INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PARAGUAY

CURRENT ECONOMIC SITUATION
AND
PRELIMINARY CREDITWORTHINESS APPRAISAL

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Economic Department
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# PARAGUAY

CURRENT ECONOMIC SITUATION

AND

PRELIMINARY CREDITWORTHINESS APPRAISAL

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PARAGUAY

BASIC STATISTICS

Area
160,000 square miles

Population
1.2 - 1.4 million

Currency
Guarani ($)

Unit
6.00 guaranies = 1 dollar

Parity
(1 million guaranies = $166,667)

Official Exchange Transactions,
on account of

Imports 1950

Exports 1950

US$ 22.7 million
US$ 34.6 million

National Income in 1945

US$ 150 million

Budget in 1950

"Ordinary" Revenues

"Ordinary" Expenditures

$84.5 million (US$ 14.1 million) 1/
$ 80.2 million (US$ 13.3 million) 1/

Internal Debt of National Government

(December 1949)

$111.6 million (US$ 18.8 million) 1/

External Debt (January 1951)

US$ 12.4 million

Money Supply

End of 1939

End of 1945

End of 1948

End of 1950

$12.7 million (US$ 2.1 million) 1/
$50.4 million (US$ 8.4 million) 1/
$96.1 million (US$ 16.0 million) 1/
$229.5 million (US$ 38.2 million) 1/

Cost of Living (Asuncion)

1938

1945

1948

1950 (December)

100

214

412

970

Net Exchange Reserves

End of 1940

End of 1946

End of 1949 (negative)

End of 1950

US$ 0.2 million
US$ 11.0 million
US$ 1.9 million
US$ 7.2 million

1/ Dollar equivalent at the new $6 rate, established March 5, 1951.
CONCLUSIONS

Lack of detailed or first-hand knowledge of the Paraguayan economy makes any present judgment on creditworthiness very tentative. However, on the basis of available data it appears that:

(1) export proceeds could be maintained at or above the 1948-50 average of US$ 30 million (1951 estimate of export proceeds is US$ 42.1 million), provided that civil disturbance does not disrupt production; production in general and exports in particular offer reasonable prospects for expansion;

(2) an acceptable balance of payments position could be achieved, in the short run by efficient exchange budgeting, and in the long run by sound monetary and fiscal policies to reduce inflationary pressures;

(3) the reorganization of the fiscal and banking systems, which is being carried out at the present time by foreign technicians, could increase budget revenues and provide necessary powers for control of credit, removing the factors (budget deficits and credit expansion) mainly responsible for the current inflationary situation;

(4) the political situation is apparently relatively stable and the present Government seems to enjoy a certain degree of confidence;

(5) in December 1950 a Joint Paraguayan-United States Economic Commission was established, on a less elaborate scale than the Brazilian one; this Commission and the Government will be assisted by about 58 technicians from the U.S. Point IV Program, including the people already in Paraguay with STICA (Inter-American Technical Service of Agricultural Cooperation), which it is understood to have done a good job since 1942;

(6) the establishment of the Joint Commission and the availability of foreign technicians should offer a good set-up for the formulation and implementation of development action and should somewhat offset political instability and frequent changes of Government personnel;

(7) the present schedule of foreign debt payments is not unduly heavy. On the basis of the average 1948-50 export proceeds, total payments on the foreign debt (including amortization) represent about 5.5% per year during the period 1952-56 and only about 1.3% per year during the period 1957-61. At the end of 1950 total foreign debt amounted to the equivalent of US$ 12.4 million, 75% of which is payable in U.S. dollars.

(8) the balance of payments position, the low ratio of debt service charges to total exchange receipts, and the rapid rate of amortization on indebtedness now outstanding, all indicate that Paraguay could receive loans to the equivalent of US$ 10 million, during the next three years, with actual amortization in a period of ten to twelve years. US$ 10 million disbursed
over three years starting in 1952 would represent a net addition of only $5.5 million to external debt, since amortization on existing debt totals the equivalent of $4.5 million from 1952 through 1954.

