



**MULTI-YEAR EXPERT MEETING ON TRADE, SERVICES AND DEVELOPMENT**

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**Country Paper:**

**What effective coordination mechanisms are needed between regulatory authorities, sectorial Ministries and Trade ministries for trade liberalization to become pro-developmental?**

**Paraguay experiences**



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## INTRODUCTION

Paraguay is a small country located in a strategic place within South America, it is a full member of the WTO and MERCOSUR, democratic, stable and reliable country, efficient young people, abundant energy and natural resources

Currently, Paraguay is an important recipient of foreign investment from various countries, result upon the effective implementation of the National Plan of Development 2030. One of its strategic axis, takes actions to ensure the inclusion of Paraguay in the world, proof of this is the participation in important multilateral forums such as the WTO, regional meetings as the CELAC, G77, BRICS Summits, MERCOSUR and the Pacific Alliance, UNASUR, 7th Summit of the Americas.

Thanks to the support of UNCTAD's technical cooperation, we were able to realize a diagnostic of the commercial policy of four major sectors that we presented last year in this series of expert meetings. Today, thanks to the recommendations of the study, we achieved improvements mainly in domestic policy in sectors such as financial, telecommunications, construction, education and basic infrastructure.

In this short document, it will be presenting the experience of Paraguay in the inter-agency coordination, among ministries, regulatory agencies and other entities, as the private sector to facilitate trade in services.

Finally, this document referred to the opportunities and challenges we faced while improving our policies to be better prepare to take advantage of trends in global trade, so that our products and services can access to international markets.

## COORDINATION BETWEEN PRIVATE AND PUBLIC ENTITIES

A coordination instance was created through Decree No. 4201/10 called “National Service Forum” composed by representatives of ministries, regulatory entities, as well as, representatives of the private Sector. It has an Executive Committee that meets monthly to discuss topics for sectorial policies.

Among the actions of the Committee had taken, there are three important issues:

1. the national nomenclature of services,
2. an official registration list of services' providers, and
3. a proposed methodology to collect administrative data of trade in services through a network, using a platform that connects various public institutions (today called one-stop records).

On the other hand, the “National Section of Services” is group created by the Decree No. 7188/11 to analyze issues related to trade negotiations in services. This group is integrated by government officials appointed by their respective institutions such as ministries and regulatory agencies. This group analyzes regulations and possible measures required to improve conditions for promoting foreign trade in services.

Several meetings with regulators were organized to explain the importance of improving and adapting regulations to facilitate international trade and investment. The output of this meeting are submitted to a higher political level, the “National Economic Team” normally because of the importance giving to the sector and when high-level decisions are required.

As a result of such coordination, we have improved some regulations, as is the case of the the law N° 5.102/13 "promotion of investment in public and private infrastructure, that was recently expanded by law No. 5.567/16. This new modification enable the Executive to authorize projects for the construction of dredging, bridges, roads, telecommunications, airports, hospitals, and generation, distribution and commercialization of energy.

Within this framework, the total amount of the projects submitted last year, amounts to \$1.877.590.0000 which include expansion, improvement and duplication of national routes, the expansion and improvement of the Silvio Pettrossi international airport.

Those basic infrastructure are added to the government's plan called "Emergency road Infrastructure Plan" that will build more than 10,000 km of roads. The last year were finished 1239 km of roads, 4700 km. linear of reinforced concrete bridges. Also, there are improvements in the field of transparency and procedures, for concessions, in a non-discriminatory mode, meaning for national and international tenders.

On the other hand, the Government has a popular housing plan amounting to 10.095 unit of this kind of houses, which were initiated 6944 units last year.

Thanks to an articulated work between the public and private sector we are facing a construction boom in Paraguay. Several buildings, apartments, shopping, hotels, and homes for the middle classes and popular housing are being built, further expanding the opportunities for services' providers. Just to give some examples, recently it was opening a high level shopping center with a foreign investment, surpassing US \$200 million; a complex of the World Trade Center was inaugurated of last year, as well as, the construction of well-known international hotels, among others.

Effective coordination among regulators and other ministries, also lead to an improvement of the standards of higher education. A recent regulation No. 2424-2016 issued by the Ministry of education and culture, rules about registration and recognition of the professional diploma. Other example is the resolution 63/2016(?) that settles rules for distance education, face-to-face and semi-presential courses. This resolution also rules issues related to trade and the provision of the services internationally.

On the other hand, the National Council of higher education issued a resolution No. 166/2015 whereby it regulates the law of higher education. It can also be highlighted the institutional strengthening of the national accreditation agency for higher education, which allowed the approval of 30 new degree-accredited careers during the period from 2014 to 2016, totaling 100 graduate and post graduate careers in the universities of the country. On the other hand, the National Council of higher education issued a resolution No. 166/2015 whereby regulates the law of higher education in the area.

