

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PARAGUAY

**SOCIAL INVESTMENT PROGRAM
PROPAIS II**

(PR-0125)

LOAN PROPOSAL

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ABBREVIATIONS

CONAVI	Consejo Nacional de Vivienda [National Housing Council]
CORPOSANA	Corporación de Obras Sanitarias [Sanitary Works Corporation]
CSO	Civil society organization
DGEEC	Dirección General de Estadística, Encuestas y Censos [Directorate General for Statistics, Surveys, and Censuses]
EA	Executing Agencies
EAC	Equivalent Annual Cost
EAP	Economically Active Population
ECLAC	Economic Commission for Latin America and the Caribbean
ENREPP	Strategy Nacional de Reducción de la Pobreza – Paraguay [National Poverty Reduction Strategy - Paraguay]
ERSSAN	Ente Regulador de Servicios Sanitarios [Sanitary Services Regulatory Agency]
FISE	Fondo de Inversiones Sociales de Ecuador [Social Investment Fund of Ecuador]
GDP	Gross domestic product
GOP	Government of Paraguay
ICAP	Ingenieros y Consultores Asociados del Paraguay [Associated Engineers and Consultants of Paraguay]
IRR	Internal Rate of Return
MECOVI	Programa Mejoramiento de las Encuestas de Condiciones de Vida [Program for the Improvement of Surveys and Measurement of Living Conditions]
MERCOSUR	Southern Common Market
MSPBS	Ministerio de Salud Pública y Bienestar Social [Ministry of Public Health and Social Welfare]
NATC	Programa de Atención Integral a Niños y Adolescentes Trabajadores de la Calle [Program of Comprehensive Care for Children and Adolescents Working on the Streets]
NGO	Nongovernmental organization
OC	Ordinary Capital
OR	Operating Regulations
PEs	Specific Projects
PIDS	Planes Integrales Comunitarios de Desarrollo Social [Comprehensive Community Social Development Plan]
PMB	Project Piloto de Mejoramiento de Barrios [Barrio Improvement Pilot Project]
PROPAIS II	Programa de Inversiones Sociales II [Social Investment Program II]
PROPAIS	Programa Paraguayo de Inversiones Sociales [Paraguayan Social Investment Program]
PROPEF	Project Preparation and Execution Facility

PTI	Poverty-targeted investment
SAS	Secretaría de Acción Social [Social Action Secretariat]
SEAM	Secretaría de Medio Ambiente [Environment Secretariat]
SENASA	Servicio Nacional de Saneamiento Ambiental [National Environmental Sanitation Service]
SGA	Sistema de Gestión Ambiental [Environmental Management System]
SIF	Social Investment Fund
SIFEM	Sistema Integrado de Formulación, Evaluación y Seguimiento de Proyectos [Integrated System for Project Formulation, Evaluation, and Monitoring]
SIMAP	Social Impact Amelioration Program
UBN	Unmet Basic Needs
UNDP	United Nations Development Programme



PARAGUAY

IDB LOANS

APPROVED AS OF JUNE 30, 2002

	<i>US\$Thousand</i>	<i>Percent</i>
TOTAL APPROVED	1,739,598	
DISBURSED	1,328,102	76.3%
UNDISBURSED BALANCE	411,496	23.7%
CANCELLATIONS	82,157	4.7%
PRINCIPAL COLLECTED	442,285	25.4%
APPROVED BY FUND		
ORDINARY CAPITAL	1,152,466	66.2%
FUND FOR SPECIAL OPERATIONS	575,161	33.1%
OTHER FUNDS	11,972	0.7%
OUTSTANDING DEBT BALANCE	885,817	
ORDINARY CAPITAL	536,992	60.6%
FUND FOR SPECIAL OPERATIONS	348,633	39.4%
OTHER FUNDS	192	0.0%
APPROVED BY SECTOR		
AGRICULTURE AND FISHERY	228,771	13.2%
INDUSTRY, TOURISM, SCIENCE TECHNOLOGY	66,544	3.8%
ENERGY	318,460	18.3%
TRANSPORTATION AND COMMUNICATIONS	440,557	25.3%
EDUCATION	165,317	9.5%
HEALTH AND SANITATION	227,286	13.1%
ENVIRONMENT	8,140	0.5%
URBAN DEVELOPMENT	74,264	4.3%
SOCIAL INVESTMENT AND MICROENTERPRISE	83,568	4.8%
REFORM PUBLIC SECTOR MODERNIZATION	115,775	6.7%
EXPORT FINANCING	0	0.0%
PREINVESTMENT AND OTHER	10,916	0.6%

* Net of cancellations with monetary adjustments and export financing loan collections



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PARAGUAY

STATUS OF LOANS IN EXECUTION AS OF JUNE 30, 2002

(Amounts in US\$ thousands)

APPROVAL PERIOD	NUMBER OF PROJECTS	AMOUNT APPROVED	AMOUNT DISBURSED	% DISBURSED
Before 1996	3	100,345	80,450	80.17%
1996 - 1997	8	221,307	121,741	55.01%
1998 - 1999	4	132,650	28,497	21.48%
2000 - 2001	8	195,200	7,926	4.06%
TOTAL	23	\$649,502	\$238,614	36.74%

* Net of Cancellations . Excluding export financing loans.



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PARAGUAY

STATUS OF LOANS IN EXECUTION AS OF JUNE 30, 2002

(Amounts in US\$ thousands)

APPROVAL PERIOD	NUMBER OF PROJECTS	AMOUNT APPROVED *	AMOUNT DISBURSED	% DISBURSED
<u>REGULAR PROGRAM</u>				
Before 1996	3	100,345	80,450	80.17%
1996 - 1997	8	221,307	121,741	55.01%
1998 - 1999	4	132,650	28,497	21.48%
2000 - 2001	8	195,200	7,926	4.06%
TOTAL	23	\$649,502	\$238,614	36.74%



Inter-American Development Bank
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Paraguay

Tentative Lending Program

2002

Project Number	Project Name	IDB US\$ Millions	Status
PR0125	Social Investment Program II	28.4	
PR0132	Cadastral Registry and Land Regularization	11.0	
PR0137	Support to Public Financial Sector Reform	50.0	
PR0145	CT Loan Support to Public Financial Sector Reform	5.0	
PR0147	Paraguay Social Nourishment and Protection Program	50.0	
Total - A : 5 Projects		144.4	
TOTAL 2002 : 5 Projects		144.4	

2003

Project Number	Project Name	IDB US\$ Millions	Status
PR0124	Primary and Pre-School Education	30.0	
PR0143	Asuncion Costal Development Program	55.0	
PR0146	Strengthening the Judiciary Branch Program II	7.0	
PR0120	Agricultural Services Program	29.0	
Total - A : 4 Projects		121.0	
PR0129	Public Administration and Modernization	20.0	
PR0138	Support to Reform Social Security System	20.0	
PR0126	Science and Technology Program	7.0	
Total - B : 3 Projects		47.0	
TOTAL - 2003 : 7 Projects		168.0	

Total Private Sector 2002 - 2003 0.0

Total Regular Program 2002 - 2003 312.4

* Private Sector Project

SOCIAL INVESTMENT PROGRAM II (PROPAIS II)

(PR-0125)

EXECUTIVE SUMMARY

Borrower:	Government of Paraguay	
Executing agency:	Secretaría de Acción Social [Social Action Secretariat] (SAS) of the Office of the President of the Republic	
Amount and source:	IDB: (OC)	US\$28.4 million
	Local:	US\$ 4.6 million
	Total:	US\$33.0 million
Financial terms and conditions:	Amortization period:	25 years
	Grace period:	5 years
	Maximum disbursement:	5 years
	Minimum disbursement:	3 years
	Interest rate:	variable
	Inspection and supervision:	1%
	Credit fee:	0.75%
Objectives:	Currency:	Currency pool
	<p>The overall objective of PROPAIS II is to improve the quality of life of the population living in poverty and to reduce the risks facing vulnerable groups (female heads of household, children and adolescents at risk, indigenous communities, the disabled, and senior citizens) in Paraguay, seeking their full social and economic incorporation into society. The specific objectives are to: (i) strengthen the capacity of the government to formulate, implement, and monitor social policies and programs that address the needs of the poor and vulnerable population; (ii) strengthen the capacity of civil society to identify, articulate and present its demands for services; and (iii) improve the effectiveness of social investment targeting the poor and vulnerable groups.</p>	
Description:	<p>The program has two components: (i) social investment projects financing, aimed at improving the living conditions of vulnerable groups and the poor, in both urban and rural communities, through Comprehensive Social Development Plans (PIDSs), Barrio Improvement Projects (PMBs) and Specific Projects (PEs) for vulnerable groups; and (ii) institutional development, which will aim</p>	

to strengthen the capacity of the SAS to: (a) develop social policies and strategies; (b) identify and prioritize programs and projects to combat poverty and address social vulnerability; and (c) carry out budget programming for program execution, monitoring, and assessment of achievements and impact. This component will also support the institutional strengthening of municipalities, nongovernmental organizations (NGOs) and civil society organizations (CSOs) in the sector. Funding will also support the administration, management, and operation of the program.

The Bank's country and sector strategy:

The Bank's strategy in Paraguay emphasizes: (i) competitiveness, to ensure Paraguay's effective participation in MERCOSUR; (ii) modernization of the State, so as to strengthen governance, improve efficiency in the delivery of basic social services, and develop institutional capacity; (iii) rural development, with an integrated multisector approach that will make for sustainable rural development and reduce poverty; and (iv) social sectors reform to contribute to the development of human capital. The proposed program is consistent with this strategy given that it will enable the government to make progress in restructuring and strengthening the social welfare sector so as to enhance effectiveness and efficiency, while at the same time funding investment projects that are carried out by municipalities, NGOs, or CSOs and aimed at improving the quality of life of the vulnerable groups and population living in poverty.

Environmental and social review:

PROPAIS II will contribute to improving the urban and rural environment in Paraguay through a series of barrio improvement efforts, the introduction of social infrastructure, microsystems for drinking water and basic sanitation, and health and environmental education for communities. The program will strengthen the environmental analysis, oversight, and monitoring capacity of the SAS and of the private and public agencies participating in the program, including the beneficiary communities.

Benefits:

The primary benefit of the program will be an improvement in living conditions for the beneficiary population and in overall environmental quality in the communities and towns in which investments will be made. In all, it is estimated that the program will benefit 12,000 families through investment in PIDSSs, another 1,500 families through the PMBs, and 25,000 beneficiaries through PEs for vulnerable groups. Other benefits of the program include the strengthening of the SAS in its strategic role of coordinating social policies, and the consolidation of a new participatory model of delivery of social services arising from changes in work processes and in the procedures for preparing, evaluating, and monitoring projects within the SAS.

Risks:

The primary risk the program faces with regard to the objectives of the institutional development component is that the process of decentralizing and rationalizing social spending is not entirely under

the control of the SAS. In this regard, it is hoped that steps toward decentralized, local concerted action for defining strategies tailored to the different realities of the country's regions and a restructuring of the sector will contribute to more efficient spending. Program support for the SAS's efforts along these lines could contribute to reducing this risk in the medium term. Another risk is that citizen participation may not increase to the level required to achieve the program's social development objectives. To mitigate this risk, the program will conduct informational campaigns, local training, and other activities from the outset to mobilize the participation of the program's target population in defining work processes, in the diagnostic study, and in formulating plans and projects.

**Special
contractual
clauses:**

Conditions precedent to the first disbursement:

- a. The selection and presentation for the Bank's nonobjection, of the program manager (paragraph 3.2) and of a core technical team for project analysis and supervision as agreed with the Bank (paragraph 3.3);
- b. Entry into effect of the program's Operating Regulations (ORs) and respective annexes (paragraph 3.9);
- c. The presentation, to the satisfaction of the Bank, of the model agreements to be signed by: (i) the SAS and municipalities; (ii) the SAS, the NGOs, and the CSOs (paragraph 3.8); and (iii) the SAS, the Economic Commission for Latin America and the Caribbean (ECLAC) (paragraph 3.45).

Conditions precedent to the disbursement of funds for the social projects financing component:

- a. Designation of the organizations that will serve on the Project Committee (paragraph 3.4).
- b. Hiring of a firm specializing in human resources to hire supervisors for execution of the PIDSs, PMBs and PEs (paragraph 3.19).
- c. Hiring of consultants to: (i) design plans for training the SAS, NGOs, CSOs, and beneficiary communities (section 3.34); (ii) develop a registry of consultants, businesses, and supervisors (paragraphs 3.19 and 3.38); and (iii) develop a methodology to assess the impact of PROPAIS I and this program (paragraph 3.48).

- d. The signature of the agreement between the SAS and ECLAC and the effective implementation of the Integrated System for Project Formulation, Evaluation and Monitoring (SIFEM) (paragraph 3.45).