(9) the rate of disbursement will depend upon technical and administrative capacity to execute investment projects, which is likely to be low in Paraguay. There therefore seems to be a prima facie case for loan commitments in installments, each installment depending upon achievements on the previous one. A reasonable first installment would probably not exceed $5 million.

(10) The question whether Paraguay's creditworthiness is equal in all currency cannot be answered now. It is possible that further inquiry will disclose that Paraguay's own dollar earning capacity is low in relation to total exchange receipts.

(11) Therefore a final judgment on Paraguay's creditworthiness must await the findings of a mission, in particular, in regard to: (a) present and expected earnings in U.S. dollars and other "hard" currencies. These cannot be ascertained from the direction of exports due to the special importance of "in transit" exports through Argentina. The Central Bank's records, available only in Asuncion, are needed to clarify this matter; (b) the scope and effectiveness of the reorganization of the banking and fiscal systems; and (c) the actual possibilities of controlling inflation arising from budgetary deficits and credit expansion, both from the point of view of actual Government policies and the machinery to implement them.
I. CURRENT ECONOMIC SITUATION

A. EXTERNAL

1. Foreign Trade and Exchange Position

The principal export products of Paraguay, with their percentages to total export value in 1949 given in parenthesis, are: lumber (24.1%), quebracho extract (21.3%), cotton fiber (14.5%), hides (11.5%), processed meat (9.2%), tobacco (5.9%), vegetable oils (4.6%) and others (9.9%). There is no available information on the composition of imports.

As a consequence of the war the geographic distribution of trade suffered significant changes. On the export side in 1949, about 85% of total Paraguayan exports (35% as direct exports and 50% as shipped in transit) went to or through Argentina as compared with some 40% in the pre-war period about evenly distributed between direct exports and shipped in transit. Exports to Germany, the United Kingdom and the United States which together accounted for 39% of total exports in 1938 declined to only 5% in 1949. It is known that a large amount of the "in transit" exports through Argentina go to the United States, United Kingdom and other European and Latin American countries; there are no statistics, however, on the exact amount going to each, nor upon the currencies Paraguay actually receives for them. On the import side, Argentina's contribution declined from 38% in 1938 to 22% in 1949 while imports from the United States and the United Kingdom increased from 10%, each, in 1938, to 33% and 18% respectively, in 1949. Germany and Japan supplied about 26% of total imports in the pre-war period and nothing in 1949. Brazil contributed 7% of total imports in 1949 as compared with only 1% in 1938.

An over-all balance of payments summary is presented in Table 1, based on foreign exchange transactions with the banking system reportedly covering about 85% of total transactions.

The balance of payments surpluses characteristic of the war period were reversed in 1947, mainly due to the Civil War of that year which disrupted production and trade. Payments deficits continued in 1948 and 1949. During 1950 exports almost regained their 1946 volume while the unweighted export price index more than doubled from 1946 to 1950. Increases in both volume and unit value of lumber exports during 1950, and the application of very strict quantitative import and exchange controls, were largely responsible for the achievement in 1950, for the first time in the postwar period, of a favorable balance of payment position. As a consequence, Paraguay shifted from a position of negative net reserves of US$ 1.9 million at the end of 1949 to a positive one of US$ 7.2 million at the end of 1950. (The net reserves concept of the Bank of Paraguay's law is arrived at by deducting exchange liabilities from total (gross) holdings of gold and foreign exchange, using, however, different percentages of the liabilities according to their due term.) Gross reserves were US$ 3.1 million and US$ 12.5 million at the end of 1949 and 1950,
respectively. At the end of April, 1951 gross reserves had increased to US$ 16.7 million.

Nevertheless, net reserves at the end of 1950 were only 20% of the average annual sales of exchange during the past three years, which is below the 35% level prescribed by the law of the Bank of Paraguay before any substantial relaxation of import controls could be undertaken.