Another important sector is the Financial Sector that is fairly well regulated adopting international standards. Now there is currently a draft amendment of the principal Act 861/91 at the request of Congress, the proposal does not provide for any restrictions to trade.

Thanks to the work done by the Central Bank and the World Bank we have the Financial inclusion Program has allowed us to reach people in the countryside, this program have actions that mainly addresses education to people for better management of financial resources. It also focus on small firms, so they can become subject of credits.

The system includes fixed and mobile access, it encompasses in total 3,169 banks and financial entities, the majority being private, benefiting more than 1,600,000 natural and juridical persons. Highlights that the amount of access increase in the farthest parts of the country reaching 85% which also contribute to the inclusion of those people into the formal financial system.

The PNT 2016-2020 is structured in 3 main axes of development: "towards a more connected society", "in conjunction with digital inclusion" and "regulatory efficiency". These axes are structured in 6 programs divided into 14 projects and more than 50 actions that must be accompanied and carried out in the next five years to achieve the main objectives of the Plan. Some examples of projects in this area are: promotion and support the expansion of network of access and transport through municipalities' network deployment and use of universal service Fund.

There are proposals and solutions for reducing the costs of international connectivity through structures such as IXPS, Caching and Data Center. Also, in the plan there are actions to develop a legal framework to create network infrastructure for Expansion of connectivity and broadband for businesses and individuals. It is expected to reduce the unit price of the Mbps and MB at 80% for the population and expansion of fixed or mobile for all telephone service.

Also is planned the expansion of connectivity for public institutions and public infrastructure, broadening the coverage of the access network (fixed or mobile) for the entire population, adjusted to the needs of the market and usage trend of optical fiber and cable modem throughout the country, as well as provide for the promotion of exports of ICT products.

Proof of this is the recently bidding and award of the frequency band 1700-2100 MHz for broadband network deployment. 4G network, backbone expansion of broadband.

## **CHALLENGES AND OPPORTUNITIES**

The opportunities are great, our country is attractive for investments, it has a great potential for economic growth in the region, and conditions exist to continue with economic development, integration at the regional or multilateral level that will bring to Paraguay at stage of the winners.

Paraguay has conditions to contribute to the so-called global value chain, for example the maquiladora companies are already inserted in our economy from all over the world. Just to mention, recently we have just presented a new branded car made in Paraguay and we have been producing small in the country, for some while. Large shops are establishing boosted by foreign direct investment,

Another industry that contribute with the global value chain is the software industry that has been growing constantly in the market and have been able to expand internationally and equally Calls centers have been established in our territory, nevertheless at lower volume of transactions.

We have enacted the electronic trade law within a plan of promotion of the cross-border trade. It settles conditions to comply with consumer protection practices. We are also working in diagnoses of regulations in the field of trade in services, investment, government procurement and intellectual property that when concluded could further guide policy makers to promote foreign trade in services, attraction of investments and enhance the right of intellectual property in our country, all to enabling trade environment and increase trade flows.

We are aware that there are still challenges as we continue adopting or creating new national regulations to adapt to the demands of markets and trade liberalization. It is not less important the challenge of improving the competitiveness of SMEs and to create the conditions for them to access to international markets. The National Plan has been promoting trade in services and the best use of the technology and innovation boosted by major investments taking place in the country.

Among others, I can list some challenges: as the need to continue improving the enforcement capacity of some regulators, more investment in basic road and communications infrastructure, we are still struggling on how to better use the public-private investment law. We need to improve the presentation of the feasibility and pre investment projects.

The educational system for the formation of human capital is important for the development of a country, we are trying to meet the Government's goal of 7% of GDP investment on Education. Improvements are needed in the schools and colleges' infrastructure.

It is necessary to make even better use of energy sources, and promoting the increased value addition in our goods and services according to international standards

Smuggling of goods or services is another challenge, we are advocating for legal and equal trade environment. The big challenge is to continue to ensure the legal and fair competition between competitors. We are in a process of strengthening control and audit bodies. We recently issued a decree to be implemented in ports when the border crossing is performed to automatically link the information to the Tax Office, the anti-drug Secretariat and the Directorate of Intellectual Property.

The National Competition Council was established. We are strengthening its institutional capacities, currently we have already received allegations which are being tested. There is good predisposition for the effective implementation of the competition law.

Among other challenges it is pending to have a law that regulate professional practices, while others countries has a system that guarantees fair competition between national and foreign professionals, we are unregulated.

Finally, may I take the opportunity to thank all countries' representatives present at this meeting and thank especially the organizers of UNCTAD for giving me the opportunity to be present at this important event enriching discussion on trade in services. It is a great opportunity to this share experiences of countries in the field of trade and development.

I hope that my speech will not be as brief and can transmit the evolution we are taking but we would like to be much more-we are committed to continue to improve coordination between the agencies for the effective development and implementation of regulations aimed at the development and trade. I wish a great day and I again my thanks to UNCTAD.