



Inclusive Growth and Productive Development in Paraguay

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Inclusive Growth: some definitions

(World Bank 2009)

- Rapid pace of growth as a condition of poverty reduction
- Poverty reduction as a broad base (large part of the labor force)
- Equality of opportunity: access to markets and resources.
- Productive Employment rather than direct income distribution as means of increasing income for excluded groups (a longer term perspective)



Inclusive Growth: some definitions

- “.....inclusive growth is about raising the pace of growth and enlarging the size of the economy while leveling the playing field for investment and increasing productive employment opportunities”



Economic Growth in Paraguay

- Model based on agriculture commodities, sale of hydroelectric energy and re-exporting business.
- Dual productive structure: dynamic agro-exporting sector vs. small peasant agriculture, with low level of industrialization and high percentage of informal labor
- Slow economic growth in the 90s, rapid growth over the last five years
- Small reduction of poverty and inequality

Growth based on the large and the small ?

- Studies on competitiveness in Paraguay have emphasized on productive chains in agro-industries.
- Policies have been directed to agro-industrial chains based on the large and small agriculture production
- But market has also determined new agro-industrial chains that benefit the medium and small producers.
- New development: increasing relationship between export agribusiness and small producers: “**global familiar agriculture**”



Challenges for Economic Growth and Poverty Reduction

- New entrepreneurial organization in the primary sector
- Expansion of the “agriculture frontier” via export of commodities (soybean and meat)
- Increasing land prices and displacement of the small agriculture production.
- Agro-industrialization: intensive use of non-qualified labor and inclusion of small producers and familiar agriculture.

“Global Familiar Agriculture”

- Sesame and oil sesame
- Organic Sugar and bio-ethanol
- Stevia (natural sweetener)
- Medicinal herbs and tea
- Fruits and fruit juices

The case of value chain of fruit juices and small producers (FRUTIKA)

- A very successful case of including small producers in agro-industrial export business.
- FRUTIKA is not part of the international network of fruit juices but rather work through market niches.
- Organization of small producers as suppliers of grapefruits and *mburucujas* to a factory working at half installed capacity (public-private partnership).
- The key role of the cooperative in assisting small producers (credits, training, market)
- Reducing poverty through increasing income of small producers (direct effects) and through increasing production and consumption expenses (indirect effects)

Conclusions

- Rapid and sustainable inclusive growth in Paraguay is not feasible without:

employment generation and poverty reduction
(especially in rural areas)

productive diversification and a faster process of agro-industrialization

greater competitiveness in the international market
with increasing participation of the SMEs in the
productive-exporting chains (non traditional goods).