There is no available information on foreign currencies held in the reserves. Most of the improvement in the Paraguayan exchange situation in 1950 was, however, due to increased receipts of Argentine pesos resulting from larger exports of lumber. Argentine pesos are valuable to Paraguay, which is on average in deficit with Argentina, especially on invisible trade. There is an agreement, dated 1941, by which Paraguay can buy Argentine pesos with sterling to cover a deficit with Argentina. Any improvement in Paraguay's receipts of pesos thus results in larger availability of sterling of which Paraguay is believed to be rather short at the present time.

2. Exchange Rates and Practices

An adjustment in the exchange rate structure of Paraguay was felt to have been necessary for some time due partly to difficulties encountered by some Paraguayan exports, and more especially to the need of checking heavy import demands arising from the inflationary situation prevailing. The authorities had relied heavily on direct import and exchange controls during 1950. This policy was successful insofar as it considerably reduced total sales of exchange, but the maintenance of low import rates (in terms of guaranies) contributed greatly to the development of a black market and intensified contraband trade in exports and re-exports to Argentina and Brazil. Furthermore, the multiple rates system adopted at the end of 1949 was not implemented with a proper distribution of commodities among the different groups and rates. The larger part of both exports and imports was concentrated in preferential categories, and as a consequence the Bank of Paraguay was buying exchange from exporters at a higher rate (in terms of guaranies per dollar) than the one at which it was selling exchange for imports. In other words, the Bank of Paraguay was suffering an "exchange loss" by simultaneously subsidizing both exports and imports, adding to inflationary increase of money supply which was already expanding at the result of the balance of payments surplus and of domestic credit expansion.

Effective March 5, 1951, parity was changed from 3.09 to 6 per dollar. The new rate applies to the officially appraised value of major exports (most importantly lumber, quebracho extract, cotton, meat and hides), to certain government receipts, to designated essential imports, and to payments for public debt service and government transactions. The new exchange system also introduced another official rate of 9 guaranies per dollar, applied to the officially appraised value of minor exports (including petitgrain oil, tobacco, vegetable oil, sugar and tanned leather), to registered capital and certain invisibles, and to designated imports not permitted at the 6 rate. The black market was legalized and will be used for invisibles and for proceeds of such exports as are not required to be sold at 6 or 9 rates. Luxury imports will be prohibited temporarily, as it was felt that during 1950 a large amount were imported through the "compensation system" and "imports with own exchange."
There will be a foreign exchange budget for 1951, in which relaxations of restrictions on essential imports is contemplated, as well as gradual accumulation of international reserves. The IMF is providing technical assistance in the preparation and implementation of the exchange budget and indicates that "the Monetary Board of the Bank of Paraguay now has at its disposal the necessary elements on which to base a set of adequate procedures for allocating exchange, intended to satisfy the basic needs of the economy and to give confidence to the importers regarding their prospects for the future."

The exchange budget for 1951 estimates total receipts at approximately the equivalent of US$ 50.4 million (exports US$ 42.1 million and services and capital US$ 8.3 million) including the official and free market, or US$ 7 million more than the estimated US$ 43 million transacted in both markets during 1950. Official receipts from exports, excluding the black market, were US$ 35.9 million in 1950 and US$ 1.3 million from services and capital. On the demand side, the budget allocates US$ 31.1 million to essential imports (luxury imports being prohibited), US$ 14.7 million to invisibles and US$ 4.6 for increase of international reserves; these three items are expected to balance the US$ 50.4 million estimated receipts. Budgeted essential imports for 1951 should be about 35% higher than total imports of US$ 23.0 million in 1950 and about 90% larger than essential imports in the same year estimated at only US$ 16.5 million. This might permit a substantial improvement in the commodity supply situation depending upon the final composition of the group of essential imports and upon the rises in foreign prices between 1950 and 1951.

B. INTERNAL

1. Inflation

A continuous inflationary situation is over-shadowing improvement in the balance of payments position of Paraguay and of its exchange system. Money supply increased steadily from $12.7 million at the end of 1939 to $229.5 million at the end of 1950. The cost-of-living index in Asuncion stood at 970 (1938 = 100) in December, 1950. Up to the end of the war balance of payments surpluses were mainly responsible for expansion in money supply, but from then on through 1949 internal factors were responsible for an accelerating increase in spite of declining international reserves. The expansion of money supply in 1946 and 1947, of about 9% and 7%, respectively, was rather moderate, but in 1948 and 1949 the rate of increase was very high, or about 50% per year. During 1950, the increase was also close to 50%, but in this year external factors (i.e. a large trade surplus) also contributed to the increase. Meanwhile, the cost of living index kept pace with the 50% increase in the money supply during each of the last three years.

