

SOCIAL INVESTMENT PROGRAM

(PR-0075)

EXECUTIVE SUMMARY

BORROWER: Republic of Paraguay

EXECUTING AGENCY: Secretaría de Acción Social [Secretariat for Social Programs] (SAS)

AMOUNT AND SOURCE:

IDB/OC:	US\$20 million (OC/IFF)
IDB/TC:	US\$ 8 million (FSO/LC - net income)
Local contribution:	US\$ 3 million
Total:	US\$31 million

FINANCIAL TERMS AND CONDITIONS:

Amortization period:	25 years
Grace period:	4 years
Disbursement period:	4 years
Commitment period:	3.5 years
Interest rate:	Variable rate, based on IFF policies
Inspection and supervision:	1%
Credit fee:	0.75%

OBJECTIVES: To improve the quality of life of the most vulnerable segments of Paraguayan society and those living in extreme poverty by funding social projects and effecting institutional measures to rationalize public spending on social welfare and poverty alleviation programs. Considering the institutional features and innovative nature of this operation, there are considerable risks that could affect its proper execution. However, the program's potential benefits and its impact on the neediest groups warrant its approval.

DESCRIPTION: The program's components are: (a) **social policy and institutional strengthening** (US\$1.5 million), which will finance (i) preparation of a social spending strategy and anti-poverty plans; (ii) preparation of a plan of action and a consolidated budget for social welfare; (iii) a system for monitoring implementation of social policy measures and of program-funded projects, and (iv) institutional strengthening of the SAS and institutions in the sector; and (b) **funding of social projects** (US\$25 million) involving investments in works and services to assist vulnerable groups living in extreme poverty (at-risk

children and women, the elderly, handicapped, and the urban disadvantaged). The projects will be carried out by NGOs, community organizations, departmental governors' offices, and municipalities.

The program includes nonreimbursable technical cooperation funding in the amount of US\$8 million (financed with the net income of the FSO, in local currency) for projects to assist children and youth working in the streets.

**ENVIRONMENTAL
CLASSIFICATION:**

The Environment Committee classified this as a Category III operation. The environmental summary was approved on March 5, 1996 and forwarded to the PIC on March 19, 1996.

BENEFITS:

The program will alleviate poverty in the country, provide more social services targeting vulnerable groups, increase the beneficiaries' income, and reduce waterborne disease and social problems among the most vulnerable segments of the population and in the poorest districts, especially rural areas. It will also help reorganize the social welfare sector to streamline public spending and improve the quality and efficiency of social services and anti-poverty programs. It will assist the institutional development of local government institutions and nongovernmental and community organizations that carry out program-funded projects.

RISKS:

The chief risks to the program's objectives are: (i) being a newly created institution, the capacity of the executing agency (SAS) to carry out the program has not yet been documented; (ii) to be properly used, the technical contributions made by the consulting services will require adequate national counterparts; (iii) the demand for projects may be weak if the nongovernmental sector is unresponsive or lacks the institutional capacity; and (iv) the productive projects may have problems with sustainability. To minimize these risks, the program calls for the following components: its organizational structure will consist of high-calibre personnel; an international consultant will be present for the first years of the program; training workshops and other proactive activities will be conducted to promote projects; and an expert in productive project design will be hired and such projects will be limited to 10% of the amount of the investments made under the program.

**THE BANK'S
COUNTRY AND
SECTOR STRATEGY:**

The operation is consistent with the guidelines established in the Eighth Replenishment and with the Bank's country strategy, one of whose priorities is to continue to assist social sector development, particularly vulnerable groups like women and poor farmers. The program follows the recommendation that support be provided for measures that make public spending more efficient and that strengthen public-sector institutions.

**SPECIAL
CONTRACTUAL
CONDITIONS:**

Prior to the first disbursement, evidence must be submitted that: (a) the program's Operating Regulations have entered into force (paragraph 2.4); (b) the project selection committee has been appointed (paragraph 3.8); and (c) the international consultant has been hired (paragraph 3.3). The loan contract will contain the necessary provisions requiring presentation of annual plans of execution, program monitoring and evaluation, presentation of audited financial statements, and the use of Bank procedures to procure and maintain goods and hire consulting services.

**EXCEPTIONS TO
BANK POLICY:**

There are no exceptions.

**PROCUREMENT OF
GOODS AND
SERVICES:**

Goods and services will be procured in accordance with Bank policy, standards, and procedures, which will be included in the loan contract entered into to finance the program. The amounts agreed upon with the country as the thresholds above which international competitive bidding will be required are US\$250,000 for goods and US\$1 million for civil works.

POVERTY TARGETING:

Because it involves investments in health, education, and basic sanitation, the operation is classified as a social program, as defined in paragraph 2.13 of document AB-1704. Given Paraguay's poverty index, the program can be considered poverty targeted because the investments it finances mainly target low-income groups (see paragraph 5.1).

I. FRAME OF REFERENCE

- 1.1 The program targets so-called vulnerable groups and those living in extreme poverty, neither of which receives much attention under current government programs. The predicament of these groups and the strategy for addressing their problems are described below.
- A. Profile and scope of poverty in Paraguay
- 1.2 Despite economic growth in recent decades, poverty in Paraguay has not appreciably diminished. Although indicators in Asunción have improved, in the rest of the country – rural areas in particular – the situation has deteriorated. The percentage of farmers living in extreme poverty rose 45% between 1980 and 1992. 1/
- 1.3 The situation was corroborated by one of the major studies that attempted to measure poverty levels in Paraguay. In 1992, using poverty indices of US\$50 per capita for Asunción, US\$47 for other urban areas, and US\$33 for rural areas, Sauma 2/ found that 39% of the population was living in poverty. He pointed out that the problem was particularly acute in rural areas, where 55% of the population is poor, in contrast to 15% in Asunción and 23% in the other urban areas of the country.
- 1.4 In poor households, families are larger (7.5 members, compared with 5.8 in households that are not poor), education levels are lower (40% to 50% of the heads of household have not completed elementary school and repeater and dropout rates are high), and unemployment and underemployment rates are higher.
- 1.5 This decline is reflected in the UNDP's human development index (HDI). Despite a slight improvement in the absolute HDI between 1970 and 1993, Paraguay's index continues to be lower than its neighbor countries and its ranking worldwide dropped significantly, as shown below:

Table I-1: Human Development Index

Year	MERCOSUR	Argentina	Brazil	Uruguay	Paraguay
1970	0.616	0.784	0.569	0.799	0.607
1993	0.748	0.832	0.730	0.881	0.641
Ranking:					
1991	-	43	60	32	73
1993	-	46	70	30	90

Source: Human Development – 1993 Report, UNDP.

1/ Morley, S. "The Poverty Problem in Paraguay", IDB, 1996.

2/ Sauma, Pablo "La distribución de ingreso en Paraguay", 1993.

