Summary Table 1/

Pre-RSF Status	Main reforms: RSF-supported (green) and beyond RSF (blue)	Desired Long-term Policy Outcome
PFM		
Limited consideration of climate change in the budget and management of public assets.	Feasible in next 18 months (RSF duration): • Climate considerations into all stage of project cycle for public investments. Ongoing or future reforms by authorities with the support of development partners: • Update infrastructure maintenance plans. • Budget tagging. • Contingency plans and funds.	Climate factored into the project appraisal, selection, and evaluation process. All climate-related expenditures are tracked in the budget.
Electricity and energy sector reform		
Transmission and distribution losses in the energy sector are high. High reliance on hydro at risk given changing rain patterns. Opaque financial performance of utilities. Energy is not used efficiently, among others due to below-cost pricing and lack of energy efficiency standards.	Feasible in next 18 months (RSF duration): • Regulatory framework for renewable energy. • Audit and benchmarking of ANDE. • Tariff reform. • Improvements in operational efficiency. Ongoing or future reforms by authorities with the support of development partners: • Sectoral and economy-wide energy efficiency standards. • Investments in electricity grid. • Scale up renewables.	Reduced transmission and distribution losses. Energy is used more efficiently and priced for both operational and investment cost-recovery.
Mitigation: reforms in transport, forestry and land use		
Low climate consideration in land use policy. Low incentives to shift away from high-emission vehicle fleet. Forest governance is weak, and deforestation rates have been high.	Feasible in next 18 months (RSF duration): • Electromobility law and operational model for public transport. • Land use change protocols. • Normative framework for forest protection. Ongoing or future reforms by authorities with the support of development partners: • Waterway infrastructure plan. • Shift incentives to farmers to preserve forest. • Carbon markets. • Explicit carbon tax.	Net zero deforestation (in line with the Zero Deforestation Law in the eastern part of the country). More resilient infrastructure and economic activity. Higher degree of electrification of the transportation fleet and improved access to public transport.
Financial sector		
The financial sector lacks tools to assess climate-related risks. There is little climate financing.	Feasible in next 18 months (RSF duration): • Climate-related taxonomies. • Risk identification and reporting. • Climate in supervisory framework. Ongoing or future reforms by authorities with the support of development partners: • Binding data requirements and full data infrastructure. • Climate finance strategy. • Pipeline of bankable projects.	The financial sector is able to assess and manage climate-related financial risks. The country is able to attract more domestic and international climate financing for climate-related projects.

Sources: IMF Paraguay Staff report (2025); IMF Climate Module of the Public Investment Management Assessment and Green Public Financial Management (C-PIMA, 2024); and staff assessment.

1/ The green arrow represents RSF-supported reforms; the blue arrow represents additional reforms that would be necessary to fully achieve the outcomes. These reforms, drawn from available diagnostics, may be carried forward by the authorities with the support of development partners, but they do not necessarily represent authorities' commitments. Some of them are already underway, complementing RSF efforts. The relative length of the green arrow compared to the "full set" of reforms provides a proxy of the progress expected through RSF-supported reforms, reflecting the ambition (cognizant of their capacity) under the RSF arrangement as well as limits to the Fund's expertise in certain areas. For example, the Fund's expertise in areas such as agriculture and waste management is limited while development partners are better placed to provide this support.

Annex II. Risk Assessment Matrix[1]

External Risks	Expected Impact and Recommended Response
Conjunctural Risks	
Escalating Trade Measures and Prolonged Uncertainty. Rising trade barriers and prolonged policy uncertainty could reduce trade, investment, and growth. Inflationary pressures may re-emerge—especially in countries imposing tariffs. These effects can be amplified by strategic complementarities or bottlenecks in global value chains or inventory overhang. (**High**)	**Medium.** Export and import goods might see unexpected price volatility, exerting pressure on the exchange rate and domestic prices. The exchange rate should act as a shock absorber while monetary policy remains geared to keeping inflation close to target. FX intervention could be used in the event of disorderly market conditions.
Commodity price volatility. Shifts in supply and demand—driven by geopolitical tensions and conflicts, OPEC+ actions, or the green transition—may fuel commodity price swings, intensifying external and fiscal pressures, social unrest, and macroeconomic instability. (**High**)	**High.** Higher food commodity prices would benefit fiscal revenues and the trade balance, while high oil prices would increase the value of fuel imports. The exchange rate should act as a shock absorber while monetary policy remains geared towards keeping inflation close to target. FX intervention could be used in the event of disorderly market conditions.
Financial Market Volatility and Correction. Stretched asset valuations, easy financial conditions, and subdued volatility in key markets could be significantly affected by a sudden and disruptive shift in investor sentiment or policy stance, triggering market corrections, exchange rate turbulence, spikes in sovereign bond yields, and capital flow volatility. Elevated leverage among Non-Bank Financial Intermediaries further amplifies these risks, as forced deleveraging during periods of stress could exacerbate asset price swings and propagate shocks. Rapid growth of unregulated crypto markets could add to these vulnerabilities by increasing the risk of redemption runs and market dislocations. (**High**)	**Medium.** Global financial tightening, possibly combined with volatile commodity prices, could lead to spiking risk premia, external imbalances, and fiscal pressures. It may dampen external demand, foreign inflows, and investment. Implement additional fiscal consolidation measures. The exchange rate should act as a shock absorber while monetary policy should remain geared towards keeping inflation close to target. FX intervention could be used in the event of disorderly market conditions.
Geopolitical Tensions. Intensification of conflicts, coupled with the weakening of multilateralism, may trigger commodity price volatility, increase migration pressures, reignite inflation, and weigh on growth by undermining confidence, investment, tourism, trade, and supply chains (**High**)	**High.** FDI could decline and the price volatility of imported goods could increase. The exchange rate should be allowed to adjust. Structural reforms to enhance productivity and efforts to continue facilitating export diversification, including through access to alternative meat and fertilizer markets.

[1] As of August 2025. The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

External Risks	Expected Impact and Recommended Response
Structural Risks	
Climate change. Extreme climate events and rising temperatures could cause loss of life, damage to infrastructure, food insecurity, supply disruptions, and heighten economic and financial instability. (Medium)	**Medium** to **High.** This may create supply chain disruptions and inflationary pressures, causing water and food shortages and reducing growth. The exchange rate should be allowed to adjust. Reducing export concentration, diversifying the mix of renewable power generation, and facilitating adaptation in agriculture would help increase resilience in the medium term.
Domestic Risks	**Expected Impact and Recommended Response**
Weather-related shocks (**Medium** to **High**): The agriculture, construction and energy sector may be adversely impacted by weather. Delayed rains and heat waves during the planting season may affect output and inflation.	**Medium** to **High.** Shocks to the agriculture sector and construction affect GDP growth, export performance and the exchange rate, and the financial sector due to banks' agricultural lending. Shocks to the energy sector would lessen government revenue. The exchange rate should act as a shock absorber. FX intervention could be used in the event of disorderly market conditions. Reducing export concentration, diversifying the mix of renewable power generation, and facilitating adaptation in agriculture would help increase resilience in the medium term.
Fiscal sustainability (**Medium**): The worsening position of the Caja Fiscal, if unaddressed, along other fiscal contingent liabilities, could challenge medium-term fiscal sustainability, making it difficult to keep the fiscal deficit below the deficit ceiling stipulated in the Fiscal Responsibility Law in the upcoming years.	**Medium** to **High**. Fiscal prudence is the cornerstone of macroeconomic stability in Paraguay. Deviations or reversals from the fiscal consolidation path could significantly impact investor confidence, raise financing costs, and affect growth performance. Accelerate efforts to raise fiscal revenues and increase expenditure efficiency, including through public procurement processes, and resolving pension system imbalances.

Appendix I. Program Statement

Asunción, December 17, 2025

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, D.C. 20431
United States

Dear Ms. Georgieva:

Our economic program, supported by the Policy Coordination Instrument (PCI), has been instrumental in strengthening macroeconomic stability and implementing essential reforms that are positioning Paraguay as an attractive investment destination and promoting sustainable and inclusive growth. The agreement under the Resilience and Sustainability Facility (RSF) has supported our extensive reform agenda to strengthen Paraguay's resilience to natural disasters. As these reviews are the last under those arrangements, we wish to highlight some of our successes.

