

TECHNICAL COOPERATION PROFILE

I. Basic project data

Beneficiary Country / Region	PARAGUAY		
Project name:	Support to the National Rural Roads Program 2 nd Stage - Phase II (PR-L1019 - Programa Nacional de Caminos Rurales Segunda Etapa-Fase II)		
Project number:	PR-T1088		
Project team:	Vera Lucía Vicentini (INE/TSP), team leader; Luis Uechi, Natalia Sanz and Caterina Vecco (INE/TSP); Juan Manuel Leaño (TSP/CPR), y Kevin McTigue (LEG/SGO).		
Executing agency:	Ministry of Public Works and Communications of Paraguay (MOPC)		
Beneficiaries:	National, Departmental and Local Governments, and Rural Communities of Paraguay		
Financing plan:	IDB Japan Special Fund (JSF):	US\$	480.000
	Local Counterpart:	US\$	120.000
	Total:	US\$	600.000
Execution period:	12 months		
Disbursement period:	16 months		

II. Background and problem statement

- 2.1 From a comparative perspective, the importance of Paraguay's poverty cannot be underestimated. With a population of approximately 6.2 million inhabitants, Paraguay has one of the lowest per capita incomes of the region. Along with the low level of per capita GDP, Paraguay is also one of the countries with the highest level of poverty in Latin America as measured in terms of the percentage of indigent or destitute people, surpassed only by Honduras and Nicaragua.
- 2.2 While the Latin America can be considered an urbanized region, with three out of four people living in urbanized areas, Paraguay remains one of the few countries in the region where a high percentage of the population (45%) lives in rural areas. This rural characteristic of Paraguay plays an important role in determining the level of poverty in the country, since these rural regions house a majority of the poor population (56%) and the most extreme poor population (close to 75%) in the entire country. The families residing in rural areas experience a lower level of quality of life in comparison to that of the urban families.
- 2.3 Paraguay has identified the isolation and the poor physical accessibility among the most important factors that have assured the persistence of rural poverty, and has posed a strong commitment in the expansion of road infrastructure and transportation services in

rural areas as structural means of addressing these issues. Investment in rural roads is motivated on both efficiency and equity grounds. From an efficiency standpoint, rural

- 2.4 road rehabilitation and improvements are expected to reduce the high transaction costs facing rural households and enterprises, thereby inducing a more efficient use of resources. From an equity standpoint, given the high incidence of poverty in rural areas, investment in rural roads is expected to raise incomes of rural households, who are predominantly poor, and to provide them with better access to services.
- 2.5 For all these reasons, the National Rural Roads Program 2nd Stage-Phase II (PR-L1019), currently approved by the Bank, holds high priority in social as well as in economic and political terms, as shown by the commitment of the Government of Paraguay in increasing substantially the resources assigned to the subsector and its decision to continue with the second phase of a loan with the Bank. The Japan International Cooperation Agency (JICA) is evaluating the possibility of co-financing the program (the OPEC Fund for International Development (OFID) has already approved the loan to co-finance the program). The activities to be financed by this technical cooperation (TC) are essential to support the development of this operation, and also to contribute to the improvement of the quality of road planning and management, adapted to the specific conditions of the rural population highly affected by poverty, with the resulting positive impacts in their welfare
- 2.6 The Bank's strategy with Paraguay for the 2004-2008 period proposes to concentrate on the activities of the Bank in the following areas: (i) strengthen the country's governance, with the aim of recovering the credibility of the state institutions; (ii) to create the basis for sustainable growth, to deepen the market economy and a greater rural and global integration, generating the conditions for greater participation of the private sector, greater ability to compete and the intensification of the process of integration, and (iii) to reduce poverty and to improve the quality of life of the population with lowest income levels through the development of the human capital and the greater access to basic quality services. The National Rural Roads Program 2nd Stage-Phase II (PR-L1019) and, therefore, this TC, will be an intrinsic part of this strategy due to the following: (a) it will contribute to the competitiveness and the growth of the economy through the improvement of the physical accessibility; (b) it will promote the regional integration of the isolated areas of the country where, due to the nature of the investments, the poor rural population will be the primary beneficiary; and (c) it will support the effort of decentralization and country's governance as it promotes the social equity in areas where extreme poverty and social exclusion are prevalent.
- 2.7 Regarding the transport sector, the Bank's strategy aims to support the improvement and the paving of the main road axes and the development of the secondary and rural road networks, with the goal to achieve the establishment of a basic network that will allow for the proper and reliable connections between the production areas, the marketing areas and the commerce areas. The development of the physical infrastructure in the rural sector is considered a basic condition or requirement for the modernization of the agricultural sector, in the context of the struggle against extreme rural poverty and development of the social sector. The proposed strategy assumes the