Conditions precedent to the disbursement of funds for works, the procurement of goods, and the contracting of services under the social projects financing component:

- a. The presentation of the agreements signed by the SAS with the NGOs, CSOs and/or municipalities (paragraph 3.8).
- b. Contracting of supervisors (paragraph 3.19).

Social equity and poverty classification:

This program qualifies as a social equity enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704). It also qualifies as a poverty targeted investment (PTI) (paragraph 4.25).

Exceptions to Bank policy:

See Procurement section below.

Procurement:

The procurement of goods and the contracting of works and services will be conducted in accordance with Bank procedures currently in effect. International competitive bidding is mandatory for works in amounts equal to or above US\$2 million, for the procurement of goods in amounts equal to or above US\$250,000, and for the contracting of services for amounts over US\$200,000. Price will be the criterion for selecting service providers, in accordance with document GN-1679-3. When selection is based on technical qualifications as well as price, price will not be assigned a weight of more than 20% of all selection factors. With a view to expediting the execution of the program, the Bank will perform ex post reviews of works contracts and procurement of goods in amounts below US\$100,000, contracts with individual consultants for sums below US\$50,000 and contracts with consulting firms for amounts below US\$100,000. Regardless of the amounts involved, the Bank will perform ex ante reviews of the first two calls for bids for the procurement of goods and contracting of works and related services, the first two calls for bids for the preparation and execution of PIDSS, PMBs and PEs, and the first two calls for bids for the contracting of consulting firms and individual consultants by the SAS and the NGOs, CSOs, or municipalities.

As an exception to the required procedure for selecting consultants by means of public tender, it is recommended that ECLAC, the agency responsible for developing the SIFEM for PROPAIS I, be contracted

directly to develop procedures and tools for updating the system for PROPAIS II, and incorporating new core concepts for comprehensive social development and barrio improvement plans. The direct hiring of ECLAC is justified because of the experience it has acquired in developing the SIFEM for PROPAIS I. The above agency will perform whatever type of procurement, hiring of consultants, or other activity that may be required in adherence to Bank procedures. Such a contract is in keeping with the provisions of section GS-403 of the Procurement Manual (see paragraph 3.37).

I. FRAME OF REFERENCE

A. Patterns and extent of poverty in Paraguay

- 1.1 Despite moderate progress over the last 20 years, Paraguay, with a total population of 5,356,000 people, has one of the worst income distribution indicators in Latin America. Since 1995, a slowdown in the country's economic activity has translated into a dramatic drop in per capita income¹ and an increase in the unemployment rate, particularly in rural areas, where almost half of the working population earns less than the minimum wage, as shown in Table I-1. Between 1995 and 2001 the poor population grew in relative terms from 30% to 34%. Of these 34% (1.8 million people), almost half (830,000) are currently living in extreme poverty.

Table I-1			
Republic of Paraguay Economically Active Population (EAP) by area and income in terms of the minimum wage			
Wage Level	Total Population	Urban Areas	Rural Areas
No income	20.2%	6.9%	38.3%
<1 minimum wage	48.1%	47.5%	48.9%
1-2 x minimum wage	21.6%	29.9%	10.4%
> 2 x minimum wage	9.9%	15.5%	2.4%

B. Rural poverty

- 1.2 The rural population in Paraguay makes up 46% of the total population. The agricultural sector, which employs approximately 33% of the labor force, is characterized by a high concentration of income and land tenure: the wealthiest 10% receive 38.9% of total income, leaving the poorest 10% with only 0.7%. Similarly, 10% of landowners own 65% of the land, while 60% of small landholders own only 6%. As a result, the rural areas have about 60% and 80%, respectively, of the country's poor and extremely poor² population. Rural areas also have the greatest deficiencies in infrastructure and public utilities, a fact explained in part by the geographical dispersion of the population.

C. Urban poverty

- 1.3 With 54% of its population living in urban areas, Paraguay is one of the least urbanized countries in Latin America. The migration of people from rural areas toward urban labor markets is leading to the growth of irregular housing

¹ In 1999 and 2000 Paraguay saw negative growth rates: -0.1% and -0.7% respectively, the lowest in the decade, resulting in a drop in per capita gross domestic product (GDP) of 2.6% in 1999 and 3.2% in 2000.

² Directorate General for Statistics, Surveys, and Censuses (DGEEC), Program for the Improvement of Surveys and Measurement of Living Conditions (MECOVI), Permanent Household Survey, 1999.

settlements, an increase in the number of families living in risk, and a rise in all other social problems associated with urban poverty. The incidence of poverty in the Asunción metropolitan area, which had fallen almost 13 percentage points (from 29.7% to 16.9%) between 1990 and 1996, rose again in 1999 to 21.3%, a pattern that is repeating itself in other Paraguayan cities.

- 1.4 The urban unemployment rate, which had been 10.7% in 2000, rose again in 2001, reaching 16%. The growing influx of people moving from rural to urban areas, combined with a relative standstill in industrial employment, has also resulted in strong growth in the percentage of people employed in the services sector in urban areas—particularly in the informal market—growing from 27% to 41% of the EAP between 1970 and 1990.

D. Poverty and social vulnerability

- 1.5 Paraguay's poor are affected by situations that contribute even further to their social and economic vulnerability, such as being a female head of household, an at-risk child or adolescent, elderly, indigenous or disabled.
- 1.6 The persistence of high fertility rates³ makes Paraguay a country with a very young population, with over half its population (51.3%) under 20 years of age. This places strong demand pressure on the education system and the labor market. Poor families are larger and have a greater number of dependents, with an average size of 5.8 persons and 3.6 children between 0 and 17 years of age, while for families that are not poor these numbers are 4.2 and 1.6, respectively.
- 1.7 Among poor families in urban areas, families with a female head of household figure prominently: they account for almost 33% of extremely poor families and 27% of poor families. These percentages are also relatively high in rural areas, where 12.0% and 19.8%, respectively, of households are headed by women. The vulnerability of female-headed households seems even more dramatic when one considers that women's economic activity takes place largely in the informal sector, this primarily as a result of the different way in which changes in the EAP structure (see paragraph 1.4) have affected men and women. For men, the decrease in agricultural jobs has been accompanied by a rise in industrial employment, from 17% to 23% between 1970 and 1990. The female EAP, however, has shifted towards the services sector (from 54% to 80%), with a strong presence in the informal sector.
- 1.8 The proportion of children living in poverty (42%) is higher than the proportion of the poor in the country's overall population (32%), exemplifying the phenomenon of poverty disproportionately affecting children. Among young people 15 to 24

³ Although it decreased from 5.65 in 1970/1975 to 4.0 in 1999, the total fertility rate is still one of the highest in the region.

years of age who are unemployed or underemployed, 13% are living in extreme poverty, and 30% are poor. The situation is even worse in rural areas, where 23% of young people live in extreme poverty and 38% are poor. It is estimated that in Paraguay more than 23,000 children and adolescents are engaged in intensive labor or dangerous and demanding work that affects their physical and psychological health.

- 1.9 Adults 60 years of age and older represent 7% of the total population, and their percentage is growing. Women predominate in this group, and their vulnerability is primarily the result of the poor coverage of the pension system, which serves only 10% of the population (19% of men and 6% of women), and of health care, which reaches only 18% of the total population. Nationwide, 9% of the elderly live in extreme poverty and 21% are poor, with higher numbers in rural areas (15% and 26%, respectively).
- 1.10 The geographic isolation of many of the 100,000 indigenous people living in the country determines their almost universally extreme poverty, with the country's highest rates of infant mortality, illiteracy and poor health. Their demands have thus far been relatively ineffectual, owing among other things to weak organizational mechanisms and their limited access to the agencies responsible for providing basic services.
- 1.11 The number of disabled persons is estimated to be 550,000, of whom 25% have a severe disability. Most have mental, auditory or motor dysfunctions, which are primarily attributable to congenital defects and accidents.
- 1.12 This population experiences difficulties in terms of access to services such as health, education, water, and sanitation. Existing services are lacking and highlight the inequalities between the country's poor and those with means, and between urban and rural areas.⁴

E. Paraguay's social action strategy

- 1.13 To respond to the problems of poverty and vulnerability among these populations, the Government of Paraguay (GOP) created (Decree 9235 of 8 June 1995) the Secretaría de Acción Social [Social Action Secretariat] (SAS) as an agency of the Office of the President of the Republic, tasking it with: (i) monitoring the efficiency and focus of social spending, proposing changes in programs and executing agencies; (ii) identifying and negotiating for complementary resources with which to finance social expenditures; (iii) coordinating, managing and supervising social plans and programs carried out by public and private entities; (iv) conducting a

⁴ Data from the 1999 Permanent Household Survey. Associated Engineers and Consultants of Paraguay (ICAP), *Consultores e Ingenieros: Estrategia de Gasto Social y Planes de Acción de Alivio a la Pobreza y Atención a Grupos Vulnerables* [Consultants and Engineers: Strategy of Social Spending and Action Plans to Alleviate Poverty and Care for Vulnerable Groups]. Asunción, 2001.

survey of social programs so as to coordinate their execution; and (v) working toward the creation of a national social policy.

- 1.14 The SAS has made progress toward institutionalizing and integrating government efforts aimed at reducing poverty in the country. Since it began in 1996, this process has been slow but steady, facilitating effective and sustained growth in social spending, which increased from 30% of central government spending in the early 1990s to 40% at the end of the decade. With respect to GDP, the rate increased from 4% to 8% in the proportion of such spending between the early and late 1990s.⁵ For the SAS, this represented an increase in the programs for which it was responsible (see paragraph 1.40) and in its capacity to provide counterpart resources for these programs. This capacity is expected to be further strengthened in the Social Investment Program II (PROPAIS II).
- 1.15 With the support of the IDB through the Social Investment Program (PROPAIS I)⁶ of the World Bank and the United Nations Development Programme (UNDP), the SAS has come to play a role that enabled it to lead the way in formulating Paraguay's National Poverty Reduction Strategy (ENREPP). ENREPP has adopted the millennium development goals agreed to by international development institutions and the countries, as a commitment to pursuing the specific goals of improving basic social indicators by 2015.⁷ ENREPP defines specific targets, courses of action and short-, medium- and long-term priorities designed to extend the benefits of development to everyone by focusing public social spending for the protection and social inclusion of the most vulnerable groups.
- 1.16 ENREPP proposes to focus efforts on generating income and improving human capital by strengthening citizen participation, modernizing social institutions and providing services to vulnerable groups. To ensure that this strategy is designed to duly take into consideration regional differences, the needs of rural areas, and sustainability, the SAS has been involving regional governments and civil society in the process of preparing regional strategies to combat and reduce poverty.
- 1.17 This effort to promote the decentralization and targeting of social policies and programs rests on the SAS's mandate to coordinate and articulate the social

⁵ Data from ECLAC.

⁶ Through loan 929/OC-PR, Paraguay Social Investment Program (PROPAIS I), and technical cooperation ATN/SF/5228-PR, Program to Provide Comprehensive Care for Children and Adolescents Working on the Streets (NATC).

⁷ In the case of Paraguay, the definition of these goals takes into consideration the basic conditions for success and sustainability based on different scenarios of projected annual economic growth during this period.

development sector⁸ with ministries (Education and Religion, Health and Social Welfare, Labor), other government secretariats (Secretariat for Women's Issues, for example) and related decentralized entities such as the Servicio Nacional de Saneamiento Ambiental [Environmental Sanitation Service] (SENASA), through the Social Advisory Council for the Fight against Poverty created for this purpose.⁹ The coordinating process has frequently been hampered by political and institutional difficulties, but the support of major players in the private sector, in civil society and among multilateral agencies has facilitated the steady expansion of its scope.

- 1.18 Included in this strategy and the priorities established with the support of PROPAIS I is the second phase proposed in this document, the objective of which is to consolidate the progress made by the SAS as a strategic focal point and reference for the social sector.
- 1.19 These efforts have also given rise to a proposal and bill currently being considered by the Congress that would convert the SAS into a Ministry of Social Development, thus enhancing its ability to act. However, the proposed program can be executed within the institutional framework of the current SAS and within the proposals contained in the draft legislation.

F. Paraguay's social investment program – PROPAIS I - and its outcomes

1. Characteristics and execution

- 1.20 PROPAIS I was approved by the Bank in 1996 and consists of two subprograms: (i) a loan (929/OC-PR) for PROPAIS I in the amount of US\$20 million, aimed at strengthening the social sector and funding small social services and works projects in rural and urban communities; and (ii) a non-reimbursable technical cooperation operation (ATN/SF/5228-PR) in the amount of US\$8 million for the Comprehensive Care for Children and Adolescents Working on the Streets (NATC) program.
- 1.21 Both operations sought to: (i) improve the quality of life for vulnerable and extremely poor populations; (ii) facilitate healthy development opportunities for children and adolescents working on the streets; and (iii) rationalize government spending on social welfare and poverty relief programs.