Economic activity has remained robust. After an average expansion of 5 percent in 2023–2024, real GDP growth continues to show strong momentum, standing at 5.9 percent in the first half of 2025, while the most recent high-frequency indicators have continued to demonstrate sustained strength. During the past two years, inflation has remained close to the central bank's target, with inflation expectations well anchored over the monetary policy horizon. We have reduced the fiscal deficit from 4.1 percent of GDP in 2023 to an estimated 1.9 percent of GDP in 2025, and the budget law for 2026 includes a further reduction to 1.5 percent of GDP in 2026. With this result, we will be complying with the limit specified in the Fiscal Responsibility Law for the first time since 2018. We have made significant progress on a wide range of structural reforms, such as strengthening social protection and improving government efficiency and the business climate. In recognition of these efforts, Moody's granted investment grade status to our sovereign bonds in 2024, while Standard and Poor's and Fitch upgraded the risk rating outlook from stable to positive in 2025.

We remain committed to our fiscal consolidation objective of reducing the fiscal deficit to 1.5 percent of GDP by 2026 and to maintaining monetary policy geared at having inflation converge towards the central bank's target, with the exchange rate acting as a fundamental buffer against external shocks. We will stay the course by pursuing prudent macroeconomic policies and implementing structural reforms to further enhance Paraguay's attractiveness as an investment destination. We recently presented to Congress 10 new laws that seek to make economic management more efficient and attract greater domestic and foreign investment, and five of these have already been approved.

We have met the quantitative targets set for the sixth review under the PCI, except for the floating debt target. An accumulation of expenditures in early 2025 resulted in a smaller reduction in floating debt than expected in the target for end-June, also reflecting the significant reduction in floating debt recorded in the last review that considerably exceeded the December 2024 target. We have implemented three of the six reform targets that were scheduled to be evaluated in this review, albeit with some delays from the original timeline. However, the reform targets regarding integrated systems for recording cases of violence against women and cross-checking the financial disclosures of public officials remain pending. On the registry and reporting of complaints of violence against women, although the system is ready, inter-institutional efforts are underway to enable the exchange of data necessary for its implementation. With regard to the pilot information exchange system to carry out cross-checking examinations of public officials' net worth Information, we are working to resolve the legal obstacles to the automatic sharing of information, which must be addressed before the plan can be launched. We plan to complete these reforms in the coming months. Given the already ambitious legislative agenda aimed at addressing the most important priorities in the short term, we have postponed submitting the Insolvency Framework Bill to Congress but remain committed to continuing to work on modernizing our insolvency framework.

We have made significant progress on all the remaining reform measures (RMs) under the RSF, and we have completed RM5. The National Electricity Administration (ANDE) published the external audit of its financial statements and an independent study on its costs (RM5). Based on these documents and the loss reduction plan, part of RM8 met at the time of the second review, ANDE developed transparent methodologies that adequately incorporate its operating and investment costs. ANDE is preparing a plan for the gradual adjustment of electricity tariffs (RM6), which we need to evaluate before proceeding with its approval and implementation in 2026. We made progress on a bill for an explicit carbon tax that would replace excise taxes on liquid fuels, but given an already busy legislative agenda, we decided to postpone its submission to Congress. This decision will also provide more time to continue the technical evaluation of the draft and the implications of its implementation for the National Directorate of Tax Revenues (DNIT) and the Ministry of Industry and Commerce. In line with a bill in Congress on a comprehensive reform of public transport, we completed and published an updated plan for its electrification and installed eight charging units for electric buses. We prepared a draft amendment to the Electromobility Law adjusting tax incentives in accordance with the original objectives of the program, prioritizing those that contribute significantly to reducing emissions while minimizing tax expenditure (RM10). However, considering current priorities on the legislative agenda, we have decided to postpone its submission to Congress.

The attached Program Statement details the economic policies and reforms we have implemented since the last review, as well as our policy commitments to further strengthen our economy in line with the three pillars of the PCI: (i) ensuring macroeconomic stability and resilience; (ii) improving productivity and promoting economic growth; and (iii) strengthening social protection and inclusion. Based on these policies and commitments, we request the completion of the sixth review of the PCI, and the disbursement of SDR 85.6 million under the RSF arrangement based on the completion of the RM1, RM2, and RM3 reforms in previous reviews and the RM5 reform in this review.

In keeping with our commitment to transparency, we wish to make this letter publicly available, together with the Program Statement and the Technical Memorandum of Understanding, as well as the IMF Staff Report on the Sixth Review of the PCI-Supported Program and the Fourth Review of the RSF Arrangement, subject to approval by the IMF Executive Board. These documents will also be published on the website of the government of Paraguay.

We thank management and technical staff for the constructive dialogue and policy discussions during the program period and look forward to continuing to work closely together in the future.

Sincerely yours,

/s/	/s/
Carlos Carvallo Spalding President Central Bank of Paraguay	Carlos Fernández Valdovinos Minister Ministry of Economy and Finance

Attachments: Program Statement
Technical Memorandum of Understanding

Attachment I. Program Statement

December 2024–February 2026

This Program Statement describes recent economic developments and our policy commitments and priorities under the Policy Coordination Instrument (PCI) and the Resilience and Sustainability Facility (RSF).

RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

1. **After an expansion of 5.9 percent in the first half of 2025, real GDP growth is expected to remain solid and inflation is expected to reach the target in 2026.** The high frequency economic activity indicator continues to show dynamic growth, with a cumulative expansion of 5.9 percent up to October 2025, driven mainly by the services, manufacturing, electricity, and construction sectors. On the expenditure side, growth has been driven by solid domestic demand, with a strong contribution from investment. In mid-December, we upgraded our real GDP growth forecast for 2025 to 6 percent from 5.3 percent and we expect real GDP to continue to expand significantly in 2026, albeit at a more moderate pace. Headline inflation stood at 4.1 percent, in year-on-year terms, in November, mainly due to higher food prices, particularly beef. This increase was partially offset by a decrease in the prices of fuel and imported durable goods, the latter associated with the recent appreciation of the guaraní against the dollar. We expect inflation to end 2025 at 3.6 percent. The Central Bank of Paraguay (BCP) Monetary Policy Committee maintained the policy interest rate at 6 percent at its November 2025 meeting.

2. **We continue to make progress with our fiscal consolidation plan and maintain prudent debt management.** The central government's budget deficit is on track to reach 1.9 percent of GDP in 2025, compared to 2.6 percent of GDP in 2024. Tax collection continued its strong performance, benefiting from the dynamic economic activity and the reforms implemented over the past two years to improve the efficiency of tax administration. Debt remains at prudent levels, and we are working to improve its currency composition. Following two successful international bond issues in local currency in 2024 and 2025, we plan to continue our strategy of reducing the risks associated with the foreign currency denominated portion of our debt as market conditions permit, while respecting legal debt limits.

3. **The current account balance is projected to remain in deficit, due to high import demand and lower soybean export prices.** It is expected to deteriorate marginally in 2025 as imports, particularly of capital and consumer goods, far outpaced export growth. Going forward, we continue to expect strong import growth associated with large-scale foreign direct investment (FDI) projects, with a temporary deterioration over the medium term followed by an improvement in the current account balance as exports from these projects begin. Net international reserves have remained above six months of import coverage.

4. The risks are balanced. On the downside, severe weather shocks remain a challenge and an escalation of global trade tensions, and the resulting higher volatility in commodity prices and slowing external demand, are the main downside risks. On the upside, higher agricultural production, the expansion of meat exports beyond expectations, and higher than expected FDI flows due to recent and ongoing reforms are the main upside risks.

STRATEGIC OBJECTIVES OF THE REFORM PROGRAM UNDER THE PCI

Pillar I: Ensuring Macroeconomic Stability and Resilience

Fiscal Policies and Reform Targets

5. We remain committed to bringing the deficit into compliance with the Fiscal Responsibility Law by 2026. The Executive Branch submitted to the National Congress for consideration the draft budget law for 2026, which provides for a maximum budget deficit of the central government of 1.5 percent of GDP, complying with the provisions of the Fiscal Responsibility Law for the first time since 2018. The improvement in the primary balance is consistent with a reduction in the public debt-to-GDP ratio over the medium term.