- 1.6 If the criterion is unmet basic needs (UBN), 64% of the 863,990 households in the country have at least one UBN, which represents 2.8 million people or 69% of the Paraguayan population. Of these households, 35.3% have poor housing, 34.8% do not have proper sanitation infrastructure, 22.8% do not have adequate access to education, and 14.9% do not have adequate subsistence conditions. The departments with the highest UBNs are in the eastern region, which is also the most sparsely populated one. The indicators for the Central Department and the department of Asunción are better.

Poverty Map - UBNs

To prepare Paraguay's poverty map, the Technical Planning Office, with the help of the UNDP, used information from the 1992 National Population and Housing Census. The map classifies each district in the country (in classes I to V) according to the percentage of households with UBNs:

Housing: (i) quality of the predominant construction materials; (ii) number of bedrooms and other rooms compared with the number of household members (broken down into rural and urban areas).

Sanitation infrastructure: (i) supply and source of water, availability and use of sanitation service and sewerage systems (broken down into rural and urban areas).

Access to education: (i) school attendance; (ii) presence of illiterates in the household.

Subsistence capacity: (i) absence of an income earner; (ii) a head of household with less than three years' elementary education; (iii) number of dependents per income earner.

B. Situation of vulnerable groups

1. Children and adolescents

- 1.7 A large percentage of the 1.6 million Paraguayans 15 years of age and under live in poverty. Some 30,000 children and adolescents work or live on the streets of the country's major cities. Approximately 50% of these children bring in half the family income and 17% are the family's sole source of support.
- 1.8 The vast majority of children and adolescents working in the cities are male (90%), live with their families, work (most as peddlers or in basic services) and contribute an average of US\$3 per day to the family income. The 2% that have severed ties with their families and live on the streets are in much more dire straights. These

youth come mainly from broken homes (65% have female heads of household) plagued by domestic violence and child abuse.

- 1.9 The main problem of children 12 years of age and under is that they have to work at all, a problem compounded when they have to work on the street. The problems facing adolescents are the risks associated with the street. While every year only some 180 minors are institutionalized for the commission of a crime, some 4,000 minors are the victims of crime (physical abuse, sexual abuse, abandonment). Another problem that has recently gained notoriety is the traffic in children associated with the active domestic market catering to the demand for adoptive children abroad.

2. Women

- 1.10 In 1995, Paraguay's female population numbered 2.4 million, slightly less than its male population. Women's life expectancy at birth is 72, higher than men's, and the global fertility rate is an estimated 4.17. The principal causes of death among women include abortion (2,752 officially reported) and high-risk pregnancy (7,527). The illiteracy rate is higher among women, although a higher percentage of women complete elementary school.
- 1.11 Although women's issues have, formally at least, been more at the forefront and received more publicity than before, the gender problems associated with their socioeconomic situation and inferior social status with respect to men persist, as do such problems as less pay for equal work, less representation in decision-making positions and positions of authority, discrimination, and domestic violence.

3. Indigenous peoples

- 1.12 The indigenous population is estimated at 100,000 nationwide, 60% of which live in the western region. There are 117 government-run indigenous schools and five literacy centers, although no substantive policy on bilingual education has been established.
- 1.13 Traditional activities such as hunting and gathering, fishing, and handicrafts have been adversely affected by the depredation of the natural habitat. This, coupled with changes in dietary habits, have increased the incidence of malnutrition and tuberculosis in the indigenous population.

4. The elderly

- 1.14 The chief causes of death among that small percentage of the population that lives to old age (3.6% are over age 65) ^{3/} are cardiovascular disease, malignant tumors, and cerebral-vascular

^{3/} PAHO, Situación de la Salud en las Américas, 1994.

disease. Fertility and premature mortality remain high, which has slowed the aging of the population. The average age in Paraguay went up just 1.9 years from 1950 to 1995, while the dependency rate for seniors over the age of 65 went from 5.9 to 6.3 during that same 45-year period. Nevertheless, this age group is expected to double in size within the next 30 years (and will represent 6% of the population by the year 2025). For this group, some of the major concerns are that only a relatively small percentage of the elderly have social security and there are no social services to assist the poorest of them.

5. The handicapped

- 1.15 Almost a half million Paraguayans (12% of the population) have some type of handicap, be it a mental handicap (29%), deafness (19%), weak motor skills or paralysis (14%), blindness (2%), or other disabilities (36%). Their functional or mobility limitations are compounded by the fact that there are few programs and services to assist these groups, making it virtually impossible for them to ever become productive members of society.
- 1.16 Summary: Poverty in rural areas is the country's most pressing social problem, given the number of people affected, and the lack of any forthcoming solution. Vulnerable groups that are also poor should be assigned priority in terms of social needs. Their needs require specific government measures, as they are neither covered under universal programs nor adequately served by the initiatives described below. The purpose of this program is to organize a coherent response that combines public policies with concrete measures to address the needs of these groups.

C. Social spending and social welfare

1. Social spending

- 1.17 The central government's spending on the social sectors, estimated at US\$540 million each year or US\$124 per capita, has long lagged behind the average for the countries of the region. It has increased significantly in recent years, but so have appropriations for salaries and wages. Efforts to modernize and improve the quality of the services provided have been modest. The budgetary appropriations for social categories have increased in the case of education, social insurance and health, although the central government's total outlay for the social sectors remained at around 8% of GDP from 1993 to 1995.

Table I-2: Central Government Spending on the Social Sector
(as % of GDP)

SECTOR	1993	1994	1995
Health and nutrition	2.0	1.5	2.0
Education	2.8	3.0	3.1
Social welfare	0.2	0.3	0.3
Sanitation and housing	0.9	0.7	0.6
Social insurance	1.6	1.2	1.8
Social security/work	0.2	0.2	0.2
TOTAL	7.8	7.0	8.1

- 1.18 The social sector ministries (the Ministry of Education and Religious Affairs, the Ministry of Health and Social Welfare, and the Ministry of Labor) and decentralized institutions (SENASA, CONAVI) administer spending on the universal-coverage services. It should be noted that programs financed by the Bank (see paragraph 1.27) or other international organizations, either already under way or in the pipeline, are designed to bring about qualitative improvements in practically all the major social sectors. They include programs for: elementary education improvement (IDB, US\$59 million); secondary education improvement (World Bank, US\$40.5 million); primary health care reform (IDB, US\$50 million); maternal and child care and child development (World Bank US\$50 million); and water supply and rural sanitation (WB/IDB, US\$17.3 million).
- 1.19 Out of concern for the quality of social spending, the Paraguayan government decided to create an institutional mechanism to articulate all the activities in the sector, develop policies, and monitor social programs. The Secretaría de Acción Social [Secretariat for Social Programs] (SAS) was created in June 1995 to perform these and other functions (see paragraph 4.1). However, a period of institutional strengthening is needed for the SAS to develop the instruments and technical capacity it will need for optimal performance. Initially, it will have to focus its activities on social welfare, which is not adequately addressed by the existing ministries and decentralized agencies and concerns the groups targeted by the proposed program.