⁸ In recent years there has been a redefinition of the sector and of social welfare, which now refers to a more inclusive model that incorporates attention to vulnerable groups as part of more wide-ranging goals of comprehensive social development (which includes the fostering of human and social capital within vulnerable groups and populations).

⁹ The Social Advisory Council for the Fight against Poverty was created to advise the executive branch on compliance with and monitoring of the overall social goals of the government agenda; it is made up of the institutions mentioned and representatives of civil society.

- 1.22 **Execution.** PROPAIS I resources financed 397 projects, costing a total of US\$23 million, which have benefited some 250,000 people. Technical cooperation resources in the amount of US\$9.4 million have financed 232 projects in the areas of Education and Health and Social Services, benefiting a total of 71,300 children and adolescents.
- 1.23 **Investment sectors and costs.** Resources were distributed almost equally between infrastructure (49% for small-scale sanitation, health and education works) and social services (41% for projects for children and adolescents, women, and the elderly, among others, primarily in urban centers). The remainder (10%) has been utilized for small production and income-generating projects. The average investment cost per beneficiary varied from US\$21 for health projects to US\$210 for other social services.
- 1.24 The execution has been classified as satisfactory, with development objectives likely to be met. Despite some difficulties associated with the recent nature of the SAS as an institution, 98% of the loan and 93% of the technical cooperation funds have already been disbursed. 100% of the resources of the program, which is scheduled to end October 31, 2002, have already been committed as of July 2001.

2. Outcomes

- 1.25 **Geographic scope, institutional participation and mobilization of resources.** The program has financed projects in every department in the country, and has mobilized regional governments, municipalities and civil society organizations as direct executing agencies, co-executing agencies, or as participants, as in the case of civil society organizations on the project committee and the advisory committee for the NATC program. In addition to the loan and counterpart funds, the financed projects have also raised US\$3.9 million from a wide range of executing agencies (25% more than the US\$3.1 million anticipated originally, which is an indicator of the potential sustainability of investments (Table I-2)), particularly in civil society organizations.

Table I-2 Participation in the execution of PROPAIS I by type of entity		
ENTITY	929/OC-PR	ATN/SF-5228-PR
Community Organizations	71%	36%
NGOs	8%	33%
Religious Organizations	9%	21%
Producer Cooperatives	1%	N/A
Municipalities	6%	9%
Regional Governments	5%	1%
TOTAL	100%	100%

Source: SAS

- 1.26 **Focus.** The majority of PROPAIS I projects benefited poor farmers, marginalized and indigenous populations, the disabled, children, youth, and the elderly. Women were an important beneficiary group under PROPAIS I, representing between 40% and 50% of beneficiaries of projects in education, health, and sanitation, among others.
- 1.27 **Community participation and quality of projects and services.** In a sample of projects financed by the program, 80% of beneficiaries reported that they were very satisfied or satisfied with the outcomes of the investments, and approximately 90% felt that the project in their community met their needs, particularly in education and child-oriented projects. Nonetheless, there was little participation of the majority of community members in identifying and designing projects and monitoring their execution. However, the technical quality of services and works has been uneven, either because of shortcomings on the part of the SAS in analyzing projects presented, or because of inadequate supervision, two aspects that this phase will target for resolution.
- 1.28 **Environmental impact.** Given that projects are small-scale and aimed in part at improving environmental quality, no significant negative environmental impact has been identified. In fact, there have been positive effects. Nonetheless, there have been some problems owing to the use of low-quality materials and particular cases in which sewage and residual herbicides have been disposed of without the proper care. These shortcomings and their causes (omissions in planning and administration of works and inadequate monitoring) have been corrected in the program proposed herein.
- 1.29 **Monitoring and evaluation.** Although PROPAIS I did not establish baselines that would permit an assessment of its impact as part of this new phase, it did bring about the design of an Integrated System for Project Formulation, Evaluation and Monitoring (SIFEM). The product of an agreement between the SAS and the Economic Commission for Latin America and the Caribbean (ECLAC), its modular design is well-suited to an organizational and management evaluation of the SAS and to the stipulated project cycle. However, delays in executing the institution-building component resulted in delays in contracting this service and delays in

training the SAS team to use the system. As a result, the system's potential to monitor and evaluate projects funded by PROPAIS I has not been realized. These aspects will be remedied in PROPAIS II, to allow for the gathering of baseline information and the full utilization of the SIFEM system, for a more complete impact assessment of the program. It is also hoped that in the medium term SIFEM will become a valuable tool for managing the SAS's processes and programs in general and not only for those projects financed under PROPAIS II.

- 1.30 **Institutional strengthening.** The institutional assessment, the studies that went into preparing the strategy for combating poverty, and the design and implementation of SIFEM have contributed to strengthening the capacity of the SAS to formulate national social policies, to coordinate among all the different organizations (governmental and nongovernmental) in the planning and management of social programs, and to create tools to ensure transparency and equity in the allocation of resources to social areas.

G. Lessons learned in PROPAIS I and justification of a second phase

- 1.31 Although an impact assessment of PROPAIS I was not planned, the Bank has performed partial assessments of the program during its execution and during the preparation of this program, and there has also been a mid-term evaluation. These evaluations highlight the principal strengths of the program and point up the main areas needing correction.
- 1.32 PROPAIS I has been successful in three major respects: (i) the quantity and quality of projects funded, primarily in services for children working on the streets; (ii) the consolidation of the SAS as the executing agency for social programs; and (iii) the successful introduction of a model of delivering and financing social services through NGOs and civil society organizations (CSOs). Furthermore, the SAS has made progress in its coordination capacity in the decentralized formulation of social programs and projects.
- 1.33 These evaluations have also pointed up the main areas that deserve special attention in PROPAIS II, such as (i) technical and administrative procedures for identification, feasibility studies, approval and execution of projects; (ii) a project monitoring system; (iii) participation of beneficiary communities in the diagnostics, design and monitoring of project execution; (iv) technical training of human resources to operate and maintain the financed physical works; (v) the organization of investments in comprehensive projects that foster the development of communities' social capital; (vi) targeting mechanisms and tools; and (vii) long-term sustainability of the NGOs and CSOs supported by the program.
- 1.34 PROPAIS I has differed from the social investment funds (SIFs) in its emphasis on the institutional framework of the social sector and on strengthening that framework. PROPAIS II would continue this endeavor by incorporating, among

other aspects: (i) changes to the mechanism for allocating resources to the communities that will be based on a public call for bids; (ii) replacement of isolated projects with comprehensive development plans for rural communities; and (iii) encouragement of greater participation on the part of the regional governments, municipalities and communities in the execution of projects.

H. Lessons learned from Bank-financed programs targeting vulnerable groups

- 1.35 PROPAIS II consolidates lessons learned from the IDB's experiences with social programs to combat and reduce poverty, notably the experience with programs serving vulnerable groups (BR-0177, Program of Support for Social Reforms for Child and Adolescent Development, TC-9809312-BR and TC-9807156-BR, Programs for Training At-Risk Youth, BO-0130, Program for Comprehensive Services for Children Under Six) with sustainable development programs for small- and medium-sized municipalities (BR-0246, Program to Support Sustainable Development in Pernambuco's Mata Region), social investment funds (particularly GY-0061 Social Impact Amelioration Program III (SIMAP), and EC-0203 the Social Investment Fund of Ecuador (FISE), phase III), and with barrio upgrading programs (BR-0182 and BR-0250, Rio de Janeiro Urban Upgrading Program I and II, and AR-0262, Rosario Comprehensive Program for Rehabilitation of Unregulated Settlements).
- 1.36 The following elements have been incorporated from programs serving vulnerable groups, slum upgrading programs, and development programs for small- and medium-sized municipalities: (i) successful experiences with new project selection and execution procedures, such as project competitions and the identification of niches for intervention that are more closely adapted to the current labor market demands for youth training programs; (ii) for poor urban barrios, the relevance of a comprehensive approach combining physical interventions with the delivery of social services; and (iii) the importance of actions that aim to support citizen participation in defining and monitoring project execution, particularly in rural communities. Among the lessons learned from the SIFs, particularly the more recent ones, are most notably the difficulties resulting from the relatively poor sustainability of the physical works financed, owing to the independence and institutional autonomy of the SIFs as managers of physical works. In this respect, since the SAS is a line institution of the central government, it is easier to make viable the coordination that is necessary so as to ensure the sustainability of the investments.

I. The Bank's strategy in Paraguay

- 1.37 The Bank's strategy in Paraguay emphasizes: (i) competitiveness, to ensure Paraguay's effective participation in MERCOSUR; (ii) modernization of the State, so as to enhance governability, improve efficiency in the delivery of basic social services, and develop institutional capacity; (iii) development of the rural sector,

with an integrated multisector approach that will make for sustainable rural development and reduce poverty; and (iv) reform of the social sectors so they will contribute to the development of human capital. The proposed Program is consistent with points (ii), (iii) and (iv) as it will enable the government to make progress in the restructuring and strengthening of the social welfare sector initiated in the first phase of the program, while at the same time funding investment projects that are carried out by municipalities, NGOs, or CSOs and that are aimed at improving the quality of life of vulnerable groups or groups living in extreme poverty.

- 1.38 Projects in execution and/or in preparation in Paraguay related directly or indirectly to the target population or investment sectors of PROPAIS II include the Program to Strengthen Basic Education Reform (1254/OC-PR), the Primary Health Care Reform Program (1006/OC-PR), the Drinking Water Supply and Sanitation in Small Communities Program (1312/OC-PR), for which SENASA, of the Ministry of Public Health and Social Welfare (MSPBS), is acting as executing agency, and loans 861/OC-PR and 862/OC-PR, Urban Water Supply and Sewerage Program, for which the Sanitary Works Corporation (CORPOSANA) is acting as executing agency.
- 1.39 In addition to the direct investments it will finance, PROPAIS II will complement the actions financed by these loans by fostering the capacity of communities to coordinate with responsible sector institutions and to make direct demands of these institutions. This complementarity will allow for progress in expanding the coverage of social services for the poorest and most vulnerable populations in the country, and can capitalize on the potential mobilization of social investment already demonstrated with PROPAIS I.

J. Articulation with other donors

- 1.40 Since its creation, the SAS has been establishing itself as an executing agency of other social programs in addition to PROPAIS I. In this new phase, PROPAIS II will coordinate with these other social programs executed by the SAS, so as to avoid any overlapping of financing and efforts. Some programs that deserve mention: (i) the Community Development Project in the departments of Itapúa, Misiones and Ñeembucú, with US\$9.0 million in financing from the World Bank; (ii) the San Felipe Housing Group Project, which consists of the construction of 320 homes and the provision of services to low-income populations, with US\$2,080,000 donated by Taipei China; (iii) the Regularization of Settlements on National Territory program, for purchasing land and transferring it to residents of irregular settlements, with an annual allocation from the National Treasury amounting to US\$800,000 in 2002; and (iv) the Worker Retraining Project, funded by the Yacyretá Binational Commission to pay damages to the population adversely affected by the dam in the form of financing for productive projects.

II. THE PROGRAM

A. Objectives

- 2.1 The overall objective of PROPAIS II is to improve the quality of life of the population living in poverty and to reduce the risks for vulnerable groups (female heads of household, children and adolescents working on the streets, indigenous communities, the disabled, and the elderly) in Paraguay, seeking their full social and economic incorporation into society.
- 2.2 The specific objectives of the program are to: (i) strengthen the capacity of the government to formulate, implement, and monitor social policies and programs that serve the poor and vulnerable population; (ii) strengthen the capacity of civil society (NGOs, CSOs, and communities) to identify, systematize and present its demands for services that respond to its needs; and (iii) improve the effectiveness of social investment targeting the poor and vulnerable.

B. Structure and description

- 2.3 To accomplish these objectives, the program will include two components: (i) financing for social projects; and (ii) institutional development. The characteristics of these components are described below. Also included are funds to support program administration and operation and financial and operational audits.

