

SUPPORT FOR DEVELOPMENT OF A GOVERNMENT PROCUREMENT SYSTEM

(TC-99-10-05-7-PR)

EXECUTIVE SUMMARY

- Executing agency:** Bureau of State Reform (SNRE), under the Office of the President of the Republic of Paraguay
- Beneficiaries:** The direct beneficiaries of and participants in the proposed program will be private-sector suppliers of goods, works, and services, who will enjoy a more transparent, effective, and predictable procurement system will enable it to increase its business opportunities, and public-sector agencies, which will improve their administration of government procurement through the introduction of cost-effective, efficient, standard mechanisms and criteria for all government procurement.
- Objectives:** The general objective of the proposed program is to help develop and implement a national government procurement system that will reduce public spending, strengthen the legal security of government procurement, and ensure efficiency, transparency, open competition, and due process in government procurement.
- Its specific objectives are to: (i) modernize, standardize, and supplement the regulatory framework governing government procurement in Paraguay, so as to increase and improve business opportunities for the private sector as a supplier of public-sector goods, works, and services; (ii) strengthen the institutional capacity of the government agencies involved in procuring goods and services, including works; and (iii) increase the degree of citizen participation and improve internal and external oversight of public administration through the introduction of a public information system on government procurement.
- Description:** The proposed program will comprise two components. The first component, development and implementation of a regulatory framework for public-sector procurement, will consist of the following activities: drafting of a procurement bill and its regulations; creation and operation of a technical and regulatory entity for government procurement; and development and adoption of standard documents for prequalification, bidding, proposals, and contracts, that will be used uniformly by public-sector institutions. The second

component, institutional strengthening of the government procurement system, will include the following activities: design and operation of a training program in government procurement; creation of public information system on government procurement; and the strategic dissemination of information on regulations and how the procurement system works, and generation of user feedback.

Financing:	Modality:	Grant	
	IDB/MIF	US\$1,260,000	(70%)
	Local counterpart:	US\$ 540,000	(30%)
	Total:	US\$1,800,000	
Terms:	Execution period:	30 months	
	Disbursement period:	36 months	
Environmental and social review:	The program was considered by the Committee on Environment and Social Impact (CESI) on 6 October 2000, and its suggestions and recommendations were incorporated into the project design.		
Exceptions to Bank policy:	None.		
Special contractual clauses:	<p>Prior to the first disbursement of Bank resources, the SNRE must submit to the satisfaction of the Bank: (i) evidence that the executing unit has been set up in the SNRE structure (paragraph 4.10); (ii) evidence that the staff of the executing unit have been hired (paragraph 4.10); and (iii) plan of action for the program (paragraph 5.2).</p> <p>As a condition precedent to initiation of the activities for the second component of the program (institutional strengthening of the government procurement system), the executing agency must demonstrate that it has completed all activities called for under the first component (development and implementation of a regulatory framework for public-sector procurement) to the satisfaction of the Bank (paragraph 4.13).</p>		

I. PROGRAM AND COUNTRY ELIGIBILITY

- 1.1 The Donors Committee declared the Republic of Paraguay eligible for all financing modalities of the Multilateral Investment Fund (MIF) on 16 September 1994. The proposed program is eligible for MIF financing under the Technical Cooperation Facility (Facility 1) to help develop a national government procurement system that ensures efficiency, transparency, and open competition, thereby helping to reduce public spending and to increase and improve the business opportunities for the private sector to provide goods, works, and services to the public sector.

II. FRAME OF REFERENCE

A. General Background

- 2.1 The return to democracy in Paraguay coincided with the processes of market globalization, regional economic integration, and liberalization of economies around the world. Paraguay participated in these changes by becoming a member of the regional trading bloc MERCOSUR, the World Trade Organization (WTO), and, more recently, the hemispheric Free Trade Area of the Americas. It was within this context that the Paraguayan government undertook its reform process, as did most Latin American countries, without having implemented a transparent, modern national regulatory system for public-sector procurement. Public-sector procurements have been recognized as a priority area and have been included as one of the public reform objectives in the government's program.¹
- 2.2 The Paraguayan government's 1999-2003 program emphasizes the need to reform the government procurement system, with the goal of designing and establishing a system supported by a modern, efficient regulatory framework and well-defined, simple operational and procedural mechanisms that will lead to a government procurement model based on principles of efficiency and transparency. As part of the Bank's 2000 operative program with Paraguay, consideration of the proposed operation, which is a candidate for MIF financing, was given high priority in order to expedite the reform of the government procurement system.