2. The social welfare subsector

- 1.20 Social welfare is defined as activities carried out by state and private agencies to serve the needs of vulnerable groups (the elderly, at-risk women, indigenous peoples, poor farmers, the urban disadvantaged, and street children and adolescents) and to alleviate poverty. It does not include universal social programs like health care, education, and sanitation. In fact, few government

agencies and programs are specifically dedicated to activities classified under social welfare. The programs now under way are the following:

Table I-3: Ongoing Social Welfare Programs

SECTOR	MINISTRY/ INSTITUTION	PROGRAM	FINANCING	TOTAL AMOUNT ^{1/} (US\$ millions)
Health/ nutrition	Ministry of Public Health and Social Welfare	Assistance for reproductive health and the family	UN	2.1
	Ministry of Public Health and Social Welfare	Strengthening of community health in rural areas	JICA	2.5 ^{3/}
	Ministry of Agriculture	Food and nutrition education	UN	3.7
Rural development	Ministry of Defense/INDI	Land acquisition	GOP	0.7 ^{2/}
	Ministry of Agriculture/ DINCAP	Consolidation of rural communities	IDB	62.3
	Ministry of Agriculture/ DINCAP	Agricultural education, stage III	IDB	13.5
Social assistance	DIBEN	Social work program	GOP	3.5 ^{2/}
	DIBEN	Emergency and disaster relief	GOP	0.25 ^{2/}
	DIBEN	Human development program	IDB/WFP/ UNDP	13.0

^{1/} Refers to the total for the programs, generally planned for a four-year period

^{2/} 1995 budget

^{3/} Grant

- 1.21 An evaluation of these programs has found that on the whole they are well designed and have adequate operating budgets and methods. However, as a general rule, the resources allocated are not sufficient to provide for sufficient coverage given the scope of the problem and a steady flow of financing and/or execution is often a problem.

- 1.22 Contributions from the private, nonprofit sector to assist vulnerable groups are still modest. An estimated 165 NGOs are active in the area of development and social assistance, mainly in Asunción and Ciudad del Este. Their size and scale of operations are generally small and their organization rudimentary. The exceptions are the NGOs affiliated with major religious denominations or foreign philanthropic organizations. The traditionally important role played by community organizations, neighborhood associations, or other types of local organizations was disrupted under the previous regime. One of the purposes of this program is to harness their potential to again play a role in providing social services.

D. Institutional problems to be addressed

- 1.23 As for the performance of the state and *social welfare* institutions, the following conclusions can be drawn:
- a. The national resources earmarked for the sector are limited and virtually all the programs depend on external funding.
 - b. There is no explicit public policy on addressing the problems of the most vulnerable segments of society, which means that institutions and programs in this sector operate without any general direction as to the global goals toward which they are working.
 - c. The following spending problems have been identified:
 - (i) **Drift:** as a result of program design problems, benefits are diverted or resources invested in the sector filter toward higher-income groups or groups other than the targeted beneficiaries;
 - (ii) **Service model:** a large share of the social welfare services and programs are patterned after the traditional model of direct, centralized, public-sector execution. That model fails to take into account the potential role that private, nonprofit institutions and community organizations could play in providing services through a system of outsourcing, under the supervision of public oversight institutions. Decentralization could be stimulated if municipal and departmental governments were involved in identifying service demand and delivery.
 - (iii) **Management problems:** the institutions operating in the sector have a variety of management problems, such as excessive operating costs, redundant units, and weak internal controls and program monitoring systems. Because of these problems, commonly found in government

institutions, the scant resources allocated to the sector are sometimes squandered.

E. Program strategy

- 1.24 The program's strategy is to improve the institutions' performance and maximize the efficiency of the government's efforts to combat poverty and provide services to vulnerable population groups. It is based on the following elements:
- a. *With institutionalization of the SAS, effect change in the sector's structure and in implementation of social welfare programs:* The program will establish the conditions for planning and managing the sector as a function of the SAS's performance. Policies will be set and a comprehensive budget prepared for social welfare, which the SAS will coordinate and use as one of its main tools for its work in the sector. The model used for execution will be decentralized programs that involve departmental and municipal governments and nongovernmental organizations and that emphasize community participation in deciding and supervising projects of interest to it.
 - b. *Increase public investments in social welfare.* The program will increase the resources for investment in projects to alleviate poverty and to assist vulnerable groups, which will significantly increase the resources earmarked for social welfare. Moreover, the program is expected to help marshal external resources ^{4/} as the demand becomes better articulated and sector program management improves.

F. The Bank's strategy in Paraguay

- 1.25 The Bank's strategy in Paraguay focuses on four main areas: (i) continued support for development of the social sectors, especially by providing basic services, in order to reduce poverty, especially among vulnerable groups such as women and poor farmers, and enhancement of the quality of life by improving the quality and coverage of social programs; (ii) continued support for modernization of productive sectors, with particular emphasis on the agricultural sector, improving the private sector's productive capacity and job training; (iii) support for institutional strengthening and modernization of the state; and (iv) assistance to public institutions in charge of environmental protection and natural resource management.

^{4/} A grant of US\$9 million from the European Community has been prenegotiated and will be finalized once the proposed program gets under way. Other possible sources of assistance have also been identified.

- 1.26 Developing the social sectors, reducing poverty, and assisting vulnerable groups like women and poor farmers are the goals primarily targeted by the proposed operation. The program also follows the recommendation to support measures that promote more efficient public spending and institutional strengthening in the social sectors.

G. The experience of the Bank and other agencies

- 1.27 As part of the human development program (PDH), the Office of Charity and Social Assistance [Dirección de Beneficencia y Ayuda Social] (DIBEN) is administering the agreement for technical-cooperation project ATN/SF/TF-4021-PR, in the amount of US\$1.37 million for a farm women training program. Through that program, NGOs will conduct projects to train women in productive activities, environmental protection, and operation of day care homes.
- 1.28 The municipal strengthening program (loan 793/OC-PR) now in progress strengthens the finances and training of the country's principal municipal governments, thereby assisting the efforts for decentralization of the social sectors under the proposed program. The Bank is also supporting implementation of important programs in education and health, with the elementary education improvement program (loan 770/OC-PR) and the primary health care reform program. Both are geared towards decentralization and improving universal services. The proposed operation will supplement those two programs as well.
- 1.29 One of the most important lessons learned from the Bank's previous experience is the institutional weakness of Paraguay's government institutions. This, when coupled with the problem of implementing policy changes, has impaired implementation of many previous projects. To correct these problems, part of the program's institutional strategy will be to establish the newly created SAS as a small but high-level body supported by consultants for its more complex duties. A number of executive activities will be decentralized and outsourced to reduce the executing unit's administrative workload and ensure efficient program execution.