1. Financing of social projects (US\$25.6 million)

- 2.4 This component will fund social investment projects aimed at improving living conditions for vulnerable groups and the poor population, in both urban and rural communities, through the following modalities:

a. Comprehensive social development plans—(PIDSs) (US\$14.15 million)

- 2.5 Aimed at poor populations living in rural areas or in urban areas located in towns of fewer than 5,000 inhabitants, these plans will be developed with the participation of the beneficiary communities themselves, with the support and coordination of non-

Table II-1. Principal Indicators of Program Results

- At least 75% of beneficiary households improve their living conditions, going from having three or more Unmet Basic Needs (UBN) to having two UBNs or less.
- In the beneficiary communities, at least 70% of community members have participated in developing the plans and projects.
- Of the beneficiaries of the PIDS income-generating actions, at least 50% managed to raise their income.
- Of the beneficiary families involved in activities to produce their own food, 90% have systematic access to a basic group of foods and at least 40% have begun to engage in income-generating activities based on producing for their own consumption.
- The women benefiting from specific projects (PEs) have access to child care services and have increased their income by at least 20%.

governmental organizations or the respective municipal governments. It is anticipated that this will benefit around 12,000 families in 60 communities of between 100 and 400 families each, with a maximum amount of US\$250,000 per PIDS and US\$1,200 per beneficiary family.¹⁰

- 2.6 The activities eligible for program financing include, among others: (i) social organization and community building, (ii) small-scale, individual water and sanitation solutions, as long as they are technically justified and represent minimum-cost solutions; (iii) projects involving the production of food for own consumption, including seeds purchases, training and technical assistance; (iv) projects for vulnerable groups, such as the construction or repair and purchase of equipment for community centers, day care, training in care for children, adolescents, the elderly and the disabled, school reinforcement activities and teen programs; (v) health, environmental and nutritional education activities; (vi) environmental protection and recovery; and (vii) income-generation, job training and technical assistance projects and consulting for small-scale producers.

b. Barrio improvement projects (PMB) (US\$3.5 million)

- 2.7 The PMBs are aimed at improving living and housing conditions for the poor population living in marginalized urban barrios in cities with more than 100,000 inhabitants. The beneficiary communities have been selected based on the criteria of size (between 100 and 400 households), having more than 50% of the population under the poverty line, and an expressed interest on the part of the municipal governments in participating in the program and contributing resources to the investment. The program will fund a maximum of four pilot projects in the municipalities of Luque, San Lorenzo, Fernando de la Mora, and Asunción.
- 2.8 The projects may incorporate investments in basic sanitation, road improvements, urban infrastructure, environmental protection works, regularization of property titles, solid waste management, and social programs involving job training and care for vulnerable groups. The projects should be conducted based on participatory methodologies and should include health and environmental education activities. In addition to the value added of the physical investments and the social services provided in these barrios, these pilot projects will also serve to test the capacity of both the SAS and of the municipalities involved to carry out this type of action to reduce the effects of urban poverty.

c. Specific projects for vulnerable groups (PEs) (US\$6.5 million)

- 2.9 These projects will respond to the demands of populations living in urban areas of towns with more than 5,000 inhabitants or of isolated indigenous communities. In

¹⁰ These amounts include the costs of investment in drinking water and basic sanitation. In the event that SENASA takes over these systems, the number of beneficiary communities and families would increase.

addition to providing social services, this modality will support actions that enable the SAS to continue the process, begun in PROPAIS I, of strengthening NGOs and CSOs as providers of social services, thus furthering their longer term sustainability. This modality finances services for vulnerable groups living in poverty, such as female heads of household, at-risk children and adolescents, indigenous communities, the disabled and the elderly. Services to be financed will include programs that support health care, job placement and training, school reinforcement, and adult literacy programs, maintenance of community centers and the outfitting of facilities and purchase of equipment for providing services. The maximum amount of financing per project will be US\$60,000 and the allocated resources are expected to finance approximately 110 projects.

d. Preinvestment (US\$1.45 million)

- 2.10 Development of the plans will be preceded by pre-investment activities, the object of which is to prepare the beneficiary communities to identify problems, prepare proposals for resolving them, and execute investment plans. Pre-investment actions include community organization activities, support for the regularization of the legal status of local community organizations, and training of local organizations in formulating and managing the plans to be financed by the program.

2. Institutional development (US\$1.25 million)

- 2.11 This component is aimed at strengthening the capacity of the SAS to (i) develop social policies and strategies and to identify and prioritize programs and projects to combat poverty and address social vulnerability; and (ii) carry out budget programming for execution, monitoring, and assessment of accomplishments and impact. program support for the SAS will focus on: (i) support for the formulation of social policies, resource programming, and monitoring of social-sector programs; and (ii) institutional strengthening of the SAS.

a. Support for formulation of social policies, resource programming, and monitoring of social-sector programs (US\$0.75 million)

- 2.12 **Support for Social Policies.** The program will support the efforts of the SAS to develop, propose, and reach consensus on the formulation of social policies and strategies at the central and decentralized levels, support departmental governments in formulating and implementing regional plans for social development and combating poverty. Specific activities to be funded include contracting consultants to support the SAS in: (i) defining different priority sector policies to address the needs of the extremely poor and vulnerable population; (ii) formulating Departmental Poverty and Social Vulnerability Reduction Plans; and (iii) training human resources within the municipalities and regional governments to monitor these policies and programs.

- 2.13 **Resource Programming and Monitoring of Social Programs.** Efforts to identify and quantify social spending that were begun in the first phase of PROPAS I will continue, seeking to (i) establish mechanisms of coordination with government agencies with regard to social programs, policies, and strategies to fight poverty and serve vulnerable groups; and (ii) establish a system of management reporting to allow for the evaluation of social investment programs and projects, including compliance with targets. Funding covers the hiring of consultants to support the SAS in these efforts.

b. Institutional strengthening and training (US\$500,000)

- 2.14 **Technical strengthening for the SAS.** The goal is the institutional consolidation of the SAS through training of its human resources in the different areas of action and the on-going generation of surveys and diagnostic studies on social issues, especially on poverty and social vulnerability. Financing would be provided for (i) in-country training/refresher courses and workshops for SAS technical staff, conducted by local or international trainers; (ii) attendance at domestic and international events related to the activities of the SAS; (iii) visits to similar entities in neighboring countries to share experiences and knowledge of “best practices” in the sector; (iv) surveys and diagnostic studies of poverty and vulnerability and their different nuances; other special studies necessary to support the SAS in its institutional mission.
- 2.15 **Training in project preparation and supervision.** The objective is to provide the SAS with a trained professional staff to formulate, supervise and monitor social projects. Funds will finance the contracting of specialized consulting services to design and implement a plan to train SAS teams in the areas of formulation, execution, field supervision and physical and financial monitoring of projects. This training will be intensive the first year, with yearly refresher training held after the second year of execution. The program will also fund the training of departmental governments, municipalities, NGOs and CSOs in: (i) participatory methodologies and procedures for formulating community plans and projects; (ii) methods and procedures of financial and administrative management that promote transparency and efficiency in the use of resources; and (iii) management and administration of human and financial resources and the monitoring and evaluation of local investments.

3. Program administration (US\$2.28 million)

- 2.16 This category includes the underlying costs of administration, program operation and evaluation that are largely the responsibility of the SAS. The local counterpart will cover the salaries of SAS personnel, the general operating costs of the SAS and any other administrative activities necessary for implementing the program. Loan resources will finance activities aimed at supporting the SAS in adequately executing the program. These activities include:

- a. *Internal management systems and processes* to guarantee a better selection of providers of consulting, construction and supervisory services for the projects to be financed. This component also includes support for **adjustments and launching SIFEM** (sections 3.43 to 3.45).
- b. *Consulting services to support the SAS*. This includes the hiring of a consultant with broad knowledge of the social sector as the program manager, and a consultant with international experience.
- c. *Mid-term and final evaluations*. Financing will be provided for all activities necessary to establish the baseline for an ex post evaluation, in addition to conducting an external mid-term evaluation and final impact assessment. The mid-term evaluation will serve to evaluate how the program is progressing and whether it is meeting the intermediate goals that were set, as well as to identify any adjustments that might be necessary during execution. The objective of the final evaluation is to measure the aggregate impact of the program on the quality of life of the beneficiary population, analyzing access indicators and outcomes at the individual and community level, process indicators, including the level of community participation in decision-making during the project cycle, the level of commitment of the communities to maintaining the financed works, and the degree to which the communities are satisfied with the works and services to which they gained access as a result of the investments made through this program (see Logical Framework, Annex II-1).

C. Scope, costs, financing and duration of the program

- 2.17 The program's scope was selected taking into account the project execution capacity of the beneficiary organizations (CSOs, NGOs, and communities) and the sample of projects prepared as a program sample (see paragraphs 4.10 to 4.19).
- 2.18 The total cost of the operation will be US\$33.0 million, of which US\$28.4 million will be financed by the Bank using Ordinary Capital (pool) and the remaining US\$4.6 million would come from the local counterpart. The period for committing program resources will be 48 months, with 52 months for the actual start of the works financed. The minimum disbursement period will be three years, the maximum five years.
- 2.19 The Bank financed the program preparation activities through Individual Operation 1309/OC-PR from the PROPEF/004-PR Line of Credit available for the Republic of Paraguay, for a total of US\$220,000. For this reason, on the occasion of the first disbursement of the loan, the Bank will take out the above sum, plus the corresponding interest and commissions, from the loan amount, refunding the original amount to the PROPEF/004-PR Line of Credit.
- 2.20 Table II-2 describes the costs and sources of program financing.

Table II-2 - Table of Program Costs (millions of US\$)				
Categories	IDB/OC	LOCAL	TOTAL	%
1. Financing of Social Projects	25.30	0.30	25.60	77.1
1.1 Comprehensive Social Development Plans (PIDSs)	14.10		14.10	42.7
1.2 Barrio Improvement	3.20	0.30*	3.50	10.6
1.3 Specific Projects	6.50		6.50	19.7
1.4 Pre-investment	1.50		1.50	4.5
2. Institutional Development	1.25	0.00	1.25	3.8
2.1 Support for Social Policies	0.75		0.75	2.3
2.2 Professional Strengthening and Training	0.50		0.50	1.5
3. Program Administration	1.10	1.00	2.10	6.4
3.1 Internal control systems and processes	0.20		0.20	0.6
3.2 Consulting services to support the SAS	0.70		0.70	2.1
3.3 Mid-term and final evaluation	0.20		0.20	0.6
3.4 Program administration (**)		1.00	1.00	3.0
4. Financial and operational audits	0.25	0.00	0.25	0.8
Components Subtotal	27.90	1.50	29.20	88.5
5. Other Program Costs	0.22		0.22	0.7
5.1 PPF Refund	0.22		0.22	
6. Financial costs	0.28	3.30	3.58	10.8
6.1 Interest		2.80	2.80	8.5
6.2 Credit fee		0.50	0.50	1.5
6.3 Inspection and supervision	0.28		0.28	0.8
TOTAL	28.40	4.60	33.00	100.0
%	81.1	13.90	100.0	

(*) Contribution from municipalities

(**) SAS operation

III. PROGRAM EXECUTION

A. Borrower and executor

- 3.1 The borrower will be the Republic of Paraguay, which will execute the program through the SAS, an agency created by Decree 9235 of 8 June 1995 as part of the administrative structure of the Office of the President of the Republic. The functions of the SAS are to: (i) carry out the PIDS and PE selection process; (ii) perform supervision, monitoring and control of the financed projects; (iii) handle the financial management of the program, including performing expense audits, authorizing payments and/or transferring resources to co-executing agencies; (iv) execute the institutional development component; (v) open and maintain specific and separate bank accounts, under the name of the program, for managing the funds from the Bank and from the local counterpart; (vi) implement appropriate accounting, financial and internal control systems that make it possible to identify how resources were used, (vii) maintain a proper file of supporting documentation from disbursement requests presented to the Bank; (viii) process the loan disbursement requests; and (ix) prepare and present the semi-annual and annual operational and financial audit reports, as well as the semi-annual reports on the status of the Revolving Fund.