¹ Public-sector procurements is the process used by the government to purchase goods or award contracts for works and/or services to individuals, or firms, from the planning stage until delivery of the final product. These processes include purchasing; renting or leasing, with or without the option to buy; selling off shares or privatizing; concessions; or any combination of these, regardless of the source of the financing.

B. Main problems of government procurement legislation²

- 2.3 Lack of a cohesive, uniform set of rules and regulations.** In Paraguay, there is no single piece of legislation governing the public-sector procurement system. The central and departmental governments are regulated by the Administrative Organization Act of 22 June 1909 and its reforms, including laws 25/91 and 26/91 concerning the updating of the amounts that determine which procurement procedure shall be used, and the new law 1533 of 4 January 2000, which replaced law 1045/83 and establishes the rules and regulations governing public works. The municipalities are governed by law 1294/87, and state-owned companies by the relevant provisions set forth in their by-laws or founding legislation. In addition, all individuals and companies that wish to enter into procurement contracts with the public sector must be listed in the Registry of Suppliers and Contractors for the Public Sector, created by decree-law 14,587/96 and maintained by the Ministry of Finance. The lack of an over-arching piece of legislation makes the procurement process more confusing and less transparent.
- 2.4 Lack of regulations and responses to current needs.** The current legislation is characterized by an absence of regulations in essential areas that must be included in any public-sector procurement model and the existence of guidelines that lend themselves to subjective judgements when evaluating proposals and awarding contracts. For example, there are no specific regulations on the general guidelines for inviting and receiving proposals, rules on how to objectively evaluate proposals, standard documents for government procurement, rules and regulations governing penalties, or, in general, a regulatory framework that enables the public sector to efficiently address and expedite demands for infrastructure, goods, and consulting services. Furthermore, the existing rules and regulations neither respond to present needs nor cover all the areas of contracting required by the public sector. For example, current legislation does not cover hiring consultants or leasing goods, nor does it establish the obligation to adopt mechanisms for disseminating information that would ensure greater efficiency, increased private-sector participation, and citizen oversight of government procurement. Finally, decision-making is highly centralized and is accompanied by complicated and cumbersome procedures and practices. The main problems associated with the current legislation and practices are summarized in Table 1.

² As part of the preparation process for the program, an evaluation of the operative and legal framework for government procurement in Paraguay was carried out. Details of the evaluation can be found in the technical files of the program.

Table 1
Main problems associated with government procurement legislation and procedures

Problems in the legislation	Problems in procedures and practices
<ul style="list-style-type: none"> • The area enforced by the legislation is not well-defined. • There is no requirement that proposals must substantially comply with the bidding documents nor is there the concept of errors and omissions that can be corrected. • There are no requirements related to initiating a call for proposals. • Prequalification does not exist and proposals must be submitted within a period of 30 days. • If only one proposal is submitted, it may not be accepted even if it substantially complies with the bidding documents. • The criteria for awarding a contract is vague: "to the most advantageous proposal". • The contracting entity is not required to select the lowest bid when the difference between it and the others is not greater than 3%, and the finalists may be requested to lower their bids. • Contracts for works are awarded to the lowest bidder, instead of to the bidder with the lowest evaluated bid. • There are no special provisions for contracting consultants. • There are restrictions on international competitive bidding processes. • The amounts used for different procurement processes are too low to be efficient. 	<ul style="list-style-type: none"> • There are no standard, uniform bidding documents for the public sector. • Excessive centralization. Proposals in high amounts must be accepted by Ministers and the awarding of the contract must be approved by executive decree. • Cumbersome procedures. Businesses and professionals must be inscribed in three registries in order to participate in government procurement. • For all contracting for public works, regardless of the contracting entity, the corresponding specifications must be approved by the Ministry of Public Works through the Office of the Comptroller. • Planning of procurement is inadequate, which leads to delays in the completion of works and to additional costs. • There are no formal training programs within the public sector on procurement. • The internal monitoring mechanisms for procurement are inadequate. For example, procurement records exist, but they are not in electronic form. • There are no modern public information and dissemination mechanisms to ensure citizen oversight and to enable the private sector to easily learn about business opportunities with the government in a timely fashion. • The processes for challenging decisions made by contracting entities are unclear and unreliable. Any challenge is looked upon disparagingly by the administration, which does not help promote transparency.