The Government of Paraguay has taken recently some measures -- the effects of which cannot be assessed yet -- designed to control inflationary pressures arising from the exchange system, budgetary deficits and domestic credit.

2. Government Budgets

The overhauling of the exchange system recently effected will at least do away with "exchange losses," which in 1950 were responsible for 40% of the increase in the money supply. Furthermore, along with the new exchange system it is proposed to increase export taxes (or "gravamenes") from the 15% rate on the "aforo" (official valuation for purposes of surrender requirements of export proceeds) value to 33%, in order to take away any substantial windfall profits from major exports, arising from the recent devaluation, and at the same time to provide resources to subsidize wheat imports (about 11% of total imports in 1948), which will continue to receive until 1952 about the same former preferential rate. Export taxes are estimated to produce $40.3 million between March and December 1951 as compared with $5.2 million during calendar 1950. Of the $40.3 million only $2.8 million will go to the Budget for ordinary expenses — an amount approximately equal to the one it received from this source last year — and the rest will be used to pay for the new subsidy on wheat imports ($10.7 million), the increased cost of Government imports and payments as a consequence of the devaluation ($15.9 million), for the service of the Brazilian loan ($7.8 million) and to increase the capital of the Agricultural Bank ($3.1 million).

Lack of statistics make it difficult to give an overall picture of Government receipts and expenditures. This is further complicated by the failure of the Executive in the past to carry out budgetary procedures with consequent confusion in the budget account system. Apparently there is no clear distinction in the budget between current expenditures of the Government and long-term capital investments, and similarly, current and "extraordinary" revenues are used somewhat indiscriminately to cover "ordinary" expenditures as well as capital outlays. The best indication of the magnitude of overall Government budgetary deficits is given, however, by the annual changes in the public debt. These changes and the available data on actual "ordinary" receipts and expenditures would indicate the probable net cash expenditures on extraordinary account. Data from 1945 to 1950 is shown in the following table:

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual receipts (1)</th>
<th>Actual expenditures (2)</th>
<th>Ordinary deficit or surplus (3)</th>
<th>Annual changes in public debt (4)</th>
<th>Indicated &quot;extraordinary&quot; expenditures (5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1945</td>
<td>24.5</td>
<td>31.3</td>
<td>- 6.8</td>
<td>$ 7.5</td>
<td>.7</td>
</tr>
<tr>
<td>1946</td>
<td>36.8</td>
<td>31.3</td>
<td>$ 5.5</td>
<td>$ 4.0</td>
<td>1.5</td>
</tr>
<tr>
<td>1947</td>
<td>41.7</td>
<td>51.4</td>
<td>- 9.7</td>
<td>$13.4</td>
<td>3.7</td>
</tr>
<tr>
<td>1948</td>
<td>45.6</td>
<td>78.5 (budget)</td>
<td>-32.9</td>
<td>$23.4</td>
<td>27.7</td>
</tr>
<tr>
<td>1949</td>
<td>58.9</td>
<td>55.7</td>
<td>$ 3.2</td>
<td>$34.0</td>
<td>43.9</td>
</tr>
<tr>
<td>1950</td>
<td>84.5</td>
<td>80.2</td>
<td>$ 4.3</td>
<td>$39.6</td>
<td>43.9</td>
</tr>
</tbody>
</table>

1/ Estimated.

Since the Bank of Paraguay is virtually the sole source of Government credit, the greater part of internal debt increase quickly results in a
corresponding growth of money supply. Government debt with the Bank of Paraguay increased from $11.8 million at the end of 1939 to $33.6 million at the end of 1945 and to $143.1 million at the end of 1950.