1. The SAS

- 3.2 The organizational structure of the SAS is essentially made up of a project coordination unit, under which there are: (i) the project office, which is in charge of the technical analysis of the investment and social services projects, and (ii) the office of control and monitoring, which is in charge of supervising the execution of these projects; and a social policies coordination unit, whose activities include formulation of social policies and strategies and monitoring of sector programs, and under which lies the office of monitoring and evaluation. Also reporting directly to the Executive Secretariat is the Administration and Finance Directorate. For execution of the program, the SAS will use loan resources to hire a manager who will be selected according to the methodology established in Annex C of the loan contract, and who will report directly to the Minister Secretary of the SAS. This manager will be responsible for articulating the different technical and administrative areas of the SAS, with a view to ensuring that the goals and objectives of the program are met in accordance with the stipulations of the Operating Regulations (OR) and the loan contract. **The selection of a manager, according to the terms of reference agreed upon with the Bank, will be a condition precedent to first disbursement.**
- 3.3 The SAS currently has a technical team of 50 professionals (see section 4.6) to attend to its various on-going activities and projects. In addition, so as to ensure the proper execution of PROPAIS II, the SAS will use local counterpart resources to

maintain multidisciplinary technical teams to perform the tasks of analyzing projects and monitoring and overseeing their execution, in addition to having the required personnel in the areas of policy formulation, resource programming and monitoring of social programs. The core technical analysis team will include at least an environmental specialist, a training specialist, two professionals from the area of social work, a specialist in micro enterprise, an economist, a sanitary engineer and an architect with experience in social work with poor communities or vulnerable populations. The technical team responsible for project monitoring and supervision will have a minimum of eight supervisory coordinators specialized in social work, the environment, engineering and financial management. These teams will be rounded out with professionals of the same background or an equivalent technical background, approved by the Bank, as the execution of the program moves forward. **The appointment and/or contracting of these technical teams is a condition precedent to the first disbursement.**

- 3.4 To lend greater transparency to the process of selecting the projects to be financed, the SAS will form a project committee to be made up of five representatives from non-governmental entities, selected by mutual agreement with the Bank and the Secretary of the SAS, who will chair the committee. The committee will comprise: (i) a representative of religious organizations; (ii) a representative of the Council of Universities; (iii) a representative of the Association of NGOs of Paraguay; (iv) a representative of the Office of the Coordinator for the Rights of Children and Adolescents; (v) a representative of the business sector; and (vi) the SAS representative. The program manager will act as secretary of the meetings. **The appointment of the organizations that will serve on the project committee, the composition of which will be approved by the Bank, is a condition precedent to first disbursement of resources for the funding of social projects component.**

2. Other participating entities

- 3.5 **Communities:** The communities, through legally constituted CSOs, NGOs, or the municipalities will participate in the program as co-executing agencies, through the following activities: (i) identifying and prioritizing the intervention proposals (plans or projects) by means of a participatory process; (ii) conducting calls for bids and preparing the relevant documentation; (iii) executing and monitoring the diverse components of the plans or projects; (iv) managing, operating and maintaining the works or services, including collecting fees, when applicable; (v) authorizing payments for works and services; (vi) keeping an adequate filing system for expense receipts, for review by the SAS, the Bank, and the program's external auditors; and (vii) implementing and maintaining adequate accounting and financial systems that are specific and separate, for managing Bank financing resources and the local counterpart contribution, which must be available for inspection by the SAS, the Bank, and the program's external auditors. Communities will receive technical assistance and training from consultants hired by the SAS to enable them to carry out these activities.

- 3.6 **Municipalities:** The municipalities of Asunción, Fernando de la Mora, Luque and San Lorenzo will carry out barrio improvement pilot projects, and other municipalities will be able to participate in competitions for the execution of specific projects. They will perform activities (i) to (vi) listed in section 3.5 above.
- 3.7 **Civil society organizations (CSOs) and nongovernmental organizations (NGOs).** Legally constituted CSOs and NGOs may receive funding to execute the PEs and may also act as consultants, trainers, and providers of services to beneficiaries of the program. As executing agencies for PEs, they will perform activities (i) through (vi) listed in section 3.5. In their capacity as executing agencies, NGOs will be selected and hired according to Bank procedures.
- 3.8 **The presentation of model agreements to be signed with communities, CSOs, NGOs or municipalities is a condition precedent to first disbursement of program resources. The signing of these agreements is condition precedent to the disbursement of resources for works, procurement of goods, and contracting for services for the funding of social projects component.**

B. Operating Regulations

- 3.9 The execution of the program will be governed by the OR, which contain the necessary terms and conditions for executing each one of the program components, as well as the functions and obligations of the different actors involved in its execution. **The entry into effect of the program's OR and their respective annexes, in accordance with model agreements previously agreed upon with the Bank, will be a condition precedent to first disbursement of loan resources.**

C. Framework for execution of components

1. Financing of social projects

- 3.10 **Allocation of program resources.** The allocation of program loan resources for the PIDSs will be preceded by preinvestment activities through which the communities, with the support of NGOs, CSOs, or municipalities, will prepare the respective PIDSs, and will submit them to the SAS for technical evaluation. The SAS will submit the evaluation and qualification reports concerning the PIDSs to the project committee for approval or rejection (see paragraph 3.13). The PEs will be selected by means of a public competition to which NGOs, CSOs and municipalities can present proposals once they fulfill the eligibility requirements described in the OR (see sections 3.27 to 3.30). The allocation of resources to the PMBs will not be subject to a call for bids as they have been approved as sample projects and because this is a pilot component of the program.
- 3.11 In the last quarter of each year of execution of the program, the SAS will schedule the calls for bids to be made the following year, specifying dates, amount of

resources to be allocated, sectors and type of projects eligible for each competition. This schedule will be sent to the IDB for its information.

- 3.12 Once the SAS gives public notice, the communities/beneficiaries will present PIDS or PE proposals which should respond to the identified needs of the communities, should have involved the active participation of these communities in their preparation, and may be prepared and presented to the SAS by NGOs, CSOs or municipalities. In the case of social programs for barrios under the barrio improvement pilot project, the call for bids will be made by the municipality where the barrio is located.
- 3.13 **Focus.** The program targets the extremely poor population living in rural communities, in urban areas with fewer than 5,000 inhabitants for PIDSs, in irregular settlements in cities with more than 100,000 inhabitants for the PMBs, and in towns of more than 5,000 inhabitants or isolated indigenous communities for the PEs. Also, for each modality of investment, specific criteria have been defined for community or group eligibility. These are detailed in the OR of the program and are summarized in Table III-1.

Table III-1

Principal eligibility criteria	
Some of the focus and eligibility criteria for investments are:	
1. PIDS – in communities:	
-	with more than 50% of the population below the poverty line
-	with more than 50% of the population having more than three UBNs
-	having between 100 and 400 families (in rural areas)
-	located in urban centers with fewer than 5,000 inhabitants
-	with neighborhood associations representing the community
-	committed to making a counterpart contribution
2. PMBs	
-	barrios located in cities with more than 100,000 inhabitants
-	more than 50% of people living below the poverty line
-	properties not under litigation and not located in areas under environmental protection
-	the municipality must be interested in financing part of the investment
3. PEs	
-	carried out in urban communities with more than 5,000 inhabitants or isolated indigenous communities
-	at least 75% of beneficiaries are below the poverty line
-	sector projects are coordinated with the Ministry or Agency responsible for the sector
-	resources contributed by the SAS do not exceed the equivalent of US\$60,000 or 80% of total investment for the project.
-	the percentage of project funding going toward new construction or expansions must not exceed 40% of the amount contributed by the SAS.
-	there should be no recurrent financing of a beneficiary organization of PROPAIS I for the same activity in the same location.
-	the requesting entity should not have received funding from PROPAIS II for an equivalent cumulative amount above US\$200,000, including the amount being requested.
-	the beneficiary must not be receiving funding from other sources for the same activities

- 3.14 The focusing and prioritization of PIDS and PE beneficiary communities during the preparation of the program made use of data and studies on poverty and Unmet Basic Needs, the source of which were the household surveys of 1998, which used the map and cadastral base of the Demographic Census taken in 1992. The SAS

will update and present this information to the IDB, and will review the list of priority communities, applying the same methodology to the data compiled by the Demographic Census of 2002, as soon as these are available, which they should be in preliminary form by 2003. This time frame would be compatible with the execution of the program, since in the first year of execution the actions will center around community-building activities in the sample communities.

a. Comprehensive Social Development Plans

(i) Project cycle

- 3.15 **Promotion of the program and identification of beneficiaries.** In this stage, the SAS will conduct campaigns to promote the program and to train the communities that are potentially eligible to present investment plans. To this end, the SAS will contract with NGOs or CSOs or other service providers to support the communities in leadership development, training in project management, participatory methodologies and techniques for performing diagnostic studies and preparing projects, and in formalizing their legal status (see paragraph 2.10).
- 3.16 The participatory preparation process for the PIDSs is described in detail in the OR, which also includes tools for verifying, in a site visit, the degree of community participation in developing the plan. If it is proven that there was no community participation in developing the Plan, the application will be denied.
- 3.17 **Invitation, preparation and evaluation of proposals.** Once the SAS has made the call for bids, the communities, through responsible organizations (CSOs, NGOs, or the municipality), will prepare and present investment plans which they want financed. The proposals will be evaluated by a project committee impaneled by the SAS and on which representatives from different governmental and non-governmental entities will serve. The criteria for evaluating the plans are described in the program OR and include an ex-ante analysis, by technical experts from the SAS, of their viability according to guidelines and criteria set in the OR. The criteria for prioritizing the PIDSs presented will include the proportion of households with more than three UBNs in relation to the total number of households in the community, the population to benefit directly from the proposed plan, and social services and activities to build up social capital in relation to other investments.
- 3.18 **Execution of the PIDSs.** The community, through its legal representatives, will sign an agreement with the SAS defining the responsibilities of each party in the execution of the plans. With this agreement, the SAS is delegating responsibility to the communities for executing the plans, including contracting services and works and purchasing equipment, as well as accounting for expenditures. It will be the responsibility of the SAS to provide the communities with models of bidding forms, contracts, terms of reference, according to the criteria and procedures agreed

upon with the Bank, as well as oversee the application thereof. **The presentation of the signed agreement between the SAS and the communities through the representative CSOs or municipalities will be a condition precedent to disbursement of resources for the execution of works under this component.**

- 3.19 **Oversight and supervision of execution.** The SAS will hire field supervisors who will be responsible for ensuring that the program norms set forth in the OR are followed. These supervisors will be hired by a competitive hiring process for which the SAS will contract, in accordance with Bank procedures, the services of a firm specialized in human resources recruitment. **The hiring of supervisors is a condition precedent to disbursement of resources for works, procurement of goods and contracting for services under this component.**

(ii) **Special considerations**

- 3.20 **Drinking water and sanitation systems.** The program would assist communities benefiting from the PIDSs in organizing and submitting their requests for drinking water and sanitation systems to the responsible agency. The program will also finance cost-effective, technically justified individual or multifamily well solutions, and technically justified water and sanitation solutions in PMB beneficiary barrios.
- 3.21 The borrower will take the appropriate steps, acceptable to the Bank, to ensure that the fees charged for water and sewer service of the specific systems associated with the loan produce revenues that are at least sufficient for covering all related operating expenses, including expenses relating to administration, operation, and maintenance, as well as depreciation, to the extent possible.
- 3.22 **Maintenance of works:** For the purposes of ensuring adequate monitoring of the state of repair of program-funded works and equipment, the SAS will present to the Bank within the first calendar quarter of every year for a period of five years from the termination of the first of the works an annual management report for the previous year regarding the state of repair, and an operation and maintenance plan for program-funded works and equipment for the following year.
- 3.23 **Generation of income.** The following criteria have been established for including this type of action in the PIDSs: (i) the presentation of a Business Plan for the proposed activities; (ii) a minimum Internal Rate of Return (IRR) of 12%; (iii) a cap equivalent to US\$20,000 for this type of investment in each PIDS, and (iv) a total cap not to exceed the equivalent of US\$400,000 for the program as a whole. This amount may be reviewed subsequent to the midterm evaluation.
- 3.24 The midterm evaluation will assess the impact of these actions on the level of development of the beneficiary communities and on the level of income of the direct beneficiaries, using, among other tools, follow-up studies on beneficiaries and comparative studies using communities that have not received these

investments as control groups. If it is demonstrated that these actions have been successful, an increase in the maximum amounts will be considered for this category.

b. Barrio Improvement Pilot Projects (PMB)

- 3.25 In this case, the beneficiary communities are already defined, and local grass-roots organizations which have worked with them in preparing the plans and will support them during execution have been identified. In this regard, the project cycle will favor continuity in the participation of communities in clarifying preferences and priorities with regard to infrastructure and social services, design alternatives and location of infrastructure, in addition to defining the scope of their responsibility for maintenance of services and equipment and for the long-term sustainability of the investment. The Asunción project, which is not included in the sample, must be approved by the project committee.
- 3.26 The execution of the PMBs will be the responsibility of the beneficiary municipalities. The calls for bids will be made by the municipalities themselves, who will also be responsible for preparing the terms of reference, the bidding forms and other accompanying documents, all subject to the nonobjection of the Bank. Oversight of the works will also fall to the municipalities, in which task they should be supported by the communities through neighborhood associations. The municipalities will also be in charge of the operation and maintenance of those social services that are traditionally their purview.
- 3.27 The provision of social services that are not the responsibility of the municipalities will fall to NGOs and CSOs selected by public tender. In these cases, based on the needs for services as identified by the communities, the municipality will call for the presentation of proposals under the terms that govern bidding for PEs as described in the OR and in keeping with the norms of the Bank.

c. Specific Projects – project cycle

- 3.28 **Promotion, call for bids and evaluation of proposals.** The SAS will organize periodic workshops to inform potential beneficiaries and potential executing agencies of the program and will call upon NGOs, CSOs and municipalities to present proposals for PEs for vulnerable groups. These will be executed by the entrants selected by the project committee, based on the criteria set forth in the OR of the program. The call for bids may be organized by eligible group (for example, children, infants, the elderly), by type of activity (training, early childhood care, school reinforcement for children) and/or by region, combining modalities of care with action per region, groups of cities, or other unit considered appropriate.
- 3.29 The calls for bids will follow a schedule previously agreed upon with the Bank and notices should include a description of the modality of services, the beneficiary

groups, the geographical areas and/or communities to benefit, the maximum investment per beneficiary and the minimum requirements with regard to the quality of the services to be offered. Further, they should provide information regarding the criteria to be utilized in evaluating and selecting winning proposals.