2.5 In light of these characteristics, it can be inferred that in Paraguay there is no assurance that contracts will be awarded based on the best proposal or to the responsible bidder who submits a proposal that: (i) complies substantially with the requirements set forth in the call for proposals; and (ii) is the lowest evaluated bid, based on the exclusive use of criteria that are clearly set forth in the corresponding bidding documents.

C. The current bill

2.6 Faced with regulatory and procedural problems in the government procurement system, the Paraguayan government requested the Bank's support prior to this

operation in order to conduct a study to prepare the first draft of a government procurement bill.

- 2.7 Although the bill represents an initial effort and identifies improvements to be made in the current system, it must be incorporated and modified to help ensure the design and implementation of a national government procurement system that guarantees efficiency, transparency, and due process. The final study will develop and identify the following aspects: (i) specify that the act will apply equally to the entire public sector, including municipalities; (ii) replace vague criteria used in the awarding of contracts and government procurement; (iii) define the principles of competition, equality, and disclosure in the act; (iv) incorporate a section on planning calls for proposals; (v) eliminate the mandatory registration of providers and suppliers; (vi) define the processes of exception in competitive bidding processes and how they work; (vii) establish prequalification requirements as they are understood in international practices; (viii) eliminate restrictions that discourage the participation of international bidders; (ix) specify that public hearings will be held to discuss bidding documents in the case of large-scale works; (x) include special provisions for contracting consultants; (xi) include much clearer general guidelines for evaluating proposals; (xii) establish a system for contracting consultants.

D. The proposed operation

- 2.8 Due to the set of problems in the area of government procurement in Paraguay, an institutional strengthening and modernization program is needed that ensures improvements in the following three main areas of activity: regulations, institutional development, and the creation of mechanisms for citizen oversight of public administration.
- 2.9 With respect to regulations, the proposed operation would make the body of government procurement legislation more uniform by replacing it with modern legislation that incorporates international best practices and regulates procurement throughout the entire public sector. This uniformity would contribute significantly to the dissemination of well-defined regulations and the creation of common case law for each regulation, an important element in establishing legal certainty. It would also fill serious gaps in the current legislation in important areas such as evaluation, prequalification, postqualification, contracting, and other areas mentioned in previous paragraphs.
- 2.10 With respect to institutional development, the proposed program would help create a Technical and Regulatory Unit for procurement for the entire public sector. This unit would be in charge of the important mission of maintaining uniformity and rounding out the regulatory framework in essential areas such as establishing regulations for the proposed act and issuing standard documents for bidding and for contracting consultants. These documents will reflect best practices and will

constitute an important weapon in the fight against corruption by introducing well-defined, uniform regulations. In addition to institutional development, the program seeks to achieve the similarly important goal of institutional strengthening. This includes eventually training all public sector personnel who work in the areas of government procurement, administration of contracts, internal and external monitoring, and the development of a system for compiling information and creation of a database.

- 2.11 Finally, with respect to citizen oversight of public administration, a public information and dissemination system will be developed to help ensure greater transparency and efficiency in public management and increase public participation.

III. PROGRAM OBJECTIVES

- 3.1 The general objective of the proposed program is to help develop and implement a national government procurement system that reduces public spending, strengthens legal certainty in the area of government procurement, and ensures efficiency, transparency, open competition, and due process. The specific objectives are to: (i) modernize, standardize, and supplement the regulatory framework governing government procurement in Paraguay so as to increase and improve business opportunities for the private sector as a supplier of public-sector goods, works and services; (ii) strengthen the institutional capacity of the government agencies involved in procuring goods, works, and services; and (iii) increase public participation and improve internal and external monitoring of public administration by introducing a government procurement information system.
- 3.2 Under the proposed program, a formal government procurement system is planned through the creation and implementation of a Technical and Regulatory Department for Government procurement (DNTAP) that will help ensure: (i) the optimal use of financial resources for public-sector procurement; (ii) the extensive participation of individuals or businesses interested in providing services, goods, and works to the government, under conditions of equality and open competition, and citizen oversight by means of a system that provides information on government procurement; (iii) DNTAP's ongoing incorporation of policies that reflect international best practices in government procurement ; and (iv) continual training for personnel in charge of government procurement services.

IV. PROGRAM DESCRIPTION

A. Components

- 4.1 To achieve its objectives, the proposed program will support activities under the following components: (i) development and implementation of a regulatory framework for public-sector procurement; and (ii) institutional strengthening of the government procurement system.