At the end of last year, at the request of the Government of Paraguay, an IMF Fiscal Mission visited the country and recommended that the budget which was in effect during the calendar year 1950 be continued until July 1951, and a new budget be introduced for the new fiscal year July 1951 - June 1952. In the meantime, a technician from the U.S. Point IV Program is helping the Government in the preparation of the new budget, expenditures are being carefully screened to eliminate non-essentials and certain taxes are being revised with a view of increasing revenues. Following also Fund recommendations, Treasury obligations with the Bank of Paraguay were consolidated into a 20-years, 3% interest bonds, with a moratorium on interest and principal from July 1, 1951 to June 30, 1953 which undoubtedly will relieve the budget. Two more technicians from U.S. Point IV are reported to be going soon to Paraguay to help in a complete reorganization of the fiscal system and tax structure. These reforms are of great importance to any IDRD appraisal of operations in Paraguay.

At the present time there is no official information on the new budget. The IMF Fiscal Mission, however, has estimated that expenditures will be about $148.1 million, or an increase of 85% over 1950, while revenues will be about $134.0 million, or 60% larger than last year. The proposed deficit of $14.1 million corresponds roughly to the amount allocated for capital expenditures of $15 million. Since these capital expenditures include $5.0 million for the construction of a building for the Ministry of Finance, $1.3 million for purchases of real estate, plus other apparently non-essential or non-urgent outlays (the only essential expenditures would be $5.3 million allocated for public works, communications and agriculture) it may be possible to have a balanced budget for 1951-52, or at least a very small deficit if non-essential investment expenditures were postponed.

The proposed 85% increase in expenditures for 1951-52 is explained largely by a contemplated 30% rise in Government salaries (about 60% of total expenditures) and the increased cost of Government purchases due to the rising cost of living. The 60% expected increase in revenues will probably be the result of certain tax revisions and more efficient administration. On the basis of unofficial estimates of national income for 1950 of about $900 million, total expenditures in 1950 were less than 10% of national income, which cannot be considered burdensome.

3. **Bank Credit**

In 1945 far-reaching reforms of the monetary and foreign exchange systems which were largely formulated under the guidance and with the active assistance of representatives of the U.S. Federal Reserve Board were put into effect. The currency was unpegged from the Argentine peso; Argentine pesos ceased to be legal tender; exchange controls were instituted and exchange rates stabilized; and the whole banking machinery was reorganized.

The Paraguayan banking system presently consists of the Bank of Paraguay
and four foreign branch banks which by preference and tradition deal in strictly commercial, especially foreign exchange, operations.

The Bank of Paraguay, with loans and discounts at December 1950 of $190.8 million as compared with $40.7 million for all foreign banks, is the source of currency issue, the fiscal agent of the Government, the exchange control bureau, development bank and source of Government credit. It comprises a Monetary (central bank) Department, a Banking (commercial bank) Department and Mortgage Loan and Agricultural Credit Departments, each administratively separate from the others. Overall monetary, banking, financial and economic policy affecting the country internally or internationally is determined (at the non-political level) by the Monetary Board of the Bank, which is chaired by the Minister of Finance and includes a representative of trade and industry.

At the present time an IMF and Federal Reserve Board group is working on the reorganization of the Bank of Paraguay, whose Monetary Department will be established as a Central Bank. This could provide the necessary elements to control credit expansion and for the implementation of a more selective credit policy.

Total banking credit in Paraguay since 1946, broken down by economic groups, is presented in Table 2.

II. DEVELOPMENT PROBLEMS

Paraguay possesses a homogenous and adaptable population, fertile soils, large hardwood forests, extensive grazing grounds and a satisfactory climate, which should offer an ample field for development of its agriculture, livestock industry and forestry resources.

National income was officially estimated to be about US$ 150 million in 1946 of which 38% arose in industry and commerce, and 33% in agriculture and stockraising. However, with more than 60% of the working population engaged in agriculture, Paraguay is basically an agricultural economy and in any development program increased agricultural production would be of first importance.