- 3.30 Those communities benefiting from the two other modalities of investment (PIDSS and barrio improvement plans) will not be eligible to submit PE proposals. In their case, PEs should be included in the respective plans if they were ranked as a priority by the respective communities. Other communities located within a municipality selected for a barrio improvement project are eligible to present proposals for PEs.
- 3.31 The SAS's technical team will then evaluate the submitted projects based on technical, economic, environmental, institutional and financial viability, according to set guidelines and criteria, the investments' mechanisms of sustainability, and the investment limits and maximum cost per project and per beneficiary set forth in the OR. The approved projects will be sent to the project committee, which will then make a final classification decision in accordance with the criteria previously agreed upon and included in the OR. The projects that do not qualify may be reformulated and presented for the SAS's consideration in future competitions.
- 3.32 **Supervision and oversight.** The supervision and oversight of the execution of PEs will be the responsibility of the SAS under the terms described in section 3.18.
- 3.33 **Structure of financing.** The program funds are comprised of the resources from the Loan Contract and the local contribution. The financing structure by type of project financed will be: (i) for the PMBs, 85% contributed by the SAS, 10% contributed by the municipalities, and 5% from the Neighborhood Commission; (ii) for the PIDSS, the SAS finances up to 95%, and the beneficiary community finance a minimum of 5% of the total; and (iii) for the PEs, the SAS contributes up to 80% of the total project amount with loan resources, with the beneficiary entity financing the remaining 20%.

2. Institutional development

- 3.34 **Training.** The SAS will contract the services of a consulting firm specialized in training to develop a plan for training SAS staff and NGOs and CSOs in project preparation and supervision (see section 2.15). **The contracting of this consulting firm, with the nonobjection of the Bank, is a condition precedent to disbursement of resources for the financing of social projects component.**

D. Complementarity and articulation among institutions

- 3.35 For all cases of demands for projects in the sectors of health, education, and when applicable, water and sanitation, the SAS will coordinate with the respective ministries and agencies and will apply the respective technical and institutional

criteria in each instance to ensure institutional and technical coordination and complementarity in the design, financing and execution of the projects in question, subject to the standards and policies of the Bank for the sector.

E. Procurement of goods and services

- 3.36 The purchase of goods and the contracting of services will be conducted in accordance with Bank procedures currently in effect. International competitive bidding is mandatory for works in amounts equal to or above US\$2 million, for the purchase of goods in or above the amount of US\$250,000, and for the contracting of services for amounts over US\$200,000. Price will be the criterion for selecting service providers, as provided in document GN-1679-3. When selection is based on technical qualifications as well as price, price will not be assigned a weight of more than 20% of all selection factors. With a view to expediting the execution of the program, the Bank will perform ex post reviews of purchases of goods in amounts below US\$100,000, contracts with individual consultants for sums below US\$50,000 and contracts with consulting firms for amounts less than US\$100,000. Further, the Bank will perform an ex ante review of calls for bids for the construction of works, procurement of goods and services in the indicated amounts in the first two calls for bids for the preparation and execution of the PIDSS, the PMBs, and the PEs. The tentative procurement plan is presented in Annex III-1.
- 3.37 As an exception to the procedure of selecting consultants by means of public tender, it is recommended that ECLAC be contracted directly for the sum of US\$100,000 to develop procedures and tools for updating the SIFEM system. The above-mentioned agency will carry out whatever type of purchase, hiring of consultants, or other activity that may be required in adherence to Bank procedures. Such a contract is in keeping with the provisions of section GS-403 of the Procurement Manual (see sections 3.43 to 3.45).
- 3.38 The SAS will contract the services of a private firm specialized in the rating of companies and human resources to develop a national registry of service providers of goods and consulting services, construction and supervision for the projects to be funded, in the following specialized categories: construction companies, individual contractors, technical and social supervisors, trainers and social workers. This registry will always remain open, both for registering new providers and for reviewing those already registered based on an evaluation of their performance. The scope and methodology for this registry will be proposed by the firm and reviewed by the SAS and the Bank. **This contract is a condition precedent to disbursement of resources for the financing of social projects component.**

F. Supervision

- 3.39 The program will be supervised by the Bank's Country Office in Paraguay, with support from the project team at headquarters, paying particular attention to

compliance with the conditions set forth in the OR for the preparation and execution of projects and plans. Periodic inspection visits and an annual administration mission to identify and remedy any problematic aspects in the execution of the program are anticipated. The yearly evaluations will be conducted based on the financial and operational audit reports, and on the reports prepared by the executing agencies based on SIFEM. These reports should be presented to the Bank by the SAS within 90 days of the end of each fiscal year during the program.

G. Period of execution and disbursement schedule

- 3.40 The period of execution of the program will be five years, with 48 months for the commitment of resources and 52 months for the actual start of construction, both starting from the entry into force of the loan contract, as shown in Table III-2.

Table III-2: Timeline of disbursements (in US\$ thousands)						
SOURCES	TOTAL	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
IDB	28,300	2,100	8,390	9,490	6,770	1,550
Local	4,700	250	696	998	1,246	1,510
Total	33,000	2,350	9,086	10,488	8,016	3,060
%	100	7%	28%	32%	24%	9%
SOURCES	TOTAL	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5

H. Revolving fund

- 3.41 A revolving fund equivalent to 5% of the prospective loan amount will be created. Replenishment of the revolving fund will occur upon presentation of the corresponding receipts. The balance may be paid out once the SAS expressly states that it has in its possession all the receipts for expenditures made by the executing agency (EA) from the last payment received from the SAS, as well as the project's closing document signed by both the beneficiary community and the SAS, by which the community recognizes the full execution, to its satisfaction, of the financed works and services.

I. Ex post reviews by the Bank

- 3.42 The Bank will review in ex post sampling project approval decisions (prioritization and eligibility) made by the SAS, documentation from procurement processes undertaken independently by the SAS, and documentation related to the use of operation resources. In the event that irregularities are found, depending on the severity, the findings of the review may result in the following actions, among others: (i) a request to remedy the irregularity, if this can be done in a timely fashion; (ii) a restriction or elimination of the degree of autonomy of the executing agency, along with a review of the rules on advances and reimbursement of payments; (iii) non-recognition of the expenditure involved as coming from loan

resources; (iv) non-recognition of the expenditure involved as a program cost; and (v) non-recognition of the cost of the project involved as a cost of the operation.

J. Monitoring and impact assessment

1. Monitoring

- 3.43 The SAS will present semiannual progress reports to the Bank on program execution. These should include information on financial execution, completed activities, completed products and accomplished goals, as well as on the main limitations and difficulties encountered and the solutions to overcome them. The format of the report will be previously agreed to with the Bank and will also include benchmarks that summarize the institutional achievements of the SAS in terms of capacity and operational efficiency, project execution, encouragement of community participation and having a focus consistent with the indicators in the Logical Framework.
- 3.44 Owing to the design changes in PROPAIS II, which introduced new investment modalities such as the PIDSs and the PMBs in addition to the PEs financed in PROPAIS I, modifications will have to be made to SIFEM to enable it to work with these new modalities. To this end, ECLAC, a United Nations agency, is to be contracted for the sum of US\$100,000, to be paid from loan resources. Taking into account the provisions of policy GS-403, this decision was made because ECLAC designed the SIFEM system during PROPAIS I, and is therefore the institution best suited to making the necessary adjustments to the system in a short space of time and at lowest cost so that it can monitor individual projects such as PIDSs and PMBs. ECLAC will also train the SAS team to use the modified system.
- 3.45 The SAS and ECLAC will sign a letter of agreement, accompanied by the respective terms of reference for the services this agency will provide, including training the SAS teams in its use. **Presentation of the model agreement for this contract is a condition precedent to first disbursement of program resources. The effective implementation of the SIFEM system is a condition precedent to first disbursement of resources for the financing of social projects component.**

2. Evaluations

- 3.46 The midterm evaluation will be performed after 30 months or once 50% of the program's financing has been executed, and will include: (i) fulfillment of the program's objectives as evidenced by compliance with the indicators specified in the logical framework; (ii) annual performance reports in comparison with the annual operating plans for the respective years; and (iii) the report prepared by the consulting firm hired to carry out that evaluation, according to the terms of reference agreed upon with the Bank, which will include the ex post evaluation of PROPAIS I.

- 3.47 The final impact evaluation will take place six months before the date of the final disbursement for projects financed under the program. It will use information (including information from beneficiaries' records as well as household surveys and other surveys conducted among beneficiaries), to perform specific comparative analyses, among other things, of beneficiary groups and communities, an analysis of the satisfaction level of beneficiaries, and beneficiary follow-up studies (e.g., beneficiaries of training programs, income-generating programs, and programs serving vulnerable groups) to measure the impact of the benefits on their living conditions. The evaluation will also take into account the ex post evaluation of certain projects that were completed at least 18 months prior to the date on which the consulting firm hired for the evaluation begins its work.
- 3.48 Both evaluations will be contracted out to a consulting firm, in accordance with the terms of reference and scope agreed to by both the SAS and the Bank. **The submission of these terms of reference and their scope to the Bank for its nonobjection is a condition precedent to disbursement of the resources for the financing of the social projects component.**
- 3.49 The borrower has decided not to conduct the ex post evaluation of the program. However, it has agreed to make available all pertinent information relating to program execution, including the baseline information, so that the Bank may conduct an ex post evaluation, if it so chooses, 36 months after the date of the last disbursement.

K. External audit

- 3.50 For the purpose of having regular monitoring of program execution and of the performance of participating entities, the SAS will hire, with loan resources, an independent auditing firm acceptable to the Bank to perform annual and semi-annual financial and operational audits of the program, in accordance with Bank requirements (documents AF-100 Bank Policies on Audits of Projects and Agencies, AF-300 Guide for the Preparation of Financial Statements, AF-400 Terms of Reference—External Audit of Projects, and AF-500 Terms of Reference for Ex post Review of Disbursement Requests). The operational aspects of the audit are to be aimed at analyzing and verifying compliance on the part of the executing agency and the co-executing agencies with the norms and procedures set forth in the Loan Contract and the OR and their respective annexes.
- 3.51 Among others, these reports will analyze the following aspects: (i) progress in the execution of the program's financial plan; (ii) the financial commitments of both components of the program; (iii) the execution of the local counterpart; (iv) the status of disbursements made, including a review of the supporting documents, in accordance with the terms of reference previously agreed to with the Bank; (v) compliance on the part of the entities involved with norms and procedures, including environmental standards, stipulated in the OR and the Loan Contract;

(vi) the performance of the executing agencies; and (vii) the utilization of the SIFEM in managing program execution. The audit reports will be presented to the Bank according to the following timetable:

- a. Semi-annual reports, within 60 days of the end of each calendar semester, including a specific report on the ex post review of disbursement requests;
- b. Annual reports, within 120 days of the end of each fiscal year. Recommendations resulting from the above reports will be binding and must be carried out immediately by the SAS.

IV. VIABILITY, BENEFITS AND RISKS

A. Technical viability

- 4.1 The technical evaluation of the program was based on a sample of the three types of fundable projects. The analysis aimed to assess the components, establish eligibility criteria, and evaluate the performance of the SAS in terms of its technical ability to evaluate and approve projects. The evaluation of the sample projects indicated that they were relatively successful in terms of promotion, technical analysis, funding and physical execution. Tables IV-2 to IV-4 show a summary of the sample.
- 4.2 The analysis of the sample has shown that the SAS has incorporated into its design the lessons learned in executing PROPAIS I and similar projects recently prepared by the Bank. Of these, the following bear mention: (i) emphasis on organizational strengthening and the communities' ability to participate as a core element and basis for determining the demand for social services; (ii) organization of investments into comprehensive plans that seek to maximize the impact of the funded actions; (iii) having a system for targeting vulnerable groups and communities; (iv) broad inclusion of civil society organizations as co-executing agencies of program actions; and (v) utilization of mechanisms and procedures which favor transparency in the selection and management of the investment plans and projects.
- 4.3 The actions defined as eligible for program funding address the main problems and needs identified in the diagnostic study conducted by the SAS and named as priorities under ENREPP (see section 1.15). The consistency of the program being proposed with this strategy and the articulation it permits with other State social sector entities should allow the SAS to continue to strengthen its capacity as a leader in guiding and mobilizing the actions and resources required to achieve the national goals of reducing and combating poverty.
- 4.4 Both the organization of the program's actions and investments into three groups (PIDS, PMB and PE) and the content, scope and quality criteria defined as eligibility requirements are considered manageable for the SAS technical team; this should allow the SAS to consolidate its experience in serving poor communities and the most vulnerable groups in Paraguay.