6. We are improving the recording of accrued expenditure commitments. In this process, the integration of the commitment phase of public works expenditure within the Integrated System of Goods and Services (SIGEBYS) submodule of the Integrated System for the Administration of State Resources (SIARE), represents a key step towards better management of public resources. At the same time, we are working on the incorporation of decentralized entities starting in 2026. Within this framework, measures have also been implemented to streamline institutional inventories, facilitating write-off processes and helping to more accurately reflect the actual net worth of government entities. On the other hand, following the cancellation in 2023 of outstanding commitments relating to public works from previous periods, we are waiting for a report from the Attorney General's Office to assess the appropriateness of paying the associated interest. Relatedly, maximum limits have been set on interest applicable to late payments, based on current financial costs in the local market. Likewise, the outstanding obligations to contractors of the Ministry of Public Works and Communications were incorporated into the 2025 budget execution, with their cancellation expected by February 2026. At the same time, claims from other government suppliers – particularly the Ministry of Public Health and Social Welfare – relating to operations over the last three years are also under review. The commitment made is to incorporate into the budget execution for 2025 and 2026 any extraordinary amounts that must be paid as a result of said evaluation, without compromising compliance with the fiscal convergence plan. In addition, the Executive Branch is making progress in the development of a software platform for the multi-year purchase of pharmaceutical products, with the aim of optimizing the inventories of the various purchasing entities. We will continue working to strengthen the financial management of public resources, with an emphasis on consolidating SIARE as an effective tool for the control and planning of spending.

7. **We are making progress in strengthening the monitoring and evaluation of public investment projects.** As part of this effort, we have finalized and published the Procedural Manual for the Oversight Unit of the General Directorate of Public Investment, a document that provides guidance on the uniform application of monitoring and oversight processes. The implementation of the guide began with a selection of pilot investment projects **(reform target set for September 2025).** Based on the monitoring carried out during the months of October, November, and December 2025, there are plans to continue monitoring in 2026, using the same methodology or introducing the necessary adjustments, with the aim of gradually expanding coverage to a more extensive portfolio of projects, always in accordance with the selection criteria defined in the manual.

8. **Modernizing the current tax framework and optimizing the DNIT's performance remain high priorities.** We have created a Risk Committee, with the support of the internal revenue and customs subcommittees, to institutionalize compliance risk management **(reform target for June 2025)**. We have developed and begun implementing a compliance improvement plan to address the undervaluation of imported goods, a fundamental risk to customs tax collection **(reform target for October 2025)**, and another to reduce the duplication of invoices used to improperly increase the tax credit, which addresses a fundamental risk to internal revenue collection.

9. **We continue working on the evaluation of tax expenditure and special regimes, with the aim of further boosting tax revenues.** In this regard, at the request of the authorities, a technical assistance mission was carried out by the Fiscal Affairs Department (FAD) of the International Monetary Fund in September. The main focus of the mission was the review of special tax regimes to encourage economic activity and employment. Based on these results, we will develop a scheme for evaluating the costs and benefits of these regimes.

10. **We are working to strengthen the sustainability of the public sector retirement and pension system (Caja Fiscal).** After extensive consultations with stakeholders, we prepared a bill to reform the *Caja Fiscal* that seeks to strengthen financial sustainability and promote a more level playing field among the different regimes that comprise it. The proposals under consideration aim to correct existing asymmetries and ensure a more coherent pension scheme. In this regard, the incorporation of a minimum retirement age for sectors that currently do not set one is being considered, as well as the introduction of a state contribution rate that strengthens the financing of the system and contributes to reducing the actuarial deficit. We plan to present it to Congress by the end of 2025.

11. **We continue to make progress in the regulation of the Law on the Superintendency of Pensions.** We concluded the formation of the Social Security Council, a key step in the effective implementation of the Superintendency Law, including representatives of workers, retirees, and employers. The Council has already met several times and appointed the Deputy Minister of Economy and Planning as its Executive Secretary in charge of its operations. The following

regulatory instruments have recently been enacted: Decree No. 4776 of October 17, 2025, Regulating the Organization, Operation, and Procedures of the Social Security Council; and Decree No. 4807 of October 23, 2025, Designating the Minister of Economy and Finance as Chair of the Social Security Council, in line with Article 15 of Law No. 7235/2023. Likewise, by resolution of the Social Security Council, a public competition based on merit and aptitude has been authorized—ad referendum—to select three candidates for the position of Superintendent of Pensions, and the corresponding Terms and Conditions have been approved. After a competitive selection process, a shortlist of three candidates for the position of Superintendent of Retirement and Pensions was formed, in compliance with Article 17 of Law No. 7235/2023. The shortlist was submitted to the Executive Branch and the Superintendent was subsequently appointed by the President of the Republic through Decree No. 5081/2025. This will make it possible to ensure the full implementation and operation of the Superintendency, completing the first phase of the law's implementation. Next year we plan to launch a training and orientation program for retirement and pension entities, as well as for officials who will be joining the Superintendency. Once the three-year transition period has ended, pension funds will submit their initial adjustment plans to the Superintendency for implementation over the next five years.

Monetary and Foreign Exchange Policies

12. Inflation remains within the tolerance range around the inflation target and expectations are well anchored. Monetary policy is aimed at ensuring that inflation converges towards the 3.5 percent target set by the central bank during 2026. Private sector inflation expectations over the monetary policy horizon (18-24 months) are well anchored around the inflation target. We will continue to monitor economic developments and their impact on the path of inflation and will respond proactively with appropriate policy measures.

13. The exchange rate remains a fundamental buffer against external shocks, helping to preserve macroeconomic stability. The Paraguayan economy continues to benefit from an exchange rate that adjusts to both real and financial shocks. Our transparent foreign exchange interventions aim to moderate significant fluctuations in the exchange rate that are not in line with economic fundamentals, without undermining our inflation targeting framework. The guaraní appreciated 10.5 percent year on year at the end of October, mainly due to the global weakening of the U.S. dollar

Pillar II: Improving Productivity and Promoting Economic Growth

14. We are making improvements to the legislation on landownership. Initially, the measure contemplated the revision of the current regulatory standards of the General Directorate of the National Cadastre Service, in line with the comprehensive reform of its regulatory framework **(reform target for March 2025).** With the enactment of Law No. 7424/2025, however, which creates the National Unified Registry (RUN) and brings together the General Directorate of Public Registries, the General Directorate of the National Cadastre Service, and the Department of Topography and Geodesy, this revision was incorporated into the draft of the Technical Registry

Manual, prepared by the inter institutional transition team. This manual will be approved by a Supreme Court ruling, an instrument of higher legal hierarchy, which will provide regulatory consistency and strengthen legal certainty regarding property rights. As part of this effort, updates and regulatory adaptations necessary for its operationalization as of January 2026 were designed. Likewise, the 2026 Budget Law has allocated the financial resources and new staff required for the full implementation of the RUN. This tool seeks to modernize and digitize the registry and cadastral system, facilitating investments and improving institutional efficiency, with its entry into operation planned as of January 2026.

15. We will continue to work on a bill to modernize our insolvency framework. Work on the bill has been postponed as priority has been given to the submission of other, more urgent legal reforms in the short term **(reform target for October 2025).** We remain committed, however, to modernizing our insolvency framework and will continue to engage with relevant stakeholders.

16. We will continue to strengthen practices to prevent corruption in the administration of public goods and services. We are implementing Law No. 7389/24, which established the National Regime for Integrity, Transparency, and Prevention of Corruption, consolidating a robust institutional framework for the fight against corruption, with citizen complaint mechanisms and coordination and control bodies with inter institutional participation. Under this law, we created the National Anti-Corruption Council, which includes representatives of all branches of government to facilitate coordination among them. The Council has met repeatedly this year to oversee the implementation of the National Strategy to Combat Corruption (ENCC), underpinned by several PCI reform targets, while expanding its scope through new initiatives with the support of all its members facilitating the coordination among their respective institutions. In addition, since July 2025, several regulatory decrees of the Civil Service Law have been enacted, the implementation of which is focused on merit and the professionalization of the public service.