1. Development and implementation of a regulatory framework for public-sector procurement (MIF: US\$124,560; counterpart: US\$260,600)

- 4.2 **Objective.** The objective is to help create an efficient, modern, transparent system of regulations and practices for government procurement that is uniformly enforced throughout the entire public sector.

- 4.3 **Expected results.** The expected results are as follows: (i) a new government procurement act that incorporates best practices, and the corresponding regulations; (ii) the adoption of standard bidding documents for contracting consulting services, to be used uniformly by all public-sector entities; and (iii) the creation of the DNTAP under the SNRE, the initiation of its activities, and provision of resources needed to ensure its efficient operation.

- 4.4 **Specific tasks:** (i) prepare the final draft of a government procurement bill (see paragraph 2.7), and provide technical support during consideration and enactment of the bill; (ii) establish regulations for the government procurement act; (iii) hire staff for the DNTAP, develop its operating regulations, manuals, and a work plan, and provide computer equipment so that it can carry out its responsibilities; (iv) prepare the basic bidding documents for prequalification, large works contracting, small works contracting, goods procurement, and consulting service contracting; and (v) support an executive decree that would stipulate the uniform, mandatory use of the aforementioned documents throughout the public sector.

2. Institutional strengthening of the government procurement system (MIF: US\$874,100; counterpart: US\$172,600)

- 4.5 **Objectives.** The first objective is to ensure that the main public contracting entities adopt common government procurement practices that are transparent, efficient, and in line with the regulations to be implemented, and to lay a foundation so that, over time, all public-sector entities adopt these practices. The second objective is to create mechanisms that will afford more business opportunities for the private sector and citizen oversight of government procurement.

- 4.6 **Expected results.** The expected results are as follows: (i) the development and implementation of a long-term strategy for providing training in government

procurement; (ii) 420 employees of the principal public-sector contracting entities trained in government procurement, administration of contracts, and internal and external monitoring; (iii) an accessible, user-friendly information system for all those interested in the process of government procurement adopted and used by 45 government entities; and (iv) 320 contractors, providers, and consultants familiarized with the new set of rules, regulations, and practices for government procurement.

4.7 Specific tasks:

- a. Design and operate a training program for government procurement that will include: (i) curriculum development for a basic course and six specialized courses on government procurement; (ii) development of a long-term training strategy (plan for ongoing training, mechanisms for identifying needs, and a proposal for a professional degree program in government procurement); (iii) a basic course on government procurement taught four times a year (planning, document preparation, selection of contractors, selection and contracting of consultants, administration of contracts, internal and external monitoring of procurement); and (iv) six courses on each of the areas indicated above and a course on the concession of public services.
- b. Design and implement an information and dissemination system to help manage government procurement that will include the following components: (i) disclosure of the general procurement plans of the government agencies and of specific procurement (by sector; type of goods, works, or services; estimated amounts; and access to online bidding information); (ii) cataloguing of procured goods and services in order to organize price and quantity information; (iii) price registration system for comparative purposes; (iv) access to information on the regulations governing the system, including those corresponding to standard procurement documents, and to interactive consultations on the interpretation of regulations; (v) electronic access to the list of contractors and consultants hired; (vi) communication network so that system users can share experiences; (vii) access to information on challenges to the selection process and the corresponding outcomes, and to information on conflicts related to the administration of contracts and their resolutions; and (viii) minimum necessary equipment for providing the government agencies participating in the initial stage of the process with access to the system.
- c. Strategically disseminate information on the regulations and functioning of the government procurement system, and generate user feedback. This task will include: (i) two annual seminars for interested private-sector parties; and (ii) dissemination of the government procurement information system.

B. Organization and execution

1. The executing agency

- 4.8 The State Reform Ministry (SNRE), the technical agency under the Office of the President of the Republic of Paraguay that was created by decree 7252 on 25 January 2000, is in charge of coordinating Paraguay's institutional reform process and will be responsible for the operative and administrative execution of the proposed program. As the executing agency, it will coordinate legal reform activities, introduce the regulatory and technical management of the program, and support training and the computerization of the information system.