A difficult economic problem for Paraguay is its land-locked position between Argentina, Brazil and Bolivia. An important part of Argentina's influence on the Paraguayan economy is exerted through the virtual monopoly she holds on river transportation, the principal outlet for Paraguay's exports. The monopolistic price policy followed in the past has resulted in a large diversion of profits from Paraguay to Argentina, and it is said that in certain cases some Paraguayan products have been priced out of the market. In order to ease this monopoly Paraguay bought several U.S. surplus ships around 1948, but unfortunately most of the ships are of too great draught which render them unfit to operate at full capacity. At the present time, less than 10% of total cargo is transported by the national fleet.

The land-population ratio makes immigration desirable. Some efforts have been made in this field in the past, among them the establishment of the Mennonites' colonies, but there has been no sustained immigration program.
From what is now known, agricultural production in the short run could be greatly increased by improved farming methods and the use of implements and machinery in the area immediate to Asuncion, the capital city, where most of the population is concentrated. The long-run agricultural policy of the Government, however, seems to be directed to move out people from the present congested area and settle them in the rest of the country where the potentially richer area exists. This policy has already been carried out on a small scale by establishing mixed national and immigrant colonies in the central part of the country, the Government providing the land, equipment and credit. The Institute of Inter-American Affairs, through its local institution, STICA, has cooperated very closely with Government agencies in this enterprise, and, so far as is known, the results are satisfactory. The principal government agencies engaged in these projects are the Agricultural Rehabilitation Credit ('Credito Agricola de Habilitacion," a division of the Bank of Paraguay for the granting of supervised credit) and the Land and Colonization Bureau.


"Agricultural production and productivity, however, are low, due to primitive farming methods and poor marketing conditions. Methods of cattle raising are also unsatisfactory, and the quality of product low. The country could with relatively small investment accommodate twice the present cattle population, which is currently around four million, and could greatly improve the quality. Methods of exploitation of forests are likewise inefficient. Improved transportation facilities and lumbering equipment would not only permit large additional areas to be utilized, but would also increase the efficiency of the exploitation of areas now in use.

"In general little is being done to process products for export, to increase their value, reduce their relative weight, and thus save on transportation costs . . . .

"Agricultural production could be greatly increased by improved farming methods. The Institute of Inter-American Affairs is working closely with the Peraguayans in the Servicio Tecnico Interamericano de Cooperacion Agricola (STICA) in order to improve the agricultural situation, through training, demonstration of use of implements and machinery, supervised rural credit and seed selection. Outside financial help for the importation of machinery, implements and seeds would be required for the effective prosecution of this program. The Government has ambitious plans for the expansion of the comparatively new cultivation of rice, for which the country appears to be very suitable. The domestic market for rice seems to be promising, but rice export prospects will depend upon the world market . . . .

"Forest products are to a large extent being exported in the form of round and square logs, while many finished timber products are imported. This state of affairs is particularly unfortunate in the light of the transportation situation. Modern sawmill equipment would initially require foreign currency, but would ultimately both save and earn exchange."
The competitive position would improve and new markets for Paraguay's
great variety of hardwoods would be opened up.

"Although no specific projects have been submitted, industries that
could process further any of the other typical Paraguayan products are
highly desirable. For example, hides could be tanned in the country, in-
stead of being exported raw and even wet for tanning abroad."

The actual coordination and implementation of the presently proposed
agricultural program by the various Government agencies and STICA is not known.
However, a joint Paraguay-U.S. Development Commission was established at the
end of 1950, on a less elaborate scale than the Brazilian one, with Dr. Patterson,
Director of STICA, as alternate of the U.S. Ambassador, the U.S. chairman of
the Commission. On the Paraguayan side, the Minister of Finance is the
principal member with Mr. Pane, Chairman of the Agrarian Council of the Bank of
Paraguay, as his alternate. To cooperate with the Commission and the Government
about 52 technicians will be supplied by the U.S. Point IV Program including
the personnel already in Paraguay working with STICA.

The above set-up should offer a good outlook for the formulation and
implementation of development action and would contribute to offset the draw-
backs caused by political instability, and frequent changes in personnel. It
should also offer a favorable climate where the Bank could move in and obtain
perceptible results with relatively small investment and technical assistance,
providing that the Government is willing to implement the recommendations on
the monetary and fiscal fields being worked out at the present time by outside
technicians and that adequate administration machinery exists.