continuation of the efforts oriented towards the implantation of a sustainable road management which, in turn, will assure the conditions of an adequate road network. Likewise, the TC is consistent with the Bank's initiative *Building Opportunities for the Majority* which aims, in one of its six priority areas, to improve the conditions of access to a basic infrastructure for the population of minor incomes.

III. Technical Cooperation objective and description

- 3.1 The objective is to provide technical assistance to the Ministry of Public Works and Communications of Paraguay (MOPC) to develop the technical, socio-environmental and institutional framework, as well as the required instruments needed to implement and improve the sector planning and participatory management of the rural roads to be carried out with PNCR Second Stage-Phase II. This infrastructure serves a widely dispersed rural population, amongst whom are some of the poorest inhabitants of the country.
- 3.2 The TC will finance the development of the methodologies, the instruments and the procedures to put into effect the planning and management model for the rural roads which require, for its implementation, an active participation of various sectors: MOPC, the local governments, the benefiting communities, and small local businesses or companies. The PNCR Second Stage-Phase II, at the same time, will finance the execution of the rehabilitation works and road routine maintenance activities, in accordance with the framework to be established as a result of this TC. The main components of this TC are:
- 3.3 **Component 1.** Participatory planning of the rural road core network. This component will provide the technical assistance for the following:
 - a. Development of two sub regional (departmental) rural road plans based on the following principles: i) spreading of information and requests of open participation to the public at the local and national level, including public institutions, civil society, local communities - including indigenous groups - and the private sector; ii) participatory processes based on objective data and technical knowledge, that are presented in a comprehensible and accessible language for the different interested groups – including indigenous people, and iii) transparency mechanisms. As a result of the planning process the departments will prioritize the rural roads to be financed by the National Rural Roads Program 2nd Stage-Phase II (PR-L1019).
- 3.4 **Component 2.** Microenterprises support. This includes:
 - a. Analysis of participatory mechanisms in order to strengthen local governments and communities – including indigenous groups - to support pilot project's works through their direct participation in rural road maintenance.
 - b. Development of social and legal guidelines and manuals to facilitate the direct participation of local communities – including indigenous groups - in rural road maintenance microenterprises. These microenterprises will be financed by the

National Rural Roads Program 2nd Stage-Phase II, thus providing stable employment opportunities in the poorest rural areas of the country.

- c. Development of technical guidelines for the design and the corresponding technical specifications of routine maintenance of tertiary roads that will incorporate intensive technologies in local labor force, including bridges and art works.
- d. Preparation of training programs for the local population – including indigenous groups - in rural road routine maintenance activities, according to the guidelines referred to in b and c.
- e. Creation and training of at least three (3) road routine maintenance microenterprises.

3.5 Component 3. Guidelines and training in cobbled paving of peri-urban streets.

- a. Development of social, technical and financial guidelines to facilitate the participation of the local rural communities crossed by the rural roads, in the labor intensive activities of cobbled paving of the peri-urban streets to be financed by the National Rural Roads Program 2nd Stage-Phase II
- b. Preparation of the training program for the above mentioned communities in order to take into practice the activities in the peri-urban streets of the rural areas covered by this project.

3.6 Component 4. Technical designs of bridges. This component includes financing of the technical, socio-economic and environmental studies as well as the technical designs that incorporates intensive technologies in local labor force, needed to carry out construction works on small wooden bridges within the framework of the National Rural Roads Program 2nd Stage-Phase II, with the objective of using the designs to build actual concrete bridges financed by the Program. It is expected that bridges maintenance will be provided through micro enterprises integrated by local peasants, thus providing stable employment opportunities.