II. THE PROGRAM

A. Objectives

- 2.1 The program's general objective is to improve the quality of life of the extremely poor and vulnerable segments of Paraguay's population by funding social projects and promoting measures to rationalize and target public social welfare spending. Considering the institutional features and innovative nature of this operation, there are considerable risks that could affect its proper execution. However, the program's potential benefits and its impact on the neediest groups warrant its approval.
- 2.2 The specific objectives of the program are to:
 - a. Establish a strategy for rationalizing public spending on poverty alleviation and social welfare programs by adopting decentralized plans of action for combatting extreme poverty and by developing a policy and comprehensive budget for social welfare;
 - b. Serve the most pressing needs of low-income, vulnerable groups - the rural poor, the urban disadvantaged, street children, at-risk women, the elderly, the handicapped, and indigenous people - through social investment projects.
- 2.3 The program's logical framework and benchmarks appear in Annex II-1.

B. Program components

- 2.4 The program is organized into two components. One is for developing policies and social programs and institutional strengthening. The terms of reference for the consulting services and other activities in this component can be found in the technical files of the Bank. The second component involves investments in works and social services (referred to locally as PROPAIS). The program's Operating Regulations, which appear in Annex II-3 of this document, must enter into force as one of the conditions precedent to the first disbursement.
 1. Social policy and institutional strengthening (US\$1.5 million)
 - a. Social spending strategy/anti-poverty plan
- 2.5 Under this subcomponent, a general strategy and decentralized plans of action will be devised to combat poverty. Regional surveys will be conducted of problems and specific plans of action devised to assign public agencies' priorities in such a way that their activities target the needs of the poorest. The departmental governments

will help design and implement the plans, thereby strengthening their role as coordinators of government initiatives in their respective jurisdictions; the municipal governments will be co-executing agencies of the programs and articulate community demand. The goal of the component is to develop concrete guidelines for assigning geographic priorities and to design institutional strategies for poverty alleviation measures in the country (US\$318,000).

b. Social welfare plan of action and budget

- 2.6 Under this subcomponent, a social welfare policy will be developed and public social-welfare spending will be reorganized. More in-depth work will be done on existing studies on vulnerable groups, their situation, their location, and their specific problems, all with a view to improving the programs that serve them. The general recommendations will be set forth in a **social welfare reform plan** and, as one way to express the priorities and coordinate the activities of the sector institutions, a **comprehensive budget** covering all public welfare programs will be prepared and consolidated by the SAS as the sector's governing agency. This subcomponent will finance technical and financial assistance for preparation of the necessary institutional studies and actual preparation of the budget (US\$198,000).

c. Monitoring system

- 2.7 The program will finance the development and implementation of a system to evaluate and monitor social welfare policy and the quality and effectiveness of program-financed projects. Key activities for monitoring sector policy and programs will be identified and the impact of government activities on specific target regions or groups will be evaluated.
- 2.8 To monitor program-financed projects, research will assess the beneficiaries' perceptions of the results achieved. The information thus generated will be used to correct or adjust the design of program projects and program execution. The monitoring will be continuous, such that for each period a number of projects either in progress or already completed will be selected and the entire process will be evaluated, from analysis and/or approval to execution and operation (US\$400,000).

d. Strengthening of the SAS and sector institutions

- 2.9 This subcomponent will help the SAS carry out the program through: (a) the hiring of an international expert contracted to support program execution; (b) support to promote projects and develop specific analytical methods by national consultants (indigenous communities, productive projects); (c) activities to promote projects and training workshops for project executing agencies; and

2. Eligible sectors

a. Income generation/support for productive projects

- 2.14 Included in this category are projects to help develop and start up small units that produce goods for self-consumption and/or marketing. The projects must benefit poor farm communities or marginal districts. The funding may be for equipment, tools, facilities, technical assistance, job training, and marketing assistance. These projects may not exceed 10% of the investment resources of the program.

b. Environmental sanitation

- 2.15 This category involves the introduction, construction and rehabilitation of: (a) basic sanitation systems (latrines, septic tanks, bathrooms); (b) water supply systems (cisterns, wells, and other systems); and (c) hygiene and environmental education. The projects will be carried out in rural or marginal urban areas, in areas not presently covered by the government agencies in the sector. These projects may not exceed 30% of the investment resources of the program.

c. Education and training

- 2.16 This category involves the construction, modernization, rehabilitation, and outfitting of educational centers and the implementation of training programs for young people and adults. Projects in the following areas are eligible: (a) schools in rural areas and in outlying urban areas; (b) teaching materials for schools; (c) job training for young people, and (d) literacy programs and job training for adults. Projects for new schools will be funded only if presented and operated by NGOs.

d. Health

- 2.17 The program will support the operation, construction, expansion, or rehabilitation of facilities for: (a) primary health care in rural or marginal urban areas; (b) rehabilitation for the physically and/or mentally handicapped; and (c) special health care required by vulnerable groups. Under the projects, the following are eligible for funding: (i) works, equipment, and medical inputs (medications, vaccines, etc.); (ii) education/training of the population on health-related issues; and (iii) training of health care providers.

e. Social services

- 2.18 The eligible social service projects are those for construction, modernization, expansion and operation of: (a) comprehensive services to assist street children; (b) services for women, young people, and the elderly; (c) day-care centers, home child-care

centers; and (d) community centers that serve as a hub for delivery of social services, with the emphasis on youth activities. The funding will go toward the works, equipment, and services needed to carry out these activities, grants, and other associated costs.

3. Technical selection criteria

2.19 The projects funded under the program must meet the following technical requirements:

- a. The unmet basic needs (UBN) indicator 5/ that best fits the target population in the district where the requested project will be carried out must be below the national average and fall into one of the lowest two brackets (IV and V) on the Poverty Map (only bracket V in the case of productive projects). The "subsistence capacity" UBN will be applied in the case of productive and social services projects; the "sanitation infrastructure" UBN in the case of projects in environmental sanitation and health; and the "education access" UBN in the case of education projects. If the UBN for a district is not below the national average, research will be conducted on the socioeconomic situation of the specific requesting community or group to determine whether the average monthly income of the target population is below the poverty line of the equivalent of US\$60/month.
- b. Projects must meet the criteria stipulated in the Operating Regulations (see Annex II-3) for maximum cost per beneficiary.
- c. To qualify to submit a project, beneficiaries must belong to an organized community group. Beneficiaries belonging to a group that does not have legal status must be sponsored by a private or public decentralized agency, which would assume responsibility for project execution.
- d. The proposal to carry out a project must be backed up by a request from the beneficiary group confirming the need for the project.
- e. Funding of a project's operating costs and associated expenses will be available for a maximum of two years, and will decrease by 25% every six months.
- f. The projects may not be included in the plans of operation of other agencies in the public sector nor may financing be requested of them.