III. THE POLITICAL SITUATION

The present constitutionally-elected Government has been in power almost
two years with about four more to go. While political uncertainties will con-
tinue in Paraguay, there are indications that this Government enjoys a greater
degree of public confidence than any other Government in the recent past.

There is no doubt that political unrest can react unfavorably upon
Paraguay's creditworthiness, but the Bank Mission which visited the country in
1948 received the impression that political changes will not, in fact, greatly
affect external relations. The meeting of foreign obligations of the country
is regarded as a primary concern by all the responsible people, both inside and
outside the ruling group, who seem aware of its importance.

IV. THE EXTERNAL DEBT OF PARAGUAY

The estimated external debt of Paraguay was equivalent to about US$ 12.4
million at the beginning of 1951. Of this amount 75%, or US$ 9.4 million, is
payable in U.S. dollars and of the remainder US$ 1.4 million equivalent in
Argentine pesos, US$ 1.1 million equivalent in sterling, and US$ 497,000 equiva-
 lent in various other currencies.
## External Debt of Paraguay

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount Outstanding (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>In currency</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Dollar Debt</td>
<td></td>
</tr>
<tr>
<td>Export-Import Bank 4%, 1939/42-1958</td>
<td>4/30/51</td>
</tr>
<tr>
<td>Asuncion Port Concession Corp. 5%, 1941-1971</td>
<td>12/31/50</td>
</tr>
<tr>
<td>Brazilian loan 4%, 1942-59</td>
<td>12/31/50</td>
</tr>
<tr>
<td>Dollar payments due on purchase of public utilities</td>
<td>12/31/50</td>
</tr>
<tr>
<td>Total dollar debt</td>
<td></td>
</tr>
<tr>
<td>Total Sterling debt</td>
<td>12/31/50</td>
</tr>
<tr>
<td>Total Argentine peso debt</td>
<td>12/31/50</td>
</tr>
<tr>
<td>Miscellaneous Creditors</td>
<td>12/31/49</td>
</tr>
<tr>
<td>TOTAL DEBT</td>
<td></td>
</tr>
</tbody>
</table>

Note: Conversions were made at the following rates: L1 = $2.80; p 1 = $0.20.

1/ Original currency amounts not known.

Service payments on the foreign debt in 1951 are estimated at $3.5 million, with amortization $3 million and interest $500,000. The 1951 payment is substantially higher than in following years due mainly to arrears (which were paid June 25, 1951, bringing principal payments up to date) on the Export-Import Bank loan and final payment on the private utilities bought recently by the Paraguayan Government.

The year 1952 is more representative of regular external debt payments, which amount to the equivalent of $2 million, with amortization accounting for $1.6 million and interest $400,000. The payments in dollars, amounting to $1.6 million, reflect mainly the schedule payments of approximately $529,000 on the Export-Import Bank loans, $782,000 on the Brazilian loan and $177,000 on other dollar debts.

Dollar payments due on the Bank of Brazil loan are at present being paid by the Paraguayan Government in guaranies deposited in the Asuncion Branch of the Bank of Brazil. Because of lack of dollar exchange, remittances to Brazil of dollars on this loan are in arrears, with the consent of the Brazilian Government.

Argentine peso debt payments are equivalent to US$ 238,000 and payments on sterling bonds are equivalent to US$ 147,000 in 1952.

Total service payments decline gradually (about the equivalent of US$ 200,000 per year) to 1956 when they amount to $1,254,000. Then they drop sharply to the equivalent of US$ 684,000 due to the fact that by this period both the Argentine peso debt and the Bank of Brazil loan are scheduled to be
completely paid off. In the following year service payments are estimated
to be down to the equivalent of $375,000 and by 1960 they reach a level of
the equivalent of $177,000 and remain at that level through 1971, dropping
again to $59,000 by 1972.