2. Execution mechanism and institutional agreements

- 4.9 A program executing unit (EU) will be created under the SNRE in order to ensure the adequate technical and administrative execution of the operation. The EU, which is responsible under the SNRE for program administration, will serve as the Bank's liaison and will carry out the following basic functions: (i) direct and coordinate the execution of all the activities called for in the program components; (ii) prepare the first report describing the activities called for under the program and the estimated funding needed for program execution; (iii) promote the fulfillment of the program's conditions precedent to disbursement and the contractual clauses of the agreement; (iv) open and maintain a bank account for program administration; (v) prepare and maintain financial and accounting records for the program³; (vi) prepare quarterly progress reports for the operation, and the respective conclusions and recommendations; (vii) procure goods and services needed for program execution and submit requests for the Bank's nonobjection to such procurement and/or contracts; (viii) handle the contracts with individual consultants and firms hired under the program; review and approve the consultants' final reports, and authorize payments as the relevant terms of reference are met; (ix) set up a revolving fund for financing provided by the Bank, secure local counterpart funding, administer the resources, prepare the rendering of accounts, and process replenishments to the revolving fund; (x) prepare consolidated financial statements for subsequent auditing by an independent accounting firm; and (xi) ensure that the program is executed according to the regulations and contractual conditions agreed on by the Bank and the SNRE.
- 4.10 The program will finance a small team of consultants over 24 months to carry out the responsibilities of the EU. The team will consist of: (i) a general coordinator, responsible for managing the program and coordinating the technical, legal, and institutional aspects of the operation; (ii) a financial-administrative coordinator,

³ The program records will identify: (i) the program resources and their respective sources; (ii) program expenditures, separately indicating those financed with the MIF contribution and the local counterpart funding; and (iii) the goods and services procured.

responsible for providing the general coordinator with administrative, accounting, and financial advisory services and coordinating tasks related to his or her area of expertise; and (iii) the necessary support staff for program administration. The terms of reference for EU staff are available in the technical files of the program. **As a condition precedent to the first disbursement, evidence must be submitted that the EU has been established in the SNRE structure and that its staff has been hired.**

3. Execution of program components

a. Development and implementation of a regulatory framework for public-sector procurement

- 4.11 The EU will be responsible for organizing and conducting the preparatory tasks for executing the activities under this component. Specifically, they will coordinate the preparation of the government procurement bill, the promotion of its enactment, and the preparation of the regulatory decree. To this end, they will hire the services of an international consultant to draft the bill and will provide technical support while the bill is being considered and enacted. Consulting services (preferably a legal study) will be contracted until the bill is approved to provide support during the consideration and enactment phases and to prepare the regulatory decree for the act. The EU will also coordinate the preparation of basic bidding documents and, to this end, will contract internationally for consulting services. Lastly, the EU will support the necessary activities for ensuring that DNTAP staff are hired and have begun working. The terms of reference for contracting individual consultants, the legal study, and functions of each DNTAP⁴ staff member are available in the technical files of the program.

b. Institutional strengthening of the government procurement system

- 4.12 Once the government procurement bill has been presented to the Paraguayan congress and the DNTAP has been created and staffed, the EU, in consultation with the DNTAP general director and area supervisors, will begin to contract for consulting services and procure goods called for under this component. Specifically, with respect to the design and operation of the training program, a consulting firm will be contracted to help develop the curriculum and a long-term training strategy, and to help design a professional degree program in government procurement. In addition, both the basic and specialized training courses will be contracted out. With respect to the establishment of the information and dissemination system, a consulting firm will be contracted to procure hardware, design the system, and install it in all the offices of the participating government

⁴ The DNTAP will comprise: a general director, a director for the regulatory area, a director for the training area, and a director for the information, dissemination, and systems area.

agencies. Finally, a consulting firm will be contracted to develop and implement a dissemination strategy.

- 4.13 The terms of reference for contracting of consultants to design the training program and information system and develop the dissemination strategy are available in the technical files of the program. **Prior to initiating activities under this component, the executing agency must demonstrate that it has completed all the activities called for under the program's first component (development and implementation of a regulatory framework for public-sector procurement).**⁵ The government procurement bill must be submitted to the legislative branch and its content must comply with the agreements reached with the Bank that are described in this document.
- 4.14 Bank and MIF procedures will be followed to select and contract for consulting services and procure equipment and materials called for under the program.

C. Program cost and financing

- 4.15 The estimated cost of the program is US\$1,800,000. The MIF will provide US\$1,260,000 (70%) in nonreimbursable funds. The Paraguayan government, through the SNRE, will provide the balance of US\$540,000 (30%). The consolidated budget is presented in the following table, and the itemized budget in the technical files of the program.