17. We are strengthening the accountability and integrity of the public sector workforce. The Office of the Comptroller General of the Republic and the Ministry of Information and Communications Technologies have finalized the technical aspects of an information sharing system to carry out revisions that allow for verification of the consistency of data on asset declarations of public officials. The system will improve the efficiency of the current verification process before and after personnel join the public service. The objective is to effectively combat illicit enrichment, which is a legal category in force in Paraguay. We are working to resolve the legal obstacles to the automatic sharing of information, which is necessary before we can launch the first pilot program of this system **(reform target for August 2025)**. The Office of the Comptroller General of the Republic prepared a bill that we will present to Congress before the end of 2025 to address these obstacles. Meanwhile, the Comptroller's Office continues to conduct an increasing number of cross checks on a case-by-case basis.

18. We will continue to strengthen the anti-money laundering and combating the financing of terrorism (AML/CFT) framework. We expect to submit the updated National Risk Assessment (NRA) to the Executive Branch for approval before the end of 2025. Identifying and understanding AML/CFT risks in Paraguay is essential, and the updated NRA will lay a solid foundation for financial and non-financial institutions to review and update their risk assessment frameworks and models/matrices. We remain firmly committed to making progress in this vital area and ensuring that robust measures are in place to mitigate AML/CFT risks.

19. We will continue to strengthen the BCP's governance structure. We have completed a proposal for an institutional delegation framework that is being evaluated by the Legal Unit and that we expect to submit to the BCP Board of Directors for consideration before the end of 2025. Once approved, the respective regulations will be amended and progressively implemented. We have completed a proposed revision to the resolution governing the functions of the Audit Committee, which will update the previous resolution of 2007, and allow for the exclusion of the Auditor General from the Audit Committee upon approval by the Board of Directors. With regard to the selection of the external audit service, the corresponding draft policy has been finalized, with the aim of ensuring its alignment with international best practices in audit and governance. It is expected to be submitted to the BCP Board of Directors for analysis and approval before the end of fiscal year 2025. The terms and conditions for the contracting of external audit services already cover these practices. The bidding process currently underway to contract consulting services for the evaluation and diagnosis of the current status of the Internal Audit Unit is expected to be completed during fiscal year 2025. The purpose of this consultancy is to identify existing gaps and formulate the necessary recommendations to align the audit function with the Global Internal Audit Standards, with the ultimate goal of obtaining QA (Quality Assurance) Certification.

Pillar III: Improving Social Protection and Inclusion

20. Safeguarding vulnerable populations will remain a high priority on our policy agenda. As part of the ENCC, the Ministry of Women, in coordination with other government institutions, is in the process of launching a pilot program for a system to receive complaints of violence against women, together with the establishment of a single register of such complaints. Although the system is already developed, we have needed more time to finalize the administrative procedures for inter institutional coordination of the exchange of information, which the institutions involved are analyzing with a view to launching the system in the coming months **(reform target for September 2025).** The law on the protection of personal data, approved by Congress in November 2025, will strengthen the legal framework for this exchange. At the moment, the registration of cases is carried out through separate registers, which would be integrated into a single register when the reform is completed. We have also achieved 100 percent coverage up to the ninth grade and up to the third year of secondary education in 22 districts under our Zero Hunger program, guaranteeing daily meals to more than 1,050,000 students spread out among 7,036 educational institutions in 263 districts throughout the country.

21. We will continue our efforts to advance the formalization of the economy. Presidential Decree No. 4416 established the Integrated Strategy for the Formalization of Employment 2025 2028, which aims to increase the number of social security contributors by 6 percent during 2025 2028. Through this public policy, we are seeking to promote formal employment, reduce informal economic activity, and improve working conditions by simplifying regulations, strengthening oversight and education in labor rights, incorporating technological innovations, and articulating policies that facilitate access to formal and high-quality employment. We created an inter institutional commission to facilitate coordination and promote social dialogue during the implementation of this important strategy. We are also working on the financial inclusion of micro, small, and medium-sized enterprises. The National Development Bank (BNF) and the Development Finance Agency (AFD) have developed a Financial Strengthening Program that improves the conditions for access to credit for operating capital, investment, and debt refinancing, offering lower rates, longer terms, and more flexible requirements. From November 2024 to November 2025, more than US$165 million has been disbursed through 13,686 credit operations. On the other hand, Law No. 7504/2025 was enacted, creating the Administration Trust for financial support to producers, independent professionals, self-employed workers, and micro, small, and medium sized enterprises (FIPROMIPYMES), through which the Agricultural Empowerment Credit (CAH) and the AFD will develop facilities for producers, independent professionals, self-employed workers, and micro, small, and medium sized enterprises.

INCREASING RESILIENCE TO NATURAL DISASTERS

22. We have implemented two reform measures under the RSF. These reforms will not only improve Paraguay's resilience to climate shocks but will also cement our position as a leader in the production and export of clean and renewable energy in the region. In line with these objectives, we have made progress with the following set of reforms (details in Table 5):

Policies for a Sustainable Energy Sector

23. We published the external audit of ANDE's financial statements and an independent technical study of its costs (RM5), and we made progress on a new mechanism for adjusting electricity tariffs (RM6). A well-known international firm carried out an independent audit of ANDE's financial statements for 2022 and 2023 in accordance with strict, transparent, and responsible criteria. The Inter-American Development Bank and a well-known regional consulting firm prepared a study to establish ANDE's costs by business segment, comparing them with similar companies in the region and in a manner consistent with the audit. ANDE published both the audit and the cost study (reform measure). Based on these data and the results of the loss reduction plan concluded for the second review under the RSF (RM8), ANDE developed specific and transparent methodologies to adjust electricity tariffs gradually and thus adequately incorporate their operating and investment costs (reform measure), in consultation with the Vice Ministry of Mines and Energy (VMME) and the National Council of State Owned Enterprises. We are evaluating the gradual nature of its implementation, after which we will proceed with its approval, publication, and implementation. In the longer term, governance reforms should be aimed at the separation of generation, transmission, and distribution activities, and at establishing a transmission system operator capable of setting transparent transmission tariffs for private generators. In addition, ANDE should be able to access capital markets without the need for a sovereign guarantee.

Reducing the Use of Fossil Fuels in the Residential and Transportation Sectors

24. We made progress with a bill on an explicit carbon tax on liquid fuels but have postponed its submission to Congress given other short term legislative priorities (RM9). We have prepared a bill, with technical support from IMF staff, to implement RM9, which would replace some selective taxes on gasoline and LPG without changing tax levels. However, given our already ambitious legislative agenda, aimed at addressing higher priority reforms in the short term, we have postponed the submission of the bill. This decision also allows more time for the technical evaluation of the challenges and implications of its implementation for the National Directorate of Tax Revenues and the Ministry of Industry and Commerce.

25. We further advanced in our efforts to reduce dependence on imported fossil fuels through the electrification of public and private transport (RM10). We prepared a draft amendment to the Electromobility Law that optimizes tax incentives and strengthens the targeting of benefits, including caps on tax incentives and the exclusion of benefits for micro hybrid vehicles, in accordance with the original objectives of the program, while minimizing tax expenditure. However, considering the current priorities on the legislative agenda, we have decided to postpone its submission to Congress. In parallel, there are significant advances in the implementation of the electromobility strategy. ANDE has called for tenders for the acquisition of 30 charging units for electric cars. We installed eight charging units for electric buses that will support a pilot program with 30 new electric buses in the metropolitan area of Asunción. The government will retain ownership of the chargers and buses, and the operation will be run by a private company. In the context of a broader reform of the public transport system, this pilot program will serve as a basis for developing standards to define the operating model for a gradual transition to electric public transport, taking into account international experience. We completed and published a document that reflects these plans and sets targets to sustainably increase the percentage of electric buses in the metropolitan area of Asunción. In addition, work has been done on a Land Transport Reform Bill, approved by two chambers of Congress (December 2025), which has advanced to the promulgation stage by the executive branch. This law lays the foundations for the transformation of the public transport system by strengthening the state's capacity to plan, regulate, and supervise services. The regulation grants the Ministry of Public Works and Communications (MOPC) oversight of the sector and introduces innovative contracting models – such as comprehensive concessions, fleet provision through leasing, and performance contracts – that separate the operation from the provision of buses and link payments to the fulfillment of service indicators, promoting efficiency, competition, and the adoption of electric technologies. The Ministry of Economy and Finance (MEF) plays a key technical role when issuing a prior opinion on the determination of service providers' remunerations in bidding processes (Article 46) and in the coordination of the Trust created by Article 69, together with the MOPC, to ensure the financial sustainability of the new system. Overall, the reform aligns the legal framework with the future Law on Incentives for Electric Mobility and with energy efficiency, climate change, and sustainable urban planning policies, consolidating clear inter institutional governance among the MOPC, the MEF, and other competent entities.