B. Institutional evaluation

- 4.5 The evaluation of phase one of PROPAIS I showed that the activities carried out by the SAS in social project investments were successful. However, institutional weaknesses caused problems in the supervision of project execution; an attempt will be made to correct these during the next phase. Also, policy coordination activities for the social sector have not yet progressed enough because there have

been some difficulties in consolidating the entity as the leader in sector policy formulation. It has been observed that the SAS is making gradual progress in this area through the strengthening of its ability to formulate and analyze sector policies, especially with regard to combating poverty. Continued support for the agency is expected through internal institutional strengthening and the carrying out of financial programming activities and program evaluations for social sector entities; this will give the SAS a strategic role in this area.

- 4.6 As regards institutional performance, during its six year existence, the SAS has invested more than US\$26 million in PROPAIS I and other programs. For this, it has a permanent team of 73 people, including 50 professionals.
- 4.7 The SAS's administrative expenses have stabilized at close to 8% of its total expenses (or 9% of the investment amounts it manages). This level is comparable to similar programs and acceptable if one considers the large number of programs funded, which results in relatively high fixed costs (in PROPAIS I alone, the SAS has funded a total of 629 projects in the last four years).

Table IV-1. SAS Investment Amounts and Administrative Expenses (US\$ thousands)					
YEARS	Investment A	Administration B	Total C	% A/B	% B/C
1997	947	493	1,440	52.0	34.2
1998	2,566	810	3,376	31.5	23.9
1999	3,980	994	4,974	24.9	19.9
2000	11,220	943	12,163	8.4	7.7
2001	8,204	794	8,998	9.6	8.8
Total	26,917	4,439	30,951	14.9	13.0

- 4.8 The project execution model used by the SAS will not be changed, but rather perfected, based on the lessons learned in the previous program. The execution (hiring, delivery of services) is essentially decentralized and the responsibility of the participating entities (CSOs, local governments). One area to be bolstered is project supervision. For that, a specialized, professional firm will be used to recruit and select the supervisors to be hired (they will not be civil servants). They will be hired locally and in appropriate numbers in order to intensify their presence in the areas where projects are executed most cost-effectively.
- 4.9 With a view to broadening the scope of its administrative control and project execution systems, which today barely handle administrative and financial areas adequately, project analysis, monitoring and evaluation will be systematized through the full implementation of the SIFEM designed by ECLAC during the first phase of the program.

C. Economic viability

3. Comprehensive social development plans

- 4.10 The analysis of the PIDS took into consideration appropriate assessment, the selection of the minimum economic cost alternative, the population's ability to pay for services, where applicable, as well as the equivalent annual cost for each type of investment planned. In the particular case of basic sanitation projects, in order to maintain consistency with other projects being carried out, maximum costs of US\$120 and US\$150 per beneficiary were adopted for investment in drinking water systems and drinking water combined with sanitation systems, respectively.
- 4.11 Productive projects were analyzed keeping in mind the business plan for the proposed activity, with special attention to the following: (i) market access and product prices; (ii) expected productivity, considering the technology used and soil capacity, where applicable; and (iii) production costs including inputs and technical assistance. Based on this information, a cost-benefit analysis was done of market prices, and business plans with a financial IRR greater than 12% were considered viable. The IRR calculated for the productive projects in San Antonio and Corralito were 16% and 39%, respectively.
- 4.12 In order to serve a greater percentage of the needy population, a maximum cost of US\$250,000 per plan and US\$1,200 per beneficiary family was established, based on the sample of comprehensive projects and excluding the costs of drinking water and sanitation systems. The investments in production for self-consumption and income generation combined should not exceed 35% of the total cost of the plan. The projects analyzed should be adapted to those values before they are carried out. Table IV-2 shows the costs of the sample of comprehensive plans evaluated.

Table IV-2							
Comprehensive Plan	No. of Families	Costs in US\$					
		Social Org.	Sanitation (*)	Production for Self-Consumption	Income Generation	Total	Cost/Family
Corralito	170	37,322	92,753	73,354	22,711	226,140	1,330
Pycazu	120	71,914	41,797	109,739	-	223,450	1,862
San Antonio	226	88,045	70,411	96,116	21,056	275,628	1,220
Santo Domingo	125	66,866	120,580	101,527	-	288,973	2,311
Total	641	264,147	325,541	380,736	43,767	1,014,191	
Average	160	66,037	81,385	95,184	21,884	253,548	1,681

(*) The SAS should manage the financing of sanitation projects along with SENASA.

(**) These amounts will be revised in order to adjust the projects to OR guidelines.

4. Barrio improvement pilot projects

- 4.13 The analysis was done based on the preliminary intervention plans provided for in the three pilot projects included in the program. The result was the following: (i) the design of certain interventions could be optimized in order to reduce costs (paving, social service facilities) and thus, a review of the projects before their execution is recommended; (ii) nevertheless, the cost-benefit analysis indicates that the projects have an IRR greater than 12%, as shown in Table IV-3. Said analysis measured the benefit of the comprehensive project in terms of the higher real estate assessments for the area resulting from the implementation of the proposed interventions. This value was calculated by comparing the current prices of properties located in the project's beneficiary area (without public services) with other properties located in an area with similar characteristics where there are public services (as would be the case once the project was implemented).

Table IV-3						
Barrios	Investment Costs (US\$)	No. Families	Cost per Family (US\$)	IRR (%)	Variations for IRR to equal 12%	
					Cost increase	Benefit Reduction
Virgen de los Remedios	1,265,373	526	2,405	22	+57%	-36%
Primer de Mayo	1,171,976	559	2,096	14	+10%	-9%
Kamba Kuá	303,877	106	2,867	16	+20%	-17%
Total	2,741,226	1,191	2,302	-	-	-

- 4.14 The sensitivity analysis indicates that the Virgen de los Remedios and Kamba Kuá projects are robust while those of Primer de Mayo are less profitable. Table IV-3 shows the variations of benefits (real estate assessments) or cost increases required to make the projects' profitability equal to 12%, the minimum required by the Bank. It is worth noting that the IRR calculated would be higher if one considered the aggregate value of properties as there will be more construction in the area. This phenomenon occurs as property owners will feel more confident in making investments once the ownership of their property is regularized. Finally, it is important to mention that investment costs per beneficiary family are US\$2,302, lower than the values observed in other similar projects financed by the Bank (on the order of US\$3,000/family).

5. Specific projects for vulnerable groups

- 4.15 This component would fund social projects targeting vulnerable groups (street children, the elderly, school reinforcement, youth job training, etc.) selected by means of public competitions held periodically by the SAS. In order to guarantee the sustainability of their services, NGOs, CSOs and sub-national governments with demonstrated experience and technical and operational ability in the areas proposed are eligible to present project proposals. A sampling of six PEs was analyzed and it

was determined that four of them were feasible.¹¹ Table IV-4 below shows the total costs, the number of beneficiaries, and the Equivalent Annual Cost (EAC) per beneficiary. Also, it was confirmed that a maximum amount of US\$60,000 per project is sufficient to cover the needs of the proposed activities.

Table IV-4					
Project	Sector	Benefi- ciaries	Cost (US\$)		EAC (US\$)
			Investment	Operat./Year	
APAMAP	Social Serv./ School Reinforcement	455	3,206	15,899	42
DEQUENI	Social Serv./Children	170	12,551	25,400	168
Ybitymi	Social Serv./Elderly	200	42,559	13,625	117
Cnel Oviedo	Social Serv./NATC	80	40,926	13,248	284
TOTAL		905	99,242	29,818	-

D. Social viability

- 4.16 The program should have a positive social impact at different levels for having funded investments in social services and basic infrastructure to make up for significant deficiencies in the beneficiaries' quality of life. This is true in the case of training for the generation of income, small-scale food production for self-consumption, the implementation of individual water and sanitation systems, repairs to school and health posts, human resource training for the operation of day care centers, and services for the disabled and the elderly, among others.
- 4.17 The program was developed based on a series of consultations made with stakeholders as well as beneficiaries in order to obtain their opinions with regard to the types of investment the program should prioritize.
- 4.18 The procedures to be adopted in PROPAIS II for the identification, planning, evaluation and approval of projects, and for the monitoring of their execution are highly participatory in nature and have been proven in the planning of the sample of projects for program analysis. Based on that experience, it is anticipated that the program will generate, at the level of the beneficiary communities, the necessary synergy for organizing the population and promoting citizen participation, which would surely create more favorable conditions for the sustainability of the projects to be funded in the medium and long-term.
- 4.19 Among the potential beneficiaries of the program, two vulnerable groups in particular stand out: female heads of household and indigenous populations. As in the first phase, it is expected that many of the projects to be proposed for funding will be projects developed by NGOs and CSOs with long histories and experience in social work, particularly in the areas of gender and indigenous communities. The

¹¹ The Curupayty (production for self-consumption) and Laguna Plato (training) projects are not proving to be feasible and should be reviewed based on the guidelines in the OR.

positive impact will be a result of, on the one hand, the strengthening of the administrative and financial capacity of these organizations and, on the other hand, the fostering of citizen participation amongst these groups. As to the indigenous populations specifically, the water and sanitation projects will primarily target them and it is expected that they will be well represented, both in the community social development plans and in rural PEs.

E. Environmental and social viability

- 4.20 PROPAIS II will help modestly improve urban and rural environments in Paraguay through the implementation of small-scale solutions for drinking water (wells) and basic sanitation (in the barrio improvement projects), health and environmental education in the communities, and barrio improvement interventions. Another positive impact will be the improved environmental management capabilities of the SAS, the participating organizations, and the beneficiary communities themselves.
- 4.21 Some negative environmental impacts could occur during the construction phase of the investment projects. Among them are the removal of vegetation, possible damages suffered by the neighbors of the work site, contamination of surface water, erosion and the inadequate disposal of sewage and trash. The elimination and/or mitigation of these impacts is provided for in the new program, with a view to effectively addressing some of the deficiencies in the compliance with environmental procedures during the execution of PROPAIS I. In order to obtain greater compliance with the terms of the contracts entered into with NGOs or CSOs (EAs), a condition has been proposed in the OR that any EA that does not meet the eligibility criteria for its respective project will not be eligible for another project until it takes proven corrective measures.
- 4.22 During the planning phase of the program, the comprehensive plans and the sample PEs were analyzed meticulously, the appropriate environmental questionnaires were completed and environmental studies were prepared for the barrio improvement projects. The respective Methodological and Procedural Guides that will direct the projects during the execution of the program were prepared for each of the three investment components. These guides, which form part of the Environmental Management System (SGA) of the program, are annexed to the OR. If the relocation of some families becomes necessary, the program will follow the Bank's policy (OP-710).
- 4.23 Environmental institutional strengthening will be carried out by means of the following actions: (i) pre-investment activities in the PIDSS (development, execution, operation and maintenance); (ii) training of the teams in the Project Office and in the Office of Control and Monitoring; (iii) inclusion of environmental monitoring indicators in the SIFEM; (iv) inclusion of environmental information in the semi-annual monitoring reports and in the outside auditing evaluation reports; (v) the ex post revision will evaluate compliance with environmental procedures;

(vi) the SAS will hire an environmental specialist who will be responsible for the implementation of the SGA and for coordinating environmental training as well as all other monitoring activities, as a condition precedent to first disbursement. Project supervisors will be trained in environmental areas. Additionally, an agreement between the SAS and the Environment Ministry has been drafted through the Environment Secretariat (SEAM); the agreement creates coordination and inter-institutional complementarity mechanisms that will facilitate the design, evaluation, approval and oversight of the plans and projects to be implemented.

- 4.24 Table IV-5 shows the environmental strengthening actions and their respective costs.

Table IV-5. Investments, Environmental Strengthening and Monitoring		
ACTION	TIME PER YEAR	ANNUAL COSTS
Environmental Specialist-SAS	12 months	US\$10,200
Per diem and Fuel	60 days	US\$2,000
Office Expenses-SAS		US\$2,990
Training for Supervisors and Technicians-SAS	2 months	US\$300
Training for Service Providers	4 months	US\$1,200
Training for Local Governments	2 months	US\$300
COST, FIVE YEARS		US\$84,950

F. Classification as a poverty-targeted and social equity enhancing program

- 4.25 The program contributes to social equity and qualifies as a poverty-targeted investment (PTI) automatically because it is a social investment program. Additionally, the program targets populations in rural communities or in small urban areas (with fewer than 5,000 inhabitants) which have populations where more than 50% of the people live below the poverty line and more than 50% of the people have three or more UBNs. For the barrio improvement pilot projects (also a sector which automatically qualifies for poverty-targeted programs) three barrios located in municipalities with more than 100,000 inhabitants have been selected where more than 50% of the population lives below the poverty line. The project specifies explicit performance indicators for measuring poverty reduction and improving social equity (see Annex II-1).