Annual average service payments (amortization and interest) on the
foreign debt for the period 1952-56 represent 5.5% of the 1948-50 US$ 30 mil-
ion average export receipts, and only about 1% per year from 1957 to 1961.
Thereafter service payments become negligible.

Total foreign investments were estimated at about US$ 60 million in
1950, with Argentina contributing 43% and Great Britain and the United States
28% and 25% respectively. The exchange budget for 1951 allocates US$ 1.2 mil-
ion for dividends and interests on foreign capital, or about 4% of exchange
receipts from exports in that year. Private foreign capital inflow in 1951 is
estimated at US$ 1.6 million. It is not at present known whether a continued
inflow of private foreign investment can be expected.
Table 1
PARAGUAY: BALANCE OF PAYMENTS, IN U.S.
DOLLAR MILLION EQUIVALENTS

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<thead>
<tr>
<th></th>
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<td>29.7</td>
<td>28.1</td>
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<td>/6.7</td>
<td>/1.0</td>
<td>-2.9</td>
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<td>/11.8</td>
<td>/11.4</td>
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<td>-6.2</td>
<td>-2</td>
<td>.8</td>
<td>-2.3</td>
<td>-9.5</td>
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<td>2.4</td>
<td>1.9</td>
<td>1.9</td>
<td>1.3</td>
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<td>1.32/</td>
<td>.8</td>
<td>3.1</td>
<td>.52/</td>
<td>.2</td>
<td>5.7</td>
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<td>/3.2</td>
<td>/1.6</td>
<td>-1.2</td>
<td>/1.4</td>
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<td>Balance</td>
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<td>/1.1</td>
<td>/9</td>
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<td>-2.0</td>
<td>-2.6</td>
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<td>/9.6</td>
<td>/3.7</td>
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<td>-4.3</td>
<td>/1.2</td>
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</table>

Source: Bank of Paraguay.

/1/ Exclusive of foreign debt service, but inclusive of returns on private capital.

/2/ Estimated.

/3/ Foreign debt service, interest and amortization.
Table 2

AGGREGATE PRIVATE AND PUBLIC LOANS AND DISCOUNTS OR CREDIT
EXTENDED BY BANK OF PARAGUAY AND PRIVATE BANKS TO ECONOMIC
GROUPS AND TRADES, PARAGUAY, 1946-1950

(In thousands of guaranies)

<table>
<thead>
<tr>
<th>Economic Groups and Trades</th>
<th>December 1946</th>
<th>December 1947</th>
<th>December 1948</th>
<th>December 1949</th>
<th>December 1950</th>
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<tbody>
<tr>
<td>1. Agricultural production</td>
<td>6,940</td>
<td>6,260</td>
<td>11,812</td>
<td>17,839</td>
<td>28,540</td>
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<td>2. Industrial production</td>
<td>9,460</td>
<td>12,926</td>
<td>25,588</td>
<td>37,180</td>
<td>43,631</td>
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<td>3. Electrical Power</td>
<td>7</td>
<td>15</td>
<td>41</td>
<td>75</td>
<td>70</td>
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<tr>
<td>4. Construction and Buildings</td>
<td>7,954</td>
<td>7,343</td>
<td>5,709</td>
<td>9,726</td>
<td>21,106</td>
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<tr>
<td>5. Commerce</td>
<td>10,640</td>
<td>10,932</td>
<td>12,006</td>
<td>20,920</td>
<td>25,305</td>
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<td>6. Public Services</td>
<td>2,117</td>
<td>2,958</td>
<td>18,554</td>
<td>5,938</td>
<td>6,046</td>
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<td>7. Government Departments</td>
<td>21,038</td>
<td>32,976</td>
<td>35,486</td>
<td>92,880</td>
<td>99,115</td>
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<td>8. Banking, Finance,</td>
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<td>Insurance</td>
<td>1,307</td>
<td>2,559</td>
<td>1,657</td>
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<td>9. Miscellaneous</td>
<td>310</td>
<td>194</td>
<td>1,632</td>
<td>1,323</td>
<td>6,967</td>
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Totals                     | 59,773        | 76,163        | 112,485       | 191,253       | 231,477       |

Source: Bank of Paraguay.