

1.2 Summary of the Action

The EU-Paraguay partnership has developed for more than three decades, based on common values, including a commitment to rule of law, democracy, free markets, respect for human rights, and poverty alleviation. Shared values make the EU and Paraguay natural partners for tackling global challenges. Relations cover political, economic and trade and cooperation areas.

As part of the EU's overall strategic objectives for its external action, the EU has adopted a Multi-Annual Indicative Programme (MIP) for Paraguay. With an allocation of EUR 51 million for 2021-2024, and an estimated allocation of EUR 19 million it covers the two priority areas Green and resilient economy (EUR 22 million) and fighting against inequalities (EUR 26 million) and Support measures (EUR 3 million, divided in two Decisions).

The present action seeks to commit the remaining EUR 1 million available for support measures under the MIP. It will take over from the ongoing EUR 2 million support measures decision (CRIS number 2021/043-619; OPSYS reference ACT-60669).

The Overall Objective is to contribute to a stronger and more effective EU-Paraguay partnership, enhancing the impact of the interventions in eradicating extreme poverty and promoting sustainable development, supporting both joint and EU areas of interest.

The Specific Objectives are to:

- Support the effective and efficient implementation of EU international cooperation actions and policies, in particular those prioritised by the MIP 2021-2027 (and in the corresponding TEI) and promoting the Global Gateway strategy.
- Support policy dialogues and engagement with government and other stakeholders, including in areas of mainly EU interest as environment, trade and investment, gender equality, and others.
- Strengthen strategic communication and public diplomacy, designed to raise awareness, understanding and perception of the EU and its partnership with Paraguay, in line with the priorities identified in the MIP, in particular those related to Global Gateway. Strategic Communication campaigns will serve to position the EU as a trusted and reliable partner of reference for Paraguay.

The overall budget of the Action is EUR 1 million, to be implemented in direct management and indirect management.

2 RATIONALE

2.1 Context

Paraguay is a politically and macro-economically stable country with a solid economic growth until 2019 (4% of GDP growth on average) that contributed to raising living standards of Paraguayans. With a per capita income of over USD5,700, Paraguay is classified as an upper middle-income country. The country has a considerable endowment of natural resources, enormous energy potential, ample fertile land and a young population (50% of the population is under 30 years old).

Informality and limited diversification of the economy hinder sustainable and inclusive development. Inequalities persist and have been further exacerbated by COVID-19 and recent inflation. The country ranks 105 out of 191 countries on the UNDP development index. Despite a reduction of income inequality between 2003 and 2020, significant inequality persists. 1% of the population holds almost 20% of national income, with the top 10% holding more than 50%¹. Indigenous people (120,000 representing 1.6% of the population) are the most affected by different types of inequalities. In Latin America, Paraguay ranks as the country with the fifth highest income inequality in 2023, in addition to the per capita Gross Domestic Product (GDP), among 11 countries, the country together with Haiti, recorded a drop of 1.1% and 3.2%, respectively (CEPAL,

¹ World Inequality Database