5/ Paraguay-Atlas de Necesidades Básicas Insatisfechas 1995 [1995 Atlas of Unmet Basic Needs in Paraguay]. Bureau of Statistics, Surveys, and the Census.

2.20 The project-funding proposals must contain at least the following information:

- a. a qualitative and quantitative description of the anticipated benefits; the risks involved in project execution and the measures taken to minimize them; the number of direct beneficiaries and a reasoned estimate of the indirect beneficiaries;
- b. the executing agency's previous experience with and capacity for the type of project or in the requesting community, and information on the personnel to be used during project execution;
- c. a complete schedule of activities, including presentation of reports;
- d. an itemized budget of the project's total cost, broken down by year, expenditure category, and source of financing;
- e. plans for the works and technical specifications of the equipment to be funded, approved by the municipalities or the sector agency whenever such approval is required by law; and
- f. the basic system for monitoring and evaluating the project, which will provide information on the impact achieved.

D. Cost and financing

2.21 The program's total cost is the equivalent of US\$31 million. The following is a breakdown by investment category and source of financing:

Table II-1: Total Cost and Financing of the Program
(in thousands of US\$)

PROGRAM COMPONENT AND INVESTMENT CATEGORY	IDB			LOCAL CONTRI-BUTION	TOTAL	%
	OC/IFF	TC	TOTAL			
1. SOCIAL POLICY AND INSTITUTIONAL STRENGTHENING ^{6/}	1,500		1,500		1,500	4.8
2. FUNDING FOR SOCIAL PROJECTS	<u>17,000</u>	<u>8,000</u>	<u>25,000</u>		25,000	80.7
2.1 Investments in projects	17,000		17,000		17,000	
2.2 TC for street children		8,000	8,000		8,000	
3. ADMINISTRATION				<u>2,666</u>	2,666	8.6
4. FINANCE CHARGES	<u>1,500</u>		<u>1,500</u>	<u>334</u>	1,834	5.9
4.1 Interest	1,300		1,300		1,300	
4.2 Fee				334	334	
4.3 Inspection and supervision	200		200		200	
TOTAL	20,000	8,000	28,000	3,000	31,000	100.0
Percentage	64.5	25.8	90.3	9.7	100	

2.22 The Bank's share of the program financing will be the equivalent of US\$28 million, in the form of a loan for US\$20 million in foreign exchange from ordinary capital, and nonreimbursable technical-cooperation funding for US\$8 million in local currency, from the net income of the FSO. Funds from the Intermediate Financing Facility will be used to subsidize the interest on the loan for US\$20 million.

2.23 The local counterpart funding will be the equivalent of US\$3 million, which is 9.7% of the program's total cost and 15% of the loan. These funds will come from the national budget. Chapter V contains a discussion of the viability of the local counterpart funding.

^{6/} This category may be financed with resources from other international sources, in which case such resources would be ascribed to the local counterpart, allocating the remainder of the financing category to social projects.

E. Recognition of previous expenditures

- 2.24 The Bank may recognize up to the equivalent of US\$150,000 in expenses incurred by the SAS for program preparation as part of the local counterpart resources.

III. PROGRAM EXECUTION

A. General plan

- 3.1 The program's executing unit will be the Secretariat for Social Programs [Secretaría de Acción Social] (SAS), whose functions and structure are described in chapter IV. The program will finance technical assistance and institutional strengthening of the SAS and of institutions executing program-funded projects and which the SAS will contract and supervise. The financing of the social projects will be through non-reimbursable transfers to the eligible institutions (based on the criteria set forth in the program's Operating Regulations). The SAS will follow the procedures described in this chapter to transfer the funds.

B. Execution of the social policy and institutional strengthening component

- 3.2 The terms of reference for the international and national consultants hired (following procedures approved by the Bank, paragraph 3.11) to assist with the program, particularly with the social policy and institutional strengthening component, appear in Annex II-2. The SAS is to submit a work plan for program execution, which will include a schedule for the activities to be carried out every six-month period and the consulting services to be hired. This plan, which may be revised annually, will be based on the schedule of execution in this chapter (paragraph 3.15) and the schedule agreed upon with the Bank.

- 3.3 According to program execution plan, an international consultant will be hired to help the SAS carry out its various components, by assisting the SAS' Secretary with program coordination and technical supervision. Given this consultant's important role, he or she must be hired as a condition precedent to the first disbursement from the financing; the technical advisor in charge of the street children component must be hired as a condition precedent to disbursement of the technical-cooperation funding.

C. Execution of the social investment component

1. Project identification and promotion

- 3.4 The program executing unit will carry out promotional activities designed to stimulate project identification and presentation. These activities will include general calls for project proposals, training and project preparation workshops, and promotional activities financed by the program and targeting specific groups (indigenous peoples, street children, etc.). The NGOs, community organizations, and groups that are potential beneficiaries will submit their applications directly to the SAS. In the case of

(d) organizational consulting services to help effect institutional adjustments in the sector institutions (US\$584,000).

2. Funding for social projects (US\$25 million)

- 2.10 This component will fund small projects involving investments in works and services (up to US\$200,000) that will serve Paraguayans living in extreme poverty and vulnerable groups – at-risk children, youth, and women, the elderly, the handicapped, the urban disadvantaged, and the rural poor. The program will reach an estimated 780,000 people in these groups. Grants will be awarded to fund projects submitted by NGOs, community organizations, and other nonprofit institutions, and by departmental and municipal governments. The projects must meet the institutional, sector, and technical eligibility criteria and other rules stipulated in the Operating Regulations established for the program.

a. Children and youth working in the streets (street children)

- 2.11 The program includes nonreimbursable technical-cooperation funding for US\$8 million in local currency, financed by the Bank and to be executed in accordance with the program regulations and methods. The purpose of the projects to assist children and youth who work in the streets will be to prevent child labor and/or protect working minors, with emphasis on: (a) preventive measures that focus on the family (developing sources of income, counseling; (b) support services (day-care centers, school tutoring); and (c) protection and rehabilitation of juvenile delinquents (organized groups, vocational training). The plan of operations for the technical-cooperation project appears in Annex II-4.

C. Eligibility criteria

1. Eligible beneficiaries and institutions

- 2.12 Projects that benefit the following target groups are eligible for funding: (a) the rural poor; (b) the urban disadvantaged; (c) at-risk and/or street children and adolescents; (d) at-risk women; (e) the elderly; (f) the handicapped/disabled; and (g) indigenous peoples.
- 2.13 The institutions eligible to apply for program funding and to serve as project executing agencies are: (a) public sector institutions: departmental governors' offices, municipalities, and decentralized central government agencies; (b) private (non-profit) sector institutions: nongovernmental organizations, community organizations, neighborhood associations, farm cooperatives, and the like.