THE REFORM MOMENTUM CONTINUES

26. We will continue to implement structural reforms to foster investment and sustainable growth. We have moved forward with a broad reform agenda that encompasses 20 key approved reforms, five of which are part of a recent program of ten new initiatives presented to Congress in July. All these reforms are part of an expanded structural program promoted by the government since August 2023 in order to strengthen governance and anti-corruption frameworks, develop domestic capital markets, reform public transport and arbitration systems, strengthen the civil service, improve government efficiency and oversight, improve the supervision and sustainability of private pension funds, facilitate private investment, especially in energy and infrastructure, guarantee property rights, and digitize the national payment system. With several key reforms still awaiting approval by Congress, the current momentum underscores our sustained dedication to advancing our ambitious reform agenda under our recent National Development Plan Paraguay 2050.

PROGRAM MONITORING

27. This is the sixth and final review under the PCI and fourth and final review under the RSF. The two arrangements, whose latest quantitative and reform targets are evaluated in this review, expire on February 20, 2026 (Tables 1a and 1b of this Program Statement). The definitions are provided in the attached Technical Memorandum of Understanding (Attachment II).

Table 1a. Paraguay: Quantitative Targets for the PCI, 2024–2025 1/

	2024			2025		
	end-Dec			end-Jun		
	Prog. QT	Actual	Status	Prog. QT	Actual	Status
I. Quantitative Targets (QT)						
1 Ceiling on the central government fiscal deficit (in billions of guaraníes) 2/ 3/	-9,106	-8,580	Met	-2,322	-1,745	Met
2 Ceiling on current primary expenditure of the central government (in billions of guaraníes) 2/	43,374	43,151	Met	21,304	20,847	Met
3 Ceiling on the net incurrence of floating debt by the central government 4/	0	-3,017	Met	-1,800	-778	Not met
II. Continuous Targets						
4 Ceiling on accumulation of external debt payment arrears by the central administration (in millions of U.S. dollar)	0.0	0.0	Met	0.0	0.0	Met
III. Inflation Consultation Band 5/						
Upper band limit (2 percent above center point)	6.0			6.0		
End of period inflation, center point 6/	4.0	3.8	Met	4.0	4.0	Met
Lower band limit (2 percent below center point)	2.0			2.0		
IV. Memorandum Items						
Social assistance benefits 2/	3,742	3,935	Met	1,689	1,965	Met

1/ As defined in the Program Statement and the Technical Memorandum of Understanding.
2/ Cumulative since the beginning of a calendar year.
3/ Refers to the negative of net lending/borrowing (overall balance) as per the GFSM 2001 definition.
4/ Cumulative change since the start of each year.
5/ Board consultation is required upon breach of the band limits.
6/ Defined as the change over 12 months of the end-of-period consumer price index, as measured and published by the Central Bank of Paraguay.

Table 1b. Paraguay: Standard Continuous Targets

Not to impose or intensify restrictions on the making of payments and transfers for current international transactions.

Not to introduce or modify multiple currency practices.

Not to conclude bilateral payments agreements which are inconsistent with Article VIII.

Not to impose or intensify import restrictions for balance of payments reasons.

Not to accumulate external payments arrears.

Table 2. Paraguay: Reform Targets for 2024–25

Policy Objective	Reform Targets	Target Date	Status
Pillar I: Ensure Macroeconomic Stability and Protect the Fiscal Policy Framework			
Improve public expenditure control	Preparation and publication of the procedures manual for the monitoring and evaluation unit of the National Directorate of Public Investment and implementation for a set of pilot investment projects.	End-September 2025	Not met. Implemented with delay
Improve tax and customs compliance	Establish an institutional framework for compliance risk management through a regularly functioning Risk Management Committee, supported by the tax and customs subcommittees.	End-June 2025	Met
Improve tax and customs compliance	Develop and implement a risk-based compliance improvement plan to address at least one key risk to customs.	End-October 2025	Met
Pillar II: Enhance Productivity and Foster Economic Growth			
Improve the business climate	Complete work on the new version of the Insolvency Law and submit the draft to one of the two chambers of Congress.	End-October-2025	Not met
Implement the anti-corruption strategy	Implementation of a pilot of an information exchange system to carry out cross-checking examinations of public officials' net worth information.	End-August 2025	Not met
Pillar III: Enhance Social Protection and Inclusiveness			
Enhance protection of vulnerable groups	Implementation of the system for receiving complaints about violence against women and establishing a single registry of those complaints.	End-September 2025	Not met

Table 3. Paraguay: Schedule of Reviews Under the Policy Coordination Instrument, 2022–25

Program Review	Review Date	Test Date
Board Discussion of the PCI Request	November 21, 2022	…
First Review	June 1, 2023	December 31, 2022
Second Review	December 1, 2023	June 30, 2023
Third Review	June 1, 2024	December 31, 2023
Fourth Review	November 1, 2024	June 30, 2024
Fifth Review	May 22, 2025	December 31, 2024
Sixth Review	November 1, 2025	June 30, 2025

Table 4. Paraguay: Access Under the Resilience and Sustainability Facility

Availability Date	Million of SDR	Percent of Quota	Conditions for Access
June 1, 2024	25.175	12.50	Completion of RSF review of reform measure 4 implementation
June 1, 2024	25.175	12.50	Completion of RSF review of reform measure 7 implementation
June 1, 2024	25.175	12.50	Completion of RSF review of reform measure 11 implementation
June 1, 2024	25.175	12.50	Completion of RSF review of reform measure 12 implementation
November 1, 2024	20.14	10.00	Completion of RSF review of reform measure 1 implementation
November 1, 2024	20.14	10.00	Completion of RSF review of reform measure 2 implementation
November 1, 2025	20.14	10.00	Completion of RSF review of reform measure 5 implementation
November 1, 2024	20.14	10.00	Completion of RSF review of reform measures 8 implementation
November 1, 2025	20.14	10.00	Completion of RSF review of reform measure 10 implementation
November 1, 2024	25.16	12.50	Completion of RSF review of reform measure 13 implementation
May 22, 2025	25.18	12.50	Completion of RSF review of reform measure 3 implementation
November 1, 2025	25.18	12.50	Completion of RSF review of reform measure 6 implementation
November 1, 2025	25.18	12.50	Completion of RSF review of reform measure 9 implementation
Total	**302.10**	**150.00**	
Memorandum Item:			
Quota	201.40		

Source: IMF staff estimates.