⁵ To this end, the activities for development of the regulatory framework will be considered to have been completed once: evidence is submitted that the Government Procurement Act has been forwarded to the legislature for draft enactment, the draft regulatory decree has been prepared, and the bidding documents and consultant's contracts have been drawn up.

PROGRAM BUDGET (in U.S. dollars)

COMPONENTS	MIF	LOCAL	TOTAL
1. Regulatory framework for procurement	124,560	260,600	385,160
• Support for the procurement act and its regulations	63,780	-	63,780
• Establishment of technical and regulatory entity (DNTAP)	24,000	260,600	284,600
• Preparation of bidding and consulting documents	36,780	-	36,780
2. Institutional strengthening of the public procurement system	874,100	172,600	1,046,700
• Training program	491,800	126,600	618,400
• Information system of procurement	322,300	40,000	362,300
• Informational seminars	60,000	6,000	66,000
- Executing agency	151,500	40,800	192,300
- Evaluation and audits	38,000	-	38,000
- Contingencies	71,840	66,000	137,840
Total	1,260,000	540,000	1,800,000
%	70	30	100

- 4.16 MIF funding will be used to partially cover the costs of: (i) consulting services; (ii) training; and (iii) dissemination and equipment required for the program.

D. Execution and disbursement periods and revolving fund

- 4.17 Program execution and disbursement schedules will be 30 and 36 months, respectively, and will begin when the technical-cooperation agreement goes into effect.
- 4.18 The schedule for paying service and goods providers will be agreed on between the providers and the EU. In the case of all contracting of consulting services, payment of 10% of the total amount of the contract will be withheld until the consultant's final report is approved by the executing agency and has the Bank's nonobjection.
- 4.19 To ensure an adequate supply of resources for program execution, a revolving fund of up to US\$200,000 will be created.

E. Status of program preparation

- 4.20 All the components and activities of the proposed program have been defined. As soon as the program is approved by the Donors Committee and the established conditions precedent to disbursement of the financing have been fulfilled, the executing agency will hire the consulting services and procure the goods called for under the program and begin program implementation.

V. MONITORING AND EVALUATION OF RESULTS

A. Monitoring

- 5.1 To ensure that the program is thoroughly monitored, account will be taken of the performance and impact indicators set forth in the logical framework, which was prepared jointly with the executing agency and is attached as Annex I. The SNRE, through the EU, will submit the following reports to the Bank:
- 5.2 **Action plan for the program.** This report will contain the work plan for the first year of the program, including a description of all activities to be carried out during this period, an estimate of the resources necessary executing these activities, and the program objectives and goals established in the logical framework for that period. **The executing agency must submit this report as a condition precedent to the first disbursement of program resources.**
- 5.3 **Progress reports.** These reports will be submitted 60 days after the end of each quarter and will include: (i) a description of the activities carried out, the objectives met, and the activities planned for the next quarter; and (ii) financial information on how Bank and local counterpart resources were used. These reports will identify any delays in program execution and will propose, if applicable, the corrective measures that should be adopted to ensure that the program is on schedule.
- 5.4 **Financial statements.** During program execution, annual financial statements for program expenses paid for with Bank and local counterpart financing will be submitted to the Bank. These statements will be prepared by an independent public accounting firm that is acceptable to the Bank, and the cost of hiring this firm will be covered under the program.

B. Evaluation

- 5.5 For program evaluation, the Bank will directly contract an individual consultant. The evaluation will take into account the benchmarks identified in the program's logical framework. Program evaluation will comprise the following:
- 5.6 **Mid-term evaluation.** Once 50% of the operation's funds have been disbursed, a mid-term evaluation will be conducted that considers: (i) progress made in fulfilling program objectives, taking into account operation benchmarks; (ii) achievements made in developing the regulatory and operational aspects of the government procurement system; (iii) the DNTAP's performance in coordinating the program; (iv) the relevance of program activities and components for fulfilling objectives; (v) the institutional capacity of the executing agency for coordinating the government procurement system and making recommendations to improve its functioning, if applicable; (vi) the degree to which the training program is working, including the relevance of its long-term strategy and recommendations for taking

better advantage of the program, if applicable; (vii) operation of the government procurement information and dissemination system, in terms of progress in the development and implementation of the modules; (viii) private-sector participation in, and the effectiveness of, the informational seminars for the system; and (ix) any recommendations for modifying program components that are necessary for ensuring the complete fulfillment of program objectives.