2. Eligible sectors

a. Income generation/support for productive projects

- 2.14 Included in this category are projects to help develop and start up small units that produce goods for self-consumption and/or marketing. The projects must benefit poor farm communities or marginal districts. The funding may be for equipment, tools, facilities, technical assistance, job training, and marketing assistance. These projects may not exceed 10% of the investment resources of the program.

b. Environmental sanitation

- 2.15 This category involves the introduction, construction and rehabilitation of: (a) basic sanitation systems (latrines, septic tanks, bathrooms); (b) water supply systems (cisterns, wells, and other systems); and (c) hygiene and environmental education. The projects will be carried out in rural or marginal urban areas, in areas not presently covered by the government agencies in the sector. These projects may not exceed 30% of the investment resources of the program.

c. Education and training

- 2.16 This category involves the construction, modernization, rehabilitation, and outfitting of educational centers and the implementation of training programs for young people and adults. Projects in the following areas are eligible: (a) schools in rural areas and in outlying urban areas; (b) teaching materials for schools; (c) job training for young people, and (d) literacy programs and job training for adults. Projects for new schools will be funded only if presented and operated by NGOs.

d. Health

- 2.17 The program will support the operation, construction, expansion, or rehabilitation of facilities for: (a) primary health care in rural or marginal urban areas; (b) rehabilitation for the physically and/or mentally handicapped; and (c) special health care required by vulnerable groups. Under the projects, the following are eligible for funding: (i) works, equipment, and medical inputs (medications, vaccines, etc.); (ii) education/training of the population on health-related issues; and (iii) training of health care providers.

e. Social services

- 2.18 The eligible social service projects are those for construction, modernization, expansion and operation of: (a) comprehensive services to assist street children; (b) services for women, young people, and the elderly; (c) day-care centers, home child-care

organizations lacking legal status or located far away from the capital, applicants may apply through the municipal or departmental government in their region, which will act as supporting institutions to promote and carry out projects under the program.

2. Filing of applications

- 3.5 Institutions interested in carrying out projects must submit their applications for funding to the SAS in accordance with the requirements set forth in the program's Operating Regulations. Once an initial evaluation has been conducted of a project's eligibility, the SAS technical team will provide technical advice to the respective institution in how to prepare projects properly.

3. Evaluation

- 3.6 Once a project, which must include feasibility studies, final design, plan of operation, and the legal documents necessary to prepare the grant contract, has been received, it will be evaluated according to the technical eligibility criteria (paragraph 2.20) and the analysis and evaluation guidelines set forth in the program's Operating Regulations and described in detail in the program's project evaluation manual.
- 3.7 The project evaluation manual stipulates the project evaluation method, the main criteria of which are: (a) **institutional**: the executing agency's management capacity (i.e., experience in carrying out projects, organizational structure, human resources, installed organizational capacity, community participation, evaluation and supervision method), with local government agencies and neighborhood communities being treated differently; (b) **social**: the target population's socioeconomic situation (degree of organization and participation of beneficiaries, perceived needs and sense of project ownership, confirmation of the UBN status); (c) **technical and methodological**: the consistency of a project's methods and inputs with its objectives (i.e., beneficiary group selection, materials, timetable, anticipated benefits); (d) **financial**: the executing agency's financial capacity to carry out the project given the planned sources of financing, and the consistency of the resources budgeted with the project design; and (e) **environmental**: impact on the environment in the project's area of influence and measures to eliminate or mitigate any adverse impact.

4. Project approval

- 3.8 The executive coordinator will examine the project evaluation reports presented by the program's project office and will recommend to the **project committee** that the projects be either approved, postponed or rejected. The committee is the ultimate decision-making body for project approval. Its five members will be representatives of religious institutions, the university, and

NGOs, and it will be chaired by the Secretary for Social Programs. As a condition precedent to the first disbursement, the SAS must submit the committee's membership and rules to the Bank for approval.

- 3.9 If a project is approved, a **grant agreement** will be concluded between the SAS and the applicant institution, using a model previously agreed upon with the Bank. Although the SAS will approve the projects funded under the program independently, every year the IDB will review a random sample representing at least 30% of the projects approved during the previous 12 months in amounts over US\$30,000, and a representative sample of projects below that amount.

5. Procurement and contracting

- 3.10 The procurement of goods and awarding of contracts for construction and related services financed under the program must follow the procedures set forth in policy. According to the program regulations, no project may exceed US\$200,000 equivalent. Since no international competitive bidding is anticipated given the amounts involved, the bidding procedures stipulated in Paraguayan legislation will be followed, provided they do not conflict with Bank policy. Private-sector procurement will be carried out through limited calls for proposals, in accordance with the Bank's principles; at least three proposals must be submitted.
- 3.11 The procedures for selection and hiring of consulting services will be governed by the provisions of Annex C to the loan contract, which require international competitive bidding for consulting contracts of over US\$200,000.
- 3.12 The works, services, and procurement contracts will be concluded between the applicant institutions and the contractors once the individual or institution responsible for supervising the project has approved the contract.

6. Supervision

- 3.13 The SAS' supervision of project execution will be outsourced to individual consultants or consulting firms, charged against the project. These supervisors will be hired before contracts for project-related works or services are concluded. The firms or individuals will be prequalified according to criteria that the SAS and the Bank will mutually agree upon. In exceptional cases, the SAS may supervise a project directly when this is deemed more appropriate or when adequate third-party supervision cannot be obtained.
- 3.14 The supervisors are to: (a) approve the works or services contracts and procurement of goods; (b) authorize every disbursement

request; and (c) certify the authenticity of the documents submitted and the degree of progress projects have made.

D. Timeframes and execution timetables

3.15 The program will be carried out over a period of four years from the effective date of the loan contract with the IDB.

3.16 *Disbursement schedule:* The following table shows the schedule for annual disbursements planned during the program execution period, by source of financing:

Table III-1: Disbursement Schedule
(in US\$ thousands)

COMPONENT	YEAR 1		YEAR 2		YEAR 3		YEAR 4		TOTAL
	IDB	Local C.	IDB	Local C.	IDB	Local C.	IDB	Local C.	
1. Social policy and institutional strengthening	672		464		271		93		1,500
2. Project funding	<u>4,810</u>		<u>6,858</u>		<u>7,765</u>		<u>5,567</u>		<u>25,000</u>
2.1 Social projects	3,210		4,758		4,765		4,267		17,000
2.2 TC/street children	1,600		2,100		3,000		1,300		8,000
3. Administration		623		653		675		715	2,666
4. Finance charges	118	127	278	97	464	75	640	35	1,834
Total	5,600	750	7,600	750	8,500	750	6,300	750	31,000
Percentage	20.5		26.9		29.8		22.8		100

E. Program monitoring and supervision

1. Program monitoring

3.17 The program will be monitored by selecting, every six months, a sample of projects either already completed or in progress. The entire process will then be examined, from project analysis and approval to execution and operation (see paragraph 2.8). The analysis will be supplemented with research on project impact according to the beneficiaries' perceptions. The recommendations resulting from the project monitoring will be presented in biannual reports submitted to the executives of the SAS and the Bank.