Table 5. Paraguay: Reform Measures Under the Resilience and Sustainability Facility

Reform Area	Key challenge		Reform measures	Review	Assessed	Prospective BOP Risk Reduction
Green PIMA	**Public investment is not resilient to climate shocks**	1	MEF to amend and publish the Decree 4436/20 to incorporate climate aspects at each stage of project development of public investment projects (appraisal, selection, external audit etc.) in line with Fund TA recommendations.	4th Review	Met	*Improved fiscal and external sustainability* Reduces (i) fiscal costs when natural disasters materialize and (ii) the need for external financing and import demand for reconstruction. It also facilitates a quick recovery of growth and net exports in the aftermath of a climate shock.
Financial sector reforms	**Lack of financial resources to support adaptation and mitigation efforts**	2	MEF and BCP to publish a green taxonomy aligned with Paraguay's NDC.	4th Review	Met	*Investment promotion* Enables the identification of sustainable investment projects for a more resilient economy in key sectors such as energy, construction, agriculture, and forestry. Improved availability and transparency of information can boost investor confidence and reduce uncertainty, contributing to attracting external capital inflows.
	Vulnerability of financial sector to climate shocks	3	BCP to: (i) establish reporting requirements and a data repository for material climate-related exposures of banks; (ii) adopt a framework to monitor and assess climate-related financial risks for banking sector; and (iii) issue supervisory guidelines for banking sector to incorporate climate-related risks to their risk management frameworks, along with timelines for the adoption of the guidelines.	5th Review	Met	*Financial sector resilience* Help to better measure risks and to reduce losses when those risks materialize, lowering recapitalization needs for banks.
Energy sector reforms	**Preservation and expansion of clean electricity matrix**	4	MOPC and VMME to enact regulation of the non-conventional renewable energy law 6977/2023, including (1) the specification / rationalization of economic incentives, (2) technical aspects (i.e., requisites to connect to the national interconnection system, detailed criteria for licenses, and conditions that would enable an effective development of non-hydro non-conventional renewable energy through all the defined players (generators, co-generators, self-providers, and exporters)).	3rd Review	Met	*Fiscal and external sustainability* Improved financial sustainability of ANDE reduces fiscal costs and the need for external financing Promotes investments through lower counterparty risks, and increased regulatory certainty. *Fiscal and BOP resilience* Reduces fiscal risks from the impact of increased droughts on hydropower Increased productivity, growth, investment, net exports thanks to increased and reliable supply of electricity in the face of soaring demand.
		5	ANDE to publish an external audit and a study of international benchmarks for its costs at different segments of its operations and efficiency parameters by an internationally reputed firm.	6th Review	Met	
		6	ANDE to develop, publish, and gradually adopt transparent and well-specified methodologies for adapting electricity tariffs in line with Law 966/64, accounting for operating costs, the financial costs of projected capital spending needs for preserving and expanding the clean electricity matrix, and efficiency gains on the basis of the results of the external audit and study by an internationally reputed firm (RM5), and the evolution of losses according to the plan in RM8.	6th Review	Not met	
		7	MOPC/VMME and MIC to establish by decree energy efficiency standards for the three appliances that represent the largest share of household electricity consumption in line with international benchmarks by the International Organization for Standardization.	4th Review	Met	
		8	8a. ANDE and MOPC/VMME to develop, publish, and gradually implement a plan for ANDE loss reduction with quantitative targets, to install 20,000 smart meters to reduce non-technical electricity losses. 8b. ANDE to implement progressively hourly/dynamic tariffs. 8c. ANDE to increase inspections against electricity theft by 10 percent above same period in 2023.	4th Review	Met	
Mitigation: promoting energy conservation and clean investments	**C02 emissions from the transport and residential sectors**	9	MEF, in coordination with DNIT, to adopt an explicit carbon tax replacing existing excise taxes on liquid fuels.	6th Review	Not met	*BOP resilience* May promote net exports in the long term, including by reducing dependence on fossil fuel imports and petroleum products. *Growth and investment promotion* Supports the momentum of the forestry sector and downstream industries. Can attract ongoing and prospective large FDI projects that may contribute substantially to economic and export diversification, supporting the BOP.
		10	10a. MOPC/VMME-VMT, MIC and MEF to enact regulation of the Electromobility Law 6925/2023, and to adjust fiscal incentives in favor of electric vehicles. 10b. MIC, MOPC/VMT and ANDE to install additional electric public charging infrastructure. VMT to lead the selection of the operational model and develop regulations for electric public transportation in the metropolitan area of Asuncion and set targets for an increased share of electric buses in the metropolitan area of Asuncion.	6th Review	Not met	
	Conservation of forests	11	INFONA, MADES, MOPC/VMME, and MAG to replace the Decree 4056 of 2015 to create the registry of industrial biomass users and establish the prerequisites for the use of biomass. INFONA, MADES, National Police and SENAD will regulate and implement a decree to create joint intervention protocols for land use change using the National Forest Monitoring System. The institutions in charge of the protocol will coordinate with other institutions of the Estate, including the Attorney General, to ensure the interventions in the protocol.	3rd Review	Met	
		12	INFONA to change its normative framework aiming at strengthening its institutional and financial capacities to protect native forests and respond to deforestation alerts. This includes the creation of a National Directorate for the National Forest Monitoring System.	3rd Review	Met	
	Contain methane emissions	13	MIC to enact regulation of the law 7014/2022 that promotes the reutilization, recycling, and use of plastic (polyethylene terephthalate) containers.	5th Review	Met	

Attachment II. Technical Memorandum of Understanding

This Technical Memorandum of Understanding (TMU) defines the quantitative targets, continuous targets, and memorandum items described in the Program Statement for monitoring the IMF-supported program under the Policy Coordination Instrument (PCI) during the period from November 21, 2022, to February 20, 2026, and under the Resilience and Sustainability Facility (RSF) during the period from November 21, 2023, to February 20, 2026. It also sets out the terms and schedule for the reporting of information that will allow IMF staff to monitor the program. Program reviews will analyze the achievement of quantitative targets on the specified dates and on an ongoing basis. Specifically, the third review will evaluate the targets at end-December 2023, the fourth review will evaluate the targets at end-June 2024, the fifth review will assess the targets at end-December 2024, and the final review will consider the targets at end-June 2025.

Definitions

1. Unless otherwise indicated, in this TMU "government" refers to the budgetary central government of the Republic of Paraguay. It excludes the central bank, financial and non-financial state-owned enterprises, and governments at the departmental and municipal levels.

2. Unless otherwise noted, in this TMU "public sector" refers to the government, local governments, and all entities owned, or majority controlled by the government.

PCI Program Targets

Cap on the Central Government Fiscal Deficit (Program Definition)

3. Definition. For the purposes of the program, the net lending/borrowing ratio, or the overall fiscal balance (also referred to as "net lending/borrowing"), is the difference between total government revenues and total government outlays (total obligated expenditure (*gasto total obligado*) plus net acquisition of nonfinancial assets). The definition of revenues and expenditures is broadly consistent with that of the *Government Finance Statistics Manual 2001 (GFSM)*. Obligated government expenditure is defined on the basis of a payment order accepted by the Treasury, as well as those executed with external resources.[1]

4. Reporting requirements. During the program period, the authorities will report to IMF staff, on a monthly basis, provisional data on the overall fiscal balance (program definition) and its components, with a lag of no more than 30 days after the end of the month. The revenue and expenditure data included in the calculation of the overall fiscal balance will be drawn mainly from

[1] Under the Paraguayan Treasury's accounting system, obligated expenditure differs from accrued expenditure in that future payment is assured under the Treasury's cash flow plan. The recording of this expense is somewhere in between the accrual basis and cash basis.

the preliminary Treasury account balances. Final data will be transmitted as soon as final Treasury account balances are available, but no more than two months after reporting the provisional data.

Cap on Central Government Primary Current Expenditure (Program Definition)

5. Definition. For program purposes, the balance of primary current expenditure includes (i) compensation of employees; (ii) expenditures for the use of goods and services; (iii) subsidies; (iv) current grants to foreign governments, international organizations, and other general government units; (v) social benefits; (vi) and other current expenditures. An equivalent definition is total obligated expenditure less interest expense, less grants and other capital expenditures. The quantitative target is set as a ceiling to the primary current expenditure accumulated since the beginning of the year.

6. Reporting requirements. During the program period, the authorities will report to IMF staff, on a monthly basis, provisional data on central government primary current expenditure (program definition) and its components, with a lag of no more than 30 days after the end of the month.

Cap On Net Incurrence of Central Government Floating Debt (Program Definition)

7. Definition. For the purposes of the program, domestic arrears are defined as floating debt, i.e., the difference between the expenditure recorded on an obligated basis and the amounts transferred for payment by the Treasury (based on information generated by the integrated accounting system, SICO, and the integrated cash flow system, SITE). The change in the stock of floating debt is recorded in the government finance statistics (SITUFIN) as the balance of net changes in floating debt attributable to the current budget year and the change in floating debt attributable to the previous year (repayment). The quantitative target for total floating debt is capped at its cumulative net change since the beginning of the year.

8. Reporting requirements. Data recorded on a monthly basis will be provided to the Fund with a lag of no more than 30 days after the close of each month.

Cap On the Accumulation of Arrears on Foreign Debt Payments by the Central Government

9. Definition. External debt service arrears are defined as overdue debt service arising from obligations contracted directly or guaranteed by the central government, except for debt subject to rescheduling or restructuring. The program requires that no new external arrears accumulate at any time under the arrangement.

