

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

## **PARAGUAY**

### **PROGRAM OF SUPPORT FOR THE CIVIL SERVICE**

**(PR-L1008)**

### **LOAN PROPOSAL**

This document was prepared by the project team consisting of: Ricardo Gazel (RE1/SC1), Project Team Leader; Oriana Bonfím (RE1/SC1); Koldo Echebarría (SDS/SGC); Dana Martin (LEG/OPR); Eduardo Feliciangeli (COF/CPR); Gustavo Sierra (COF/CPR); and Beatriz Guinovart, Consultant.

## PROGRAM OF SUPPORT FOR THE CIVIL SERVICE

(PR-L1008)

### EXECUTIVE SUMMARY

<b>Borrower:</b>	Republic of Paraguay	
<b>Executing agency:</b>	Secretaria de la Función Pública [Civil Service Department] (SFP)	
<b>Amount and source:</b>	IDB: (OC)	US\$4,200,000
	Local:	US\$ 200,000
	Total:	US\$4,400,000
<b>Terms and conditions:</b>	Amortization period:	25 years
	Grace period:	4.5 years
	Disbursement period:	4.5 years
	Interest rate:	LIBOR
	IFF:	The Intermediate Financing Facility (IFF) will be used for the interest.
	Inspection and supervision:	0.00%
	Credit fee:	0.25%
	Currency:	United States dollars from the Single Currency Facility
<b>Objectives:</b>	The program's general objective is to support the modernization of public administration in Paraguay. The program's specific objective is to support citizen-oriented public management, through the SFP, to professionalize and make the civil service more efficient.	
<b>Components:</b>	<p>The program will finance the implementation of four components: <b>Component 1: Human resources management</b> (US\$1.51 million). The objective of this component is to provide the SFP and the human resources units of agencies in the executive branch with information, planning, and job management support in order to streamline their work structures and implement the Civil Service Career System (CSCS). This component is divided into four subcomponents: (i) design of human resources policies (US\$150,000); (ii) design and implementation of a human resources information system, including hardware and software (US\$960,000); (iii) strengthening of the human resources units of government agencies (US\$200,000); and (iv) design and implementation of a communications plan (US\$200,000).</p>	

**Component 2: Support for the selection and training of key supervisory staff in the Career System** (US\$1 million). The objective of Component 2 is to ensure that there is a critical mass of career staff who are duly prepared and motivated to modernize the public administration. To this end, the component will: (i) support the selection processes for approximately 2,800 supervisors and professionals (US\$250,000); (ii) finance updating courses for approximately 3,500 potential candidates (US\$300,000); and (iii) finance training for approximately 600 managers (US\$450,000).

**Component 3: Support and training for other public officials and support for departmental and municipal governments** (US\$720,000). The objective of Component 3 is to establish a system for worker retraining, promoting incorporation into the CSCS, and working with departmental and municipal governments to organize and strengthen their human resources units. To this end, the component will finance the design, regulation, start-up (US\$20,000), management, and assessment of three funds awarded by competition: (i) a retraining fund for worker mobility (US\$300,000); (ii) a fund for the promotion of professional development (US\$200,000); and (iii) a support fund for the human resources units of municipal and departmental governments (US\$200,000).

**Component 4: Institutional strengthening of the SFP** (US\$300,000). The objective of this component is to strengthen the SFP's capacity to develop and sustain the CSCS. For the CSCS to be established, the institution creating it must have a degree of modernization consistent with the role that it is assuming. Accordingly, this component will finance the formalization of the various institutional systems in the SFP. This component has three subcomponents: (i) strengthening of internal oversight (US\$90,000); (ii) improvement of the programming and organization of activities (US\$60,000); and (iii) support for the execution of activities (US\$150,000).

**Special contractual clauses:**

**(I) Conditions precedent to the first disbursement of Bank financing.** The borrower will submit, for the Bank's no objection, evidence that: (i) the project coordination unit (PCU) has been established, and the minimum staff required for it to operate has been assigned; (ii) the program Operating Regulations are in effect; and (iii) the annual work plan (AWP) for the first year, agreed on with the Bank (see paragraph 3.7), has been approved. **(II) Special execution conditions:** (i) The borrower will submit to the Bank for its consideration, within 30 days before the end of the execution calendar year, the AWP for the following year; and (ii) Access to the resources

of the funds identified under Component 3 will be contingent on the borrower's showing, to the Bank's satisfaction, that substantial progress has been made in implementing the recommendations of the Bank's institutional capacity assessment system (ICAS), according to its indicators.