- 5.7 **Final evaluation.** A final evaluation will be conducted 90 days after program completion and will consider: (i) the extent to which specific program objectives were met, incorporating concrete examples of the benefits derived from each of the components of the government procurement system and a summary of the DNTAP's effectiveness in coordinating the program; (ii) the success or difficulties in implementing the new act, its regulations, and the basic documents for bidding and contracting of consultants; (iii) achievements made through the training program; (iv) progress made as a result of the information and dissemination system, in terms of providing user-friendly access to searching the database of calls for bids for government procurement and to bidding documents, and providing information to the public, especially on what government agencies are procuring, from whom, at what price, and on what terms; (v) the consolidation and financial stability of the DNTAP, the coordinating entity for the government procurement system, and of the system as a whole; and (vi) the difficulties and successes in the program design.

VI. EXCEPTIONS TO BANK POLICIES AND PROCEDURES

- 6.1 The program does anticipate any exception to Bank policies and procedures.

VII. PROGRAM VIABILITY, BENEFITS, AND RISKS

A. Viability

- 7.1 According to WTO calculations, if goods procurement that are related to defense are excluded, it is estimated that Latin American governments spend between 10% and 15% of their gross domestic product (GDP) procuring works, goods, and services. If we use the lowest estimate of 10% and assume a GDP of US\$10 billion, then Paraguay would spend approximately US\$1 billion annually on procurement. Thus, improving efficiency by just 10% could translate into annual savings of close to US\$100 million.

B. Benefits

- 7.2 **Establishing the system.** The principal benefit of the program is the introduction of a government procurement system in Paraguay that incorporates international best

practices. In so doing, more business opportunities will be created for the private sector by introducing: (i) greater predictability through the adoption of uniform, well-defined regulations and procedures for all government procurement; and (ii) greater participation and competition through improved disclosure mechanisms, an appeals system that would offer greater legal certainty to the participants, simplification of the process for participating in and accessing the system, and elimination of the requirement of multiple registrations.

- 7.3 **Training and motivation.** The activities to be undertaken for training in government procurement will not only fill an existing gap, but will also help improve the operation of the system, insofar as those responsible for implementing it will have a better understanding of the specialized government procurement areas in which they are working. In addition, as a result of an ongoing training strategy and the eventual creation of a professional degree program in government procurement, public employees will have incentives to perform their work successfully.
- 7.4 **Transparency and citizen oversight.** Another benefit of the program is the creation of mechanisms to help ensure citizen oversight of the procurement system, by providing the public with access to a government procurement information and dissemination system that is continually updated and available via the Internet. This system will include information on the entire procurement cycle, including planning, calls for specific proposals, evaluation results, purchase orders, delivery, and final payments. The information will be presented in a systematic, user-friendly way and will include the dates, names, and amounts for contracts awarded, organized by contracting agency and by bidder.

C. **Risks**

- 7.5 **Approval of the government procurement act.** There is a risk that the act is passed with neither the content nor scope that reflect international best practices. This risk will be mitigated by the political will and commitment of the authorities from the executive branch and of the opposition parties, who have declared their support for the reform program, of which this proposed program is an important part. In addition, in order to facilitate the consideration of the bill by the various institutions, program funds will be made available to contract a consulting firm specializing in these issues.
- 7.6 **Sustainability of the system.** There is a risk that the system may not be sustainable over time. This risk will be mitigated by the creation of the DNTAP, one of whose responsibilities is precisely to ensure program continuity. This represents an important signal of the will to establish the system, the commitment to doing so, and the political support for it. In addition, a project to support decentralization has been incorporated in the 2002 operations program agreed on between the

Paraguayan executive branch and the Bank. Among other things, the decentralization project will expand the system to the rest of the public sector.

LOGICAL FRAMEWORK OF THE PROGRAM
PARAGUAY. SUPPORT FOR DEVELOPMENT OF A GOVERNMENT PROCUREMENT SYSTEM
(TC-99-10-05-7-PR)