2. Bank supervision and mid-term review

3.18 The Bank's Country Office in Paraguay will be responsible for inspection and supervision of the program. The foregoing notwithstanding, given the characteristics of the program, which coincides

with the institutionalization of the SAS, a mid-term evaluation will be conducted at the end of the program's second year to review the program's progress, particularly the breakdown of financing by region and by sector. The international consultant will prepare a report for this review, detailing the goals accomplished, the problems encountered, and any corrective measures that may be needed to ensure that the program objectives are achieved.

3. Reports

- 3.19 During the life of the program, the SAS will submit progress reports to the Bank every six months detailing the progress made in the projects being funded and that achieved in the social policy and institution-strengthening component. The reports, which will be submitted throughout the program execution period, will be prepared on the basis of general guidelines to be agreed upon prior to the deadline for submittal of the first six-month report. The international consultant will prepare quarterly progress reports on the program, which will be submitted to the SAS and to the Bank.

4. Ex post evaluation

- 3.20 At the executor's request, the program will not finance an ex post evaluation. However, the monitoring system and the progress reports on the program will generate sufficient data for a proper evaluation of the program's results.

F. The status of program preparation

- 3.21 When this operation was analyzed, the investment component had a pipeline of 86 projects representing a total demand of approximately US\$4.1 million in financing and US\$7.7 million in investments. The analysis mission reviewed the pipeline and reduced it down to 65 projects. However, the SAS had project profiles on hand involving significantly larger sums than those cited here, pending notification of the final eligibility criteria.
- 3.22 The terms of reference (Annex II-2) and schedule of execution for the social policy and institutional strengthening component have already been prepared. With support from the UNDP, the SAS is coordinating a study on the social sectors. This and other studies recently prepared with SAS participation, will provide the technical base for execution of this component.

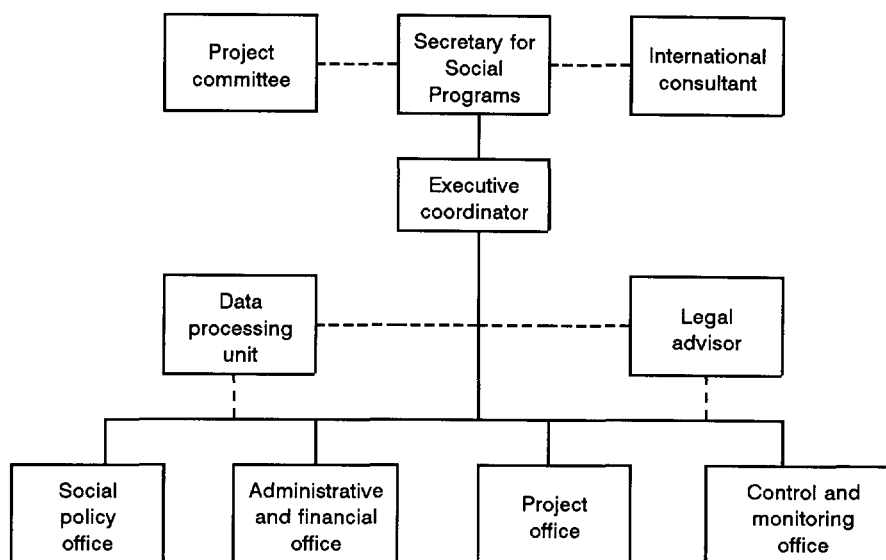
IV. BORROWER AND EXECUTING AGENCY

A. The borrower and executing agency

- 4.1 The borrower would be the Republic of Paraguay, which would carry out the program through the Secretariat for Social Programs [Secretaría de Acción Social] (SAS), established by Decree No. 9235, of June 8, 1995, as part of the Office of the President of the Republic. The following are among the SAS's many responsibilities: (i) "monitor the efficiency and targeting of social spending, suggesting changes in programs and executing agencies; (ii) identify and negotiate additional resources to fund social expenditures; (iii) coordinate, administer, and supervise social plans and programs carried out by public and private institutions; (iv) conduct a survey of the social programs in order to coordinate their execution; and (v) further establishment of a national social policy."
- 4.2 The government clearly intends to have the SAS coordinate policies in the social sector. However, it will assume this function gradually, once it has acquired sufficient institutional capacity and has incorporated itself into the dynamics of the sector. The proposed program will help the SAS consolidate its role in the social welfare subsector and build the technical and institutional foundation for a more ambitious role in the future.

B. Organizational structure

- 4.3 The organizational structure adopted by the SAS is a simple one. With a small permanent staff, most of the SAS' functions will be performed by personnel on fixed-term contracts. The SAS will confine itself to financing and supervising projects financed under the investment component, which will be carried out by the applicant institutions, but supervised by SAS-contracted consultants or by the SAS itself.
- 4.4 The SAS' organizational structure will be composed of the following: (i) the office of the Secretary; (ii) an executive coordinator; (iii) a social policy office; (iv) a project office; (v) a control and monitoring office; (vi) an administrative and financial office and (vii) a data processing and data bank unit. The SAS will have a total of 23 positions: 12 contract personnel and 11 permanent staff.



4.5 The SAS' executive coordinator is in charge of the technical and administrative supervision of SAS offices. The main functions of those offices are:

- a. Social policy: This office will handle the technical sector matters and, with the help of consultants, will monitor social programs and prepare the consolidated budget for the sector agencies.
- b. Projects: This office will promote and evaluate the projects funded under the program.
- c. Control and monitoring: This office will monitor approved projects and oversee the activities of the supervisors hired.
- d. Administrative and financial: This office will prepare the SAS' annual budget, keep the books, prepare the financial plan and handle all the administrative matters of the SAS and the program.

C. Execution of the projects

4.6 The projects that the program funds will be carried out by the following institutions:

- a. Nongovernmental organizations (NGOs): close to half of the projects in the sample analyzed for the program were submitted by NGOs. Although many of the 165 NGOs active in the country do not have adequate administrative structures or consolidated financial accounting practices, the program includes a general component for support in project preparation and will finance technical strengthening components during project implementation. In addition, the NGOs must demonstrate that they have

the technical capacity to carry out the projects. These safeguards are expected to allow decentralized execution of the projects and to help strengthen NGOs involved in the social sectors.