10. Reporting requirements. Reports of external arrears by creditor (if any), with detailed explanations, are to be transmitted monthly, within 30 days after the close of each month.

Inflation Consultation Band Linked to Current Central Bank of Paraguay Projections

11. Definition. Inflation is defined as the 12-month change in the consumer price index (CPI) at the end of the period, base index (December 2017=100), published by the Central Bank of Paraguay. When the official press release differs from the index calculation, the index calculation will be used.

12. Reporting requirements. Inflation reports and their components must be transmitted monthly, within two weeks after the close of each month.

13. Failure to comply with the inflation consultation band limits (specified in the Program Statement, Table 1a) at the end of a six-month period would trigger discussions with IMF staff on the reasons for the deviation and the proposed policy response, and a consultation with the IMF Executive Board should be held.

Social Assistance Benefits

14. Definition. Social assistance benefits follow the GFSM 2001 classification. They will be defined as the Social Assistance Benefits subcomponent of the Social Benefits account of the central government expenditure accounts in the Monthly Financial Situation Report of the Central Government (SITUFIN). This target is not part of the formal program conditionality, but the execution outcome of this expenditure must be reported so that it can be compared with the original projection (memorandum item).

15. Reporting requirements. Reports on social assistance benefits and their components must be transmitted monthly, within 30 days after the close of each month.

Additional Information for PCI Monitoring Purposes/Reporting Requirements

16. The authorities will transmit to IMF staff, if possible, in electronic format, within the specified deadlines, the following:

a) Three days after adoption: any decree, decision, circular, edict, supplementary appropriation order, ordinance, or law that has economic or financial implications for the current program. This includes, in particular, all acts modifying budgetary allocations included in the budget law in execution, for example: supplementary appropriation orders (advance decrees), cancellation of budgetary allocations, and orders or decisions creating supplementary allocations to budgetary allocations. It also includes acts leading to the creation of a new agency or a new fund.

b) Within a maximum period of 30 days (except in specific cases explicitly indicated below), preliminary data on:

- Tax receipts and tax and customs payments by item, accompanied by the corresponding receipts on a monthly basis;

- The monthly amount of expenditures committed, certified, or for which payment orders have been issued;

- The four-monthly report by the General Directorate of Public Investment (DGIP), based on the National Public Investment System (SNIP), on investment projects, with their progress and execution;

- The complete monthly picture of the financial situation of the central government based on the Treasury accounts (SITUFIN), including the breakdown of tax revenues by type of tax;

- The monthly statistical report of public debt included in the Debt Management and Financial Analysis System (DMFAS), by creditor category, and separating debt service into amortization and interest payments, providing this information no later than six weeks after the close of the month;

- A quarterly update of projected public debt service, separating amortization and interest payments by creditor category (domestic debt: loans, treasury bonds, and others (if any); external debt: multilateral, bilateral, treasury bonds, and others (if any));

    - A monthly report on the price structure of fuel products, including an estimate of subsidies involved, if any.

c) The final data will be provided as soon as the final balances of the Treasury accounts are available, but no later than one month after the communication of the provisional data.

17. The Central Bank of Paraguay will transmit to IMF staff:

- The central bank's monthly balance sheet, with a maximum lag of one month;

- The monthly consolidated balance sheet of the banks, with a maximum lag of two months;

- The depository corporations' outlook (consolidated monetary outlook), quarterly, with a maximum lag of two months;

- Commercial banks' lending and deposit interest rates, on a monthly basis; and

- The prudential supervision and financial soundness indicators of banking financial institutions, on a quarterly basis, with a maximum delay of two months.

RSF Program Reform Measures

18. For all the reform measures (RMs), government authorities will share relevant material at least three months prior to the program reviews so the IMF can comment on progress. The content of the measures underpinning the implementation of the agreed RMs will be in line with the technical recommendations of IMF staff, including technical assistance from the IMF or the World Bank, as appropriate.

19. RM5: The ANDE audit should cover and verify, but not be limited to, ANDE's costs, revenues, and administrative and capital expenditures, following standard international accounting practices. This will contribute to a better understanding of the sustainability of the current rates and the impact of technical and non-technical losses and delays on cost recovery. The technical study should cover all costs by business segment: generation, transmission, distribution, and marketing. If this methodology is already being implemented, there will need to be an assessment of how it is being done and if there is room for improvement. In addition, the technical study should provide relevant comparators and determine cost efficiency by segment, which will be used as input for the rate adjustment mechanism.

20. The results of the audit and technical study will be made public when delivered by the reputable international firm.

21. RM6: The regulation published in RM6 should include a clear mandate, timelines, and principles to guide rate adjustments, ensuring transparency. It should also specify the following:

Responsible entity: a lead agency responsible for heading up the development and implementation process and establishing processes to resolve impasses in the event that agencies have opposing views on inputs, methodology, or outcomes.

Public availability of inputs: the methodology should use public and verifiable information to establish rate tiers that consider operating costs, financial costs of projected capital expenditure needs, and efficiency gains.

Frequency of adjustment: quarterly, semi-annual, or annual.

Smoothing mechanism parameters: to reduce the impact of cost volatility on final consumers (e.g., related to investment in transmission lines in a particular year), a smoothing mechanism (moving average) could be applied.

Cost efficiency: the methodology should compare ANDE's performance with comparators (state-owned enterprises with clean hydroelectric generation) across relevant dimensions, including transmission and distribution losses and administrative costs, and determine cost recovery rates. The methodology should clearly specify the loss reduction trajectory in accordance with RM8, which will be considered as part of the cost structure to be recovered through the rate (e.g., recognize current transmission losses in 2024 and gradually reduce them until ANDE reaches cost efficiency by line of business in a specific time period).

22. ANDE will share the preliminary methodology with the IMF at least 3 months prior to the program review. In addition, once the methodology is in place, ANDE will need to establish a plan for the gradual increase in rates to match the results of the methodology in consultation with the Vice Ministry of Mines and Energy and the National Council of State-Owned Enterprises.

23. RM7: The reform measure will focus on three household appliances. In addition, according to the United Nations Environment Programme (UNEP), residential refrigerators, air conditioners, and industrial electric motors should be prioritized in terms of energy saving potential.[2] Efficiency standards should be established through a participatory approach, including the National Institute of Technology, Standardization, and Metrology, producers, importers, and retailers, and in line with international best practices established by the International Organization for Standardization.

24. RM8: The installation and activation of at least 20,000 smart meters before October 1, 2023, which, on the one hand, will reduce transmission and distribution losses, and on the other hand, will allow for the gradual introduction of hourly rates. The smart meter implementation strategy will prioritize consumers who account for a high percentage of electricity sales and consumption. By the same date, ANDE will also begin the gradual introduction of hourly rates.

25. The cut-off date to evaluate the one-year increase in inspections will be October 1, 2024. ANDE will increase its inspections by 10 percent over those carried out the previous year in order to reduce electricity theft. ANDE reported that in 2022 it carried out around 16,000 inspections, so the target of this reform measure is 13,200 inspections before October 1, 2024, with the aim of reaching 17,600 inspections in 2024.

26. RM9: The carbon tax, which replaces the current selective taxes on fuel consumption, will be set at a rate equivalent in local currency to 250,000 Guaraníes per ton of CO2. The carbon tax will apply to the following liquid fuels: diesel, gasoline, and LPG. The carbon tax rate in local currency will be reviewed periodically, considering a technical report that will be published each year by the MEF and BCP and considering the trends in the CPI, fuel prices, and the exchange rate to use as a basis for any revision of the carbon tax rate. The draft of the respective decree will be shared with the IMF in advance.