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>POSE</p> <p>ort development and ementation of a national rment procurement system that duce public spending and gthen the legal security of rment procurement</p>	<ul style="list-style-type: none"> • Modernize, standardize, and supplement the regulatory framework governing government procurement in Paraguay, so as to increase and improve business opportunities for the private sector as a supplier of public-sector goods, works, and services. • Strengthen the institutional capacity of the government agencies involved in procuring goods and services, including works. • Help ensure rational use of government resources in government procurement. • Increase the degree of citizen participation and improve internal and external oversight of public administration through the introduction of a public information system on government procurement. 	<ul style="list-style-type: none"> • The Government Procurement Act is passed, implementing the new regulatory framework nationwide. • National accounts • Civil society organizations express a favorable opinion on system operation. 	<ul style="list-style-type: none"> • The Executive B ensures the susta of the system.
<p>COMPONENTS</p> <p>Development and implementation of a regulatory framework for public-sector procurement</p> <p>A new system of efficient, modern, transparent government procurement regulations and practices is implemented throughout the public sector.</p>	<ul style="list-style-type: none"> • A final draft Government Procurement Act incorporating best practices is prepared and submitted to the legislature (by month 4). • Regulations on the new Government Procurement Act are submitted to the legislature (by month 5). • Five basic bidding documents for government procurement are prepared: prequalification; contracts for major works; contracts for minor works; procurement of goods; and the hiring of consulting services (by month 5). • Executive Decree establishing mandatory standardized use of basic bidding documents (by month 8) 	<ul style="list-style-type: none"> • Note on transmittal of the final draft Government Procurement Act from the Executive to the legislature. • Copy of the Regulatory Decree for the Government Procurement Act. • Copy of the five basic bidding documents and the decree establishing their mandatory use by all government agencies. • Decree or resolution establishing the DNTAP within the SNRE, with its organizational chart, functions, and staffing. 	<ul style="list-style-type: none"> • Political support budgetary allocation the DNTAP are maintained. • The legislature n its support for re the State.

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	<ul style="list-style-type: none"> Establishment and startup of the DNTAP, with the necessary resources to carry out its duties (by month 3). 	<ul style="list-style-type: none"> DNTAP work plan, operating regulations, and operation manuals. 	
<p>institutional strengthening of the government procurement system</p> <p>45 primary contracting government agencies adopt common procurement practices, with assistance through training in the implementation of systems to support procurement management, and laying the foundations for the system to be extended to all government agencies.</p> <p>The technical quality of bidding procedures improves.</p> <p>Mechanisms are established to create better business opportunities for the private sector and to ensure citizen oversight of government procurement.</p>	<ul style="list-style-type: none"> Development of curricula for basic course and six specialized courses in government procurement (by month 4) Long-term training strategy that includes continuous training, need identification mechanisms, and proposal for government procurement export career path (by month 5) Basic course in government procurement given 4 times a year for 2 years, to a total of 240 government officials Six specialized courses in government procurement given, 3 courses a year for 2 years, to a total of 180 government officials Four seminars for public information given, 2 a year, to 320 contractors, suppliers, and consultants interested in business opportunities with the State Design and implementation of a public information system to support government procurement management in 45 government agencies (by month 24) 	<ul style="list-style-type: none"> Consultant's report with curricula for basic course and specialized courses Strategy paper on long-term training List of course participants, participant evaluations of course effectiveness, and results of final examinations given at the end of the courses Teaching material prepared for each course List of participants in the public information seminars, seminar announcements and publicity materials Number of visits to program page on DNTAP web site and web sites of the 45 government agencies that belong to the government procurement public information system 	<ul style="list-style-type: none"> There is the political will and a commitment on the part of the government agencies to support implementation of the system. The incentives for government officials are maintained. The information system is updated regularly.

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	<ul style="list-style-type: none"> Internet access for the private sector and citizens in general to the procurement information system in the 45 main contracting government agencies (by month 24) 	<ul style="list-style-type: none"> Number of visits and consultations made by private agents and the public in general to each web site of the contracting government agencies 	

PROPOSED RESOLUTION

PARAGUAY. TECHNICAL COOPERATION PROGRAM TO SUPPORT THE DEVELOPMENT OF A PUBLIC PROCUREMENT SYSTEM

The Donors Committee of the Multilateral Investment Fund

RESOLVES:

1. That the President of the Inter-American Development Bank, or such representative as he shall designate, is authorized, on behalf of the Multilateral Investment Fund, to enter into such agreements as may be necessary with the Republic of Paraguay and to adopt such other measures as may be pertinent for the execution of the plan of operations incorporated in the Donors' Memorandum referred to in Document MIF/AT-_____ with respect to a technical cooperation to Support the Development of a Public Procurement System.
2. That up to the amount of US\$1,260,000 is authorized for the purpose of this resolution, chargeable to the Technical Cooperation Facility of the Multilateral Investment Fund.
3. That the above-mentioned sum is to be provided on a nonreimbursable basis.