**The Bank's  
country and  
sector strategy:**

**The Bank's strategy with Paraguay** for 2004-2008 is focused on: (i) strengthening governance; (ii) strengthening the foundations for sustainable growth by deepening the market economy and achieving greater regional and global integration; and (iii) reducing poverty and improving the quality of life of low-income sectors of the population. This project is consistent with the strengthening governance area of that strategy, since it specifically involves enhancing the quality and efficiency of public administration, particularly in relation to the professionalization of the civil service.

**The Bank's Strategy for Modernization of the State** identifies five action areas: (a) develop and strengthen civil service systems; (b) strengthen the fiscal capacity of the state and improve the efficiency and transparency of expenditure management; (c) improve the capacity for the formulation and coordination of public strategies and policies; (d) modernize public services management systems; and (e) use the potential of the knowledge and information technologies. This project falls under the first area.

**Rationale for the modality.** The project team has chosen to use the Institutional Development Sector Facility to process this operation. This modality includes the financing of institutional development projects in the area of improving the civil service and its structures and procedures, as well as the design and implementation of human resources policies and the modernization of civil service systems. Therefore, this instrument is considered appropriate for this operation, since the SFP is a new agency that requires short-term support to perform its functions while formulating its goals and its medium- and long-term structure.

**Coordination  
with other  
multilateral  
institutions:**

The activities to be financed under this program would further those initiated with the grant from the International Bank for Reconstruction and Development (IBRD) to Paraguay through the Program of Support for Strengthening the SFP.

**Environmental  
and social  
review:**

The activities to be financed are not expected to have a direct environmental or social impact. The Committee on Environment and Social Impact (CESI) approved the Sector Facility Profile for this

operation at its 8 April 2005 meeting and did not call for any actions to mitigate potential environmental impact.

**Benefits:**

The ultimate or longest-term benefit is related to the improvement in public services that is made possible, in part, through a professionalized and efficient civil service; in this respect, meritocracy-based human resources management is essential. Thus, the citizenry as a whole will benefit from the project. This ultimate benefit is connected with the strengthening of governance through institutions that are more credible, more professional, and that operate with clear ground rules.

In the medium and short term, the SFP will be a direct beneficiary, in that it will be able to fulfill its mission and vision in a more comprehensive and sustainable way. Indeed, the program will provide it with part of the resources needed to accomplish its tasks. The human resources units of the central government's executive branch will also be direct beneficiaries, since they will be able to meet their objectives with the support of the program's components.

The activities provided for in the program will also provide civil servants with a professional human resources system that operates with clear rules, bringing transparency, predictability, and the merit principle to the career system.

**Risks:**

The principal risk that needs to be monitored is connected with the political will required for execution of the program components. The fact that the modernization of public administration remains a priority for the government, and that the strengthening of human capital continues to be one of its strategic elements, is essential. This risk is mitigated by the inclusion of the CSCS in the structural conditions of the stand-by arrangement with the International Monetary Fund, under the heading of public sector reforms.

The difficulties in coordination between the executing agency (SFP) and the other agencies involved in the program could also be a risk to project execution. This risk is minimized by interministerial arrangements for the execution of program components.

The relative institutional weakness of the SFP presents an additional risk to program execution. The inclusion of Component 4 (Institutional strengthening of the SFP), which front-loads activities in the first year of the program, is a factor mitigating this risk.

**Poverty-targeting and social equity classification:**

This operation does not qualify as a social equity enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704). Furthermore, this operation does not qualify as a poverty-targeted investment (PTI).

**Exceptions to Bank policy:**

None.

**Procurement:**

The procurement of goods will be governed by the Bank's policies set forth in document GN-2349-6 of February 2006.

Consultants will be selected and contracted pursuant to the Bank's policies set forth in document GN-2350-6 of February 2006.