IV. Cost and financing

- 4.1** The estimated cost of this TC is US\$580.000 of which US\$480.000 will be provided by the Japanese Special Fund (JSF), and the remaining US\$100.000 from MOPC will be provided mainly in kind (office space; technical assistance; transport; telecommunication, etc). The estimated execution period is 12 months.

Component		JSF financing	Local funds	Total
1	Planning and management of rural roads	120.000	40.000	160.000
2	Microenterprises support	150.000	35.000	185.000
3	Guidelines and training in cobbled paving	35.000	15.000	50.000
4	Technical designs of bridges	150.000	30.000	180.000
5	Technical and environmental Supervision	25000		25.000
Grand Total		480.000	120.000	600.000
		80%	20%	100%

V. Executing agency and execution structure

- 5.1 The executing agency will be the Ministry of Public Works and Communications of Paraguay (MOPC), in close coordination with the Bank to guarantee the fulfillment of the objectives and activities of the ToRs within the agreed timeframes. The MOPC will be responsible for the preparation of ToRs and selection of consultants in coordination with the Bank. The Bank, through the Transport Division of the Infrastructure and Environment Department of the IDB (INE/TSP) will be responsible for hiring consultancies in accordance to its own policies and procurement procedures.
- 5.2 Given the nature of the activities envisaged, the majority of the contracts to be financed with JSF funds will be with individual consultants or small consulting firms, most of which are local. The studies to be contracted with this TC will be defined during the loan's preparation missions, as well as during its administration missions, assuring an immediate execution of this TC.

VI. Major issues

- 6.1 There are no foreseeable issues for the preparation of the Operations Plan given the high priority that the National Rural Roads Program 2nd Stage-Phase II (PR-L1019) has for both, the MOPC and the Government of Paraguay.
- 6.2 This TC will help develop and strengthen MOPC's ability to plan and manage the road network under its responsibility, improve the quality of its intervention and the allocation of resources, as well as to monitor and evaluate the projects.

VII. Action Plan

- 7.1 The preparation of this TC is well under way, accompanying program preparation activities which will include TC's processing requirements (staff time, consulting services, missions, etc.). It is expected that the TC will be approved by the Bank's administration 90 days after JSF approval of funds allocation.

VIII. Social and Environmental Strategy

- 8.1 This TC is designed to contribute to the improvement of the social and environmental management system of the National Rural Roads Program 2nd Stage-Phase II (PR-L1019). In this context, it is expected that the TC will have positive impacts on the participation of local communities in the planning and execution of the rehabilitation and maintenance works to be financed by the program. No direct negative impacts are expected because the TC will only fund the development of studies.

IX. Recommendation

- 9.1 Vera Vicentini, designated Team Leader for this TC, Recommends the approval of this operation and the use of US\$480,000 of the Japan Special Fund (JSF) for financing.

X. Approval

José Agustín a.i Manager
Infraestructure and Environment Department
INE/INE

SEP 22 2009

Date

RECORD OF THE ENVIRONMENT AND SOCIAL REVIEW (ESR)

ESR 36-09, September 11, 2009

PR-T1088 - Support to the National Rural Roads Program 2nd Stage – Phase II (Profile)

1- Key issues, impacts and risks:

This TC is designed to contribute to the environmental and social management of the operation and is part of the impact mitigation strategy of PR-L1019.

2- Policies triggered: OP-102, OP-703 (B.7)

3- Classification: C

4- Proposed management of impacts and risks:

Since the TC is part of the impact mitigation strategy of PR-L1019, the Plan of Operations will provide for close supervision of the quality of outputs and for training (beyond the microenterprises) so that the plans and products generated by the TC can be effectively implemented under PR-L1019 and are mainstreamed by the responsible institutions.

5- Required Environmental and Social assessment: None

6- Next Steps:

Submit PO to ESR for review

Approved  Janine Ferretti, Chief, VPS/ESG