Fuel	**Tax per liter (Guarani per liter)**	**Proposal**		
		Carbon tax (Guarani per ton of CO_2-eq)	**Carbon tax (Guarani per liter)**	**Supplementary tax (Guarani per litre)**
Diesel	680	**250,000**	*680*	**0**
Naphtha up to 88 octane	828	**250,000**	*680*	**148**
Supernaphtha (between 88 and 96 octane)	2516	**250,000**	*680*	**1836**
LPG	1100	**250,000**	*680*	**420**

[2] Paraguay - United for Efficiency (united4efficiency.org)

PARAGUAY

January 14, 2026

SIXTH REVIEW UNDER THE POLICY COORDINATION INSTRUMENT AND FOURTH REVIEW UNDER THE ARRANGEMENT UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY—UPDATED WORLD BANK ASSESSMENT LETTER FOR THE RESILIENCE AND SUSTAINABILITY FACILITY

This update to the RSF Assessment Letter for Paraguay highlights relevant changes that have occurred since the issuance of the third Assessment Letter in July 2025 (see Annex 1)

A. Country Vulnerability to Climate Change Including Human, Social and Economic Costs

1. Paraguay's economy has been experiencing robust growth amid mostly benign weather conditions. Real GDP accelerated to 5.9 percent year-on-year in the first half of 2025, driven by the services and manufacturing sectors. Uneven rainfall in several soy-growing regions caused a moderate reduction in the volume of soy production, but this was offset by a bumper corn harvest. Meanwhile, livestock and forestry output expanded by 7.7 percent, reflecting improved weather conditions in Western Paraguay and robust plantation forestry activity, respectively. Electricity and water output also rebounded 11 percent as river levels recovered compared to a year ago. Efforts to diversify Paraguay's production structure continue.

2. The country remains vulnerable to extreme hydro-meteorological events such as droughts, floods, storms and wildfires. The Paraguay river – the main waterway on which the bulk of trade depends—has been experiencing fluctuating levels in recent months, threatening to affect the navigability of ships and their loads. Dredging and maintenance work is ongoing on parts of the river to improve the situation. Paraguay also continues to experience wildfires. In October 2025, the National Forestry Agency

(INFONA) reported that wildfires had affected over 22,000 hectares of land near the Paraguayan-Bolivian border, including in some protected areas. However, no properties with approved land use plans or forest management plans were affected and the number of fire alerts reported so far in 2025 has been lower compared to previous years.[1] The country also remains vulnerable to storms and floods.

B. Government Policies and Commitments in Terms of Climate Change Adaptation and Priority Areas to Strengthen Resilience

3. To improve the government's ability to tackle the threat of wildfires, INFONA recently launched real-time monitoring tools that help to identify high-risk zones and better plan actions to prevent, detect and respond to them. INFONA and other entities responsible for wildfire management – the National Emergency Secretariat (SEN) and the Ministry of Environment and Sustainable Development (MADES) have continued to try and strengthen interinstitutional coordination and information sharing to improve their response to wildfires.

C. Government Policies and Commitments in Terms of Climate Change Mitigation and Priority Areas to Reduce Greenhouse Gas Emissions

4. In September 2025, INFONA signed a landmark cooperation agreement with the Forest Stewardship Council (FSC). This government-level agreement – the first of its kind in the region – commits both institutions to strengthening institutional cooperation, improving traceability and certification of forest products, and enabling access to international markets with high environmental and social standards for Paraguay. According to INFONA, Paraguay has seen a 66 percent increase in reforested areas between 2022 and 2024, reaching 339,866 hectares, mostly in the Eastern region of the country. INFONA's estimates indicate that Paraguay has over 5 million hectares with high or very high potential for plantation forestry.[2]

5. Paraguay has also continued to develop its national carbon market. The government signed a Memorandum of Understanding (MoU) with Verra to implement capacity-building and knowledge-sharing activities that facilitate the development of carbon projects in the country and enable these projects to participate in international carbon markets. It has also signed bilateral MoUs with Singapore and Taiwan, China to cooperate on carbon credit development, improved systems for monitoring, reporting and verification, and nature-based solutions.

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[1] Considering high confidence alerts only. Source: Global Forest Watch.

[2] https://infona.gov.py/cristina-goralewski-destaca-el-potencial-transformador-del-sector-forestal-en-paraguay/

D. Other Challenges and Opportunities

6. MADES launched a national platform for climate transparency in October 2025. The platform centralizes data on greenhouse gas emissions, adaptation and mitigation actions, and climate finance flows, enabling more transparent monitoring and reporting aligned with the Paris Agreement's Enhanced Transparency Framework.

E. World Bank Engagement in Climate Change

7. The World Bank Group continues to support Paraguay's efforts to be better prepared for climate-related shocks. Implementation of the US$105 million Asunción Riverfront Urban Resilience project (P175320), which aims to improve the resilience of vulnerable households residing in selected areas along the city's riverfront, is ongoing. In September 2025, the WBG approved a US$150 million development policy loan (P508227) to Paraguay to support cross-cutting reforms that enhance the business environment and attract more private investment, including a modernized public-private partnerships (PPP) law that mandates the consideration of climate risks in PPP design and a national green, social and sustainable bond framework. The World Bank is also preparing a US$100 million investment project loan to Paraguay's Development Finance Agency (AFD) that aims to increase access to long-term financing and create jobs in sustainable agroforestry value chains in rural Paraguay. The project will support a forestry credit line via AFD, establish a forestry fund, and provide institutional support and capacity building. These engagements are anchored in the WBG Country Climate Development Report, which informed the preparation of the RSF reform matrix.

Annex I. World Bank Assessment Letter for Paraguay RSF, November 2024

1. See published letter at: https://www.imf.org/en/Publications/CR/Issues/2025/07/02/Paraguay-Fifth-Review-Under-the-Policy-Coordination-Instrument-Request-for-Modification-of-568263

INTERNATIONAL MONETARY FUND

PARAGUAY

January 14, 2026

SIXTH REVIEW UNDER THE POLICY COORDINATION INSTRUMENT AND FOURTH REVIEW UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY ARRANGEMENT—SUPPLEMENTARY INFORMATION

Approved by
Dora Iakova (WHD) and Eugenio Cerutti (SPR)

Prepared by the Western Hemisphere Department in consultation with the Strategy, Policy, and Review Department.

This supplement provides information on developments since the issuance of the staff report and does not alter the thrust of the staff appraisal.

Paraguay's sovereign bonds secured a second investment grade upgrade. On December 17, 2025, S&P upgraded Paraguay's sovereign bonds' rating to investment grade with a stable outlook on account of Paraguay's long track record of macro stability and market-oriented policies, which have boosted economic resilience. S&P noted the stable outlook reflects expectations of prudent fiscal policies that, coupled with economic growth, will gradually strengthen Paraguay's fiscal buffers.

Economic activity remains strong. Real GDP growth stood at 6.6 percent in 2025Q3, bringing cumulative year-on-year growth for the first 3 quarters of 2025 to 6.5 percent.

Inflation remains under control. In December, month-to-month headline inflation reached -0.3 percent, bringing the year-on-year reading to 3.1 percent, below staff's projection of 4 percent. The decline is explained by decreases in prices of food—particularly in volatile categories—fuels, and durable goods, supported by the appreciation of the guarani against the dollar. Measures of core inflation stood within the 2.3-3.6 percent range. At the December Monetary Policy meeting, the Central Bank of Paraguay kept the policy rate unchanged at 6 percent.

Preliminary data point to a fiscal deficit for 2025 broadly in line with the target set in the budget. The authorities reported a preliminary fiscal deficit estimate of 2 percent of GDP for 2025, slightly above the budgeted 1.9 percent of GDP mainly due to lower-than-expected non-tax revenues and expenditure pressures from the public pension system, Caja Fiscal.

The authorities submitted to Congress a proposal to reform the public pension system (Caja Fiscal). The draft bill, in line with the objectives stated in the Program Statement (¶10) of strengthening the sustainability of the public pension system, includes proposals for the introduction of a minimum retirement age for sectors that currently lack them, an adjustment to workers' contribution rates from 16 to 19 percent, the introduction of a state contribution of 3 percent, gradual access rules to pension benefits, harmonization of calculation of benefits, among other changes.

The Technical Registry Manual for the implementation of the National United Registry was approved through a Supreme Court ruling (Program Statement ¶14). The manual includes the revision of the regulatory standards of the general Directorate of the National Cadastre Service, a March 2025 RT that was not met at the time of the last review as the authorities pursued a more comprehensive reform through the enactment of Law No. 7424/2025 which created the National United Registry (RUN). With the approval of the manual, the authorities are implementing the unmet RT with delay.