G. Benefits and risks

- 4.26 **Benefits.** The main program benefit is the improvement in living conditions for the beneficiary population and in the general quality of the environment in the beneficiary communities and areas. In all, it is estimated that the program will benefit 12,000 families through investments in the PIDSS, 1,500 families in the PMBs, and 25,000 beneficiaries in the PEs for vulnerable groups.

- 4.27 Specifically, investment in the PIDSs will contribute to this improvement by providing minimum water and basic sanitation infrastructure, some basic social services such as day care and programs for children and the elderly which will improve the quality of life for the beneficiary families, and some basic instruments for food security and income generation by means of training in small productive farming activities or handicrafts. The barrio improvement plans will also help improve living conditions among low-income populations in urban settlements in that it will improve their access to minimum urban infrastructure such as sanitation, trash collection and other elements which improve the quality of the environment. Additionally, the population's access to important social programs will be made easier as in the case of special programs for children and adolescents, women, day care, etc. Finally, it is expected that projects targeting specific groups will have a significant impact on the beneficiaries, particularly on those vulnerable groups of the population who make up the bulk of their clientele, as in the case of at-risk children and adolescents, female heads of household and their families, and the elderly in medium-sized urban centers.
- 4.28 From an institutional standpoint, another benefit of the program will result from the consolidation of a new participatory model for providing social services which itself is a result of changes in work processes and in project planning, evaluation and monitoring procedures at SAS. These new procedures and methodologies are hoped to be adapted at a local level with a view to generating the ability to prepare and execute projects in communities. Additional benefits thereby derived are the stimulation of local citizen participation, particularly on the part of those groups whose needs and demands are traditionally more overlooked, especially in rural areas, as is the case of women and indigenous communities, among other vulnerable groups.
- 4.29 **Risks.** The main risk the program faces in terms of the objectives of the institutional development component is that the process of decentralizing and streamlining social spending is not entirely the purview of the SAS. In other words, progress toward local and decentralized consultation in defining strategies adapted to the realities of the country's different regions, or the reorganization of the sector that is expected to contribute to its greater efficiency, do not depend solely on the SAS or the program but rather on a broader political consensus that is beyond the scope of the program. However, the program's support for the SAS' efforts in this regard may lessen this risk in the medium term. Another risk might be the failure to promote citizen participation sufficiently desired to achieve the program's social development objectives. In order to mitigate this risk, the program will promote, from the outset, dissemination campaigns, training at a local level and other actions to mobilize the participation of the target population in defining work processes and in the diagnosis and formulation of plans and projects.

LOGICAL FRAMEWORK

PRIORITIZED OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
GOAL			
Improve the quality of life for the population living in poverty and reduce the risks to vulnerable groups in Paraguay	<p>Of the 140,000 households with three UBNs, 12,000 are served by the Program and at least 75% of these have two or fewer UBNs by the end of the Program</p> <p>Enhanced access, coverage, and quality of services for vulnerable groups, with the Program serving 35,000 persons, whose effective use of these services should increase by 100% and whose level of satisfaction with these services should reach at least 75%</p>	<p>Household survey</p> <p>Demographic census</p> <p>Specific studies user surveys</p> <p>Program impact assessment</p>	Socioeconomic conditions in Paraguay remain stable or improve
PURPOSE			
1. Improve the effectiveness of social investments targeting the poor and vulnerable population by strengthening the capacity of the State and civil society to manage and administer social projects and programs	<p>New mechanisms and tools in place at social sector agencies, at both the central and decentralized levels</p> <p>Resources aimed at the social welfare sector and at combating poverty increase by 30% over the base year, and coverage of the various programs expands by 50%</p> <p>SAS programs adequately resolve the needs of 70% of their beneficiaries</p> <p>Volunteerism increases by 20% countrywide (number of volunteers for social programs and projects carried out by associated CSOs and NGOs in relation to the baseline number)</p>	<p>Impact assessment report</p> <p>Public opinion surveys</p> <p>Cadaster and reports from NGOs and CSOs</p>	<p>The new government continues to make social programs a priority</p> <p>Government reforms that may be approved will not adversely affect the institutional framework of the SAS and the proposed actions</p> <p>Paraguayan society overcomes its prejudices toward vulnerable groups</p>

PRIORITIZED OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
OUTPUTS OR COMPONENTS			
1. Social Investment Projects			
a. Comprehensive Social Development Plans including investments in: <ol style="list-style-type: none"> Community-building and organization Food security Water and sanitation Income generation Care for vulnerable groups Training and technical assistance 	<p>60 PIDS implemented, benefiting 12,000 families</p> <p>At least 70% of beneficiaries participate in preparing the plans</p> <p>80% convergence between chosen and realized investment</p> <p>90% of new or improved services or activities function adequately</p> <p>75% user satisfaction with investments</p>	<p>Initial survey of communities</p> <p>Plan and project inputs</p> <p>Closing document for plans and projects, signed by the community</p> <p>Progress, monitoring, and audit reports</p> <p>Follow-up assessment report</p> <p>Follow-up studies on beneficiaries</p> <p>User surveys</p>	<p>Participatory processes make co-management of projects and actions in communities possible</p>
b. Barrio Improvement Projects with the following components: <ol style="list-style-type: none"> Road improvement and storm drainage Electricity and street lighting Water and sanitation and solid waste Urban infrastructure Regularization of ownership Social infrastructure Environmental improvement 	<p>Four barrio improvement projects completed, benefiting 1,500 families. By the end of the project each barrio will have:</p> <ol style="list-style-type: none"> CSOs with formalized legal status and the active participation of at least 50% of the families in the barrio All the lots have access to drinking water and solutions for disposing of sewage 90% of the barrio is clean and has regular trash collection All lots have adequate road access An adequate storm drainage system One social service (day care, health post, or other) in place, with use at a level of at least 75% of operating capacity One service in place for a vulnerable group, with use at a level of at least 75% of operating capacity 	<p>Report from initial survey of barrios and beneficiaries</p> <p>Beneficiary surveys</p> <p>Progress and monitoring reports</p>	<p>Local governments (municipalities and regional governments) support local and community initiatives and these are accepted by the community</p>

PRIORITIZED OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	h) Ownership of land and individual registration of each lot in the Municipality is regularized i) Environmental protection measures in place		
c. Specific Projects aimed at the following vulnerable groups: 1. Female heads of household 2. At-risk children and adolescents 3. The elderly 4. The disabled 5. Indigenous communities	110 specific social projects carried out, benefiting 25,000 people. Each project will achieve results for 70% of its beneficiaries: a) 70% of female heads of household involved have received training, can get help in caring for their children, and/or have raised their income by at least 20% b) 80% of at-risk children and adolescents involved attend school regularly and have improved their academic performance, with grade repetition down by 50% c) 75% of the elderly individuals served participate actively in economic and social activities in their communities, and 90% of dependents are receiving health care and assistance in performing everyday activities d) 80% of the disabled served have been rehabilitated according to each individual's potential, and have been incorporated into the economic and social activities in their communities e) 70% of basic services for indigenous communities have incorporated changes in customer service that respond to their culture, and the level of satisfaction of indigenous customers has reached at least 75%	Execution reports Household surveys Reports from schools and health services regarding beneficiary groups Public opinion surveys of the indigenous population Follow-up study on beneficiaries Health service reports	Local governments (Municipalities and regional governments) support local and community initiatives There are sufficient human resources to operate the expanded services

PRIORITIZED OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
2. Institutional Development			
a) Strengthen the capacity of the SAS in formulation, monitoring and evaluation of outcomes b) Strengthen service providers in administrative and financial management of social projects c) Strengthen civil society and community relations organizations. d) Strengthen the SAS, CSOs, NGOs and communities in environmental management	a) A system by which the SAS can coordinate with other front-line ministries that make up the social sector is operational b) A social information system has been implemented at the SAS to provide data for the formulation, monitoring and evaluation of social policies, programs and projects c) The annual process devised for tracking of expenses and resource programming for the execution of social policies and programs is operational d) Implementation of monitoring plans e) 120 community CSOs were trained in leadership, participatory management and negotiation; basic participatory techniques for diagnostics, identification, prioritization and monitoring of projects and their environmental effects; communication techniques and mechanisms, coordination within and between networks, and dissemination of information f) 85% of beneficiary community organizations capable of managing projects and raising their own funds	Information and monitoring system Consolidated management reports Follow-up assessment reports Letter of agreement from the CSOs Reports of the SAS Office of Social Policy	The stability of technical human resources at the SAS is maintained and the SAS can put together an efficient team and manage the system adequately
ACTIVITIES			
1. Social Investment:			
a) Development of PIDS b) Development, approval and execution of community development projects Formulation, approval and execution of barrio improvement	60 comprehensive community social development plans completed; 110 PEs for vulnerable groups completed; and	Plan and project documents Resolutions of the plan and project Approval committee	Sector demands are presented to the SAS in proper form and in a timely manner The SAS responds efficiently at every stage of plan and project development

PRIORITIZED OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	4 barrio improvement projects approved and executed	Bidding applications Signed contracts SIFEM (Integrated System for Formulating, Evaluating and Monitoring Projects) reports	
2. Institutional Development			
Training and technical support for SAS personnel Training and technical support for participating NGOs and CSOs	100% of SAS professionals trained 100% of studies completed by hired consultants 100% planned management systems set up and operational 200 CSOs and NGOs benefit from training and technical assistance, and 600 individuals from these CSOs and NGOs receive training 90% of CSOs and NGOs have enhanced management and service systems owing to the technical assistance they received	SIFEM Progress and audit reports	There is coordination among the country's social institutions The SAS retains, assigns and keeps trained personnel in related jobs The SAS continues to efficiently operate the newly installed or enhanced systems Beneficiary CSOs and NGOs retain trained personnel and keep them in related jobs Beneficiary CSOs and NGOs continue to efficiently operate the new or enhanced systems

SOCIAL INVESTMENT PROGRAM II
TENTATIVE PROCUREMENT PLAN

Principal Procurement Items (in US\$)	Financing	Method	Prequali- fication	Semester
1. Responsibility of SAS				
1.1 Institutional development				
A. Contract for rating of service providers US\$60,000 To pre-select providers of construction, supervision, technical assistance and training services	IDB	Call for bids	Yes	1/2003
B. Contract for consultants to support the SAS US\$740,000 Including international consulting and nine local consultants	IDB	Multiple individual tenders	No	1/2003
C. Contract to develop management reporting system US\$200,000 To monitor government social sector outlays	IDB	Call for bids	Yes	1/2003
D. Contract for financial and operational audit US\$180,000 For a semi-annual monitoring of the program	IDB	Call for bids	Yes	2/2003
E. Contract for Program Evaluation US\$175,000 For a mid-term evaluation (US\$25,000) Ex post impact assessment (US\$150,000)	IDB	Invitation to local consultants	No	1/2005
	IDB	Call for bids/invitation to int'l consulting firms	Yes/No	1/2007
F. Contract for training US\$100,000 Consulting services for the training of Project planners and supervisors	IDB	Call for bids	Yes	1/2003
1.2 Social investments				
A. Allocation of Resources US\$5.75 million National competitions in which NGOs or CSOs present projects for program financing of no more than US\$60,000 per project	IDB	Competition	No	During the four years of program execution

Principal Procurement Items (in US\$)	Financing	Method	Prequali- fication	Semester
<p>2. Responsibility of beneficiary executing agencies</p> <p>A. Contracts with consulting firms, trainers, social workers and technical assistants (approx. US\$9,000,000) each for less than US\$200,000</p> <p>Consultants for 70 PIDS, 140 Specific Projects and 4 PMBs</p> <p>B. Contracts for construction services (approx. US\$12 million) each for less than US\$1 million</p> <p>Multiple works contracts for execution of PIDS, PMB and specific projects</p> <p>C. Contracts for the supply of various goods (approx. US\$5 million), each for less than US\$350,000</p> <p>Multiple contracts to supply goods for the projects</p>	<p>IDB 90% Local 10%</p> <p>IDB 90% Local 10%</p> <p>IDB 90% Local 10%</p>	<p>Competitive bidding</p> <p>Competitive bidding</p> <p>Competitive bidding</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p>	<p>During the four years of program execution</p> <p>During the four years of program execution</p> <p>During the four years of program execution</p>