- b. Community organizations (COs): the COs may submit and carry out projects if they have legal status or have been recognized by the municipal or departmental governments. In the latter case, the local governments will be responsible for carrying out the works or services, although the COs will play a part in project supervision and implementation, since the projects are their own initiatives or in their direct interests.
- c. Departmental governments: governor's offices have only recently been established in Paraguay, which is why their organizational structures are still somewhat rudimentary and their functions and institutional roles still in the process of consolidation. The program will be an opportunity for them to assume responsibility for construction of relatively simple works, which will help prepare them and legitimize their role in the communities.
- d. Municipal governments: Paraguay's municipalities are undergoing institutional development, taking on ever more important roles in urban services and supplementing social sector activities. Like the governors' offices, they may help prepare and carry out projects of interest to their communities.

D. Program auditing

- 4.7 During the life of the program and for up to two years after the final disbursement, a firm of independent public accountants acceptable to the Bank will be in charge of external auditing of the program.

E. SAS operating costs

- 4.8 The SAS' annual operating costs are an estimated US\$750,000, consisting of US\$405,000 in salaries for SAS staff and US\$345,000 for other operating expenses. As an efficiency indicator, it is worth noting that operating costs represent only 9% of the investments. The planned structure could even absorb additional operations without having to be expanded since, pursuant to its strategy, the SAS will not directly carry out the projects it funds but will hire consultants to supervise them, to be paid for out of project funds.

V. PROGRAM FEASIBILITY

A. Poverty targeting

- 5.1 The program is consistent with the objectives of the Bank's Eighth Replenishment in that it will increase the resources earmarked for social projects. It will also help the country put its resources to more efficient and better targeted use. It qualifies as a social program because it will finance investments to support small-scale rural farmers and will fund projects in health, education, basic sanitation, and social services. Also, based on the sector-specific investment criteria established by the Bank (document AB-1704), the program automatically qualifies as poverty targeted.
- 5.2 Other targeting mechanisms include the following project eligibility criteria: (a) beneficiaries must belong to one of the vulnerable groups assigned top priority under the program - poor rural farmers, the urban poor, the elderly, the disabled, at-risk women and street children and youth; and (b) the target population of the projects must live in low-income suburban or rural areas.
- 5.3 To optimize use of the information available and minimize the targeting cost, the program will use existing data on unmet basic needs (paragraph 1.5). The method used to determine whether the beneficiaries are low income is to ascertain whether, in the district where the target population lives, the unmet basic needs (UBN) indicator for the type of investment requested (education, health, sanitation) is lower than the national average; in other words, whether it falls in the two lowest brackets of the UBN classification system (IV and V) ^{1/}. Thus, projects will be carried out in those districts that have 40% of the neediest households nationwide. If a project does not clearly fit into the unmet-basic-need category or at all, direct research will be conducted on the socioeconomic features of its targeted beneficiaries.
1. Impact on vulnerable groups: women, children, and ethnic groups
- 5.4 The program has been designed to have a maximum impact on vulnerable groups. Beneficiaries must belong to one of three

^{1/} On the Poverty Map, for each category of unmet basic need, the country's 218 districts were grouped into five brackets: bracket V is for districts where the percentage of households with a specific UBN is higher than 4/5 of the country, while bracket I is for districts that, relatively speaking, have the fewest households with at least one UBN.

groups (women, children, and indigenous peoples) to participate in the investments component, although other vulnerable groups such as at-risk teenagers, the elderly, poor rural farmers, and the urban poor will be accepted. Based on the goals indicated in the Logical Framework (Annex II-1) and the results of the sample analysis (Table V-1), the program is expected to benefit approximately 780,000 people 8/.

- 5.5 Projects that benefit indigenous groups, particularly by increasing income and education, must have trainers who speak Guaraní (or the appropriate native language) and on the whole must be designed with their cultures and values in mind.

B. Feasibility analysis

- 5.6 The program's final sample consists of 65 projects representing a total demand of approximately US\$2.6 million in funding and US\$3.8 million in investments. All projects had completed profiles and were ready for the final evaluation stage.
- 5.7 The evaluation method was reviewed by the analysis mission, cleared, and formalized in the program's Operating Regulations and the documents appended thereto (project preparation guidelines and project evaluation manual). All the projects in the reviewed sample were in proper order or were adjusted by those who proposed them to conform to the technical evaluation criteria approved by the mission.
- 5.8 Technical analysis of projects: The program's technical team 9/ used evaluation practices suitable for adjusted projects, endeavoring to improve the quality of the projects and continually update the program's project preparation guidelines. The latter document sets out the requirements that must be met when requesting funding, especially the social, institutional, technical, and financial data required when submitting a project. Once the program is launched, projects in progress and those already completed will begin to be monitored and evaluated, which will provide information useful for adjusting designs, operating concepts, sector-specific cost ceilings, approval requirements, and project supervision practices.

8/ This figure takes into account the fact that no more than 30% limit of the program resources may be earmarked for sanitation and that, in relative terms, the per capita cost of social services and health programs is higher than that of the other sectors.

9/ Composed of four professionals: (i) one architect; (ii) one rural sociologist; (iii) one psychosociologist; and (iv) one project officer with experience in similar projects.

1. Characteristics of the sample

- 5.9 More than three fourths of the projects in the sample are in rural areas, where poverty is most severe. The projects in the sample are broken down relatively evenly among sectors and vary in content, scope, and cost. The productive projects include small factories (honey, soap, garments), training (job-related, cooking, women), agricultural activities (subsistence farming, poultry farming) and infrastructure (small rural bridges). The sanitation projects include construction and modernization of school sanitary facilities, wells, and latrines. The projects in the education sector are mainly to build and outfit schools and training centers and to supply teaching materials. The projects in the health sector include training for health workers and nurse's aides, construction and outfitting of health centers and posts, as well as consulting services, preventive programs (for example, health education), and upgrading of special classrooms and rehabilitation services for the handicapped. Lastly, projects classified as social services include physical and functional improvements to old age homes, orphanages, playgrounds, and preventive programs (nutrition and education).

Table V-1: Analysis of the sample

Project category	Number of projects	Amount of financing (% of sample)	Total cost (% of sample)	Average per capita cost <u>1/</u>	Cutoff point <u>2/</u>	Estimated number of beneficiaries
Productive projects	9	332,833 (12.9%)	480,051 (12.6%)	50	171	24,300
Sanitation	15	1,111,352 (43.4%)	1,462,301 (38.6%)	15	41	134,100
Education and training	17	473,265 (18.5%)	785,239 (20.7%)	47	196	19,600
Health	18	450,009 (17.5%)	730,785 (19.3%)	86	440	81,400
Social services	6	193,962 (7.5%)	415,225 (8.7%)	197	458	10,800
TOTAL	65	2,561,421	3,783,261	67		270,187

1/ per project, per year, per direct beneficiary

2/ maximum cost ceiling per direct beneficiary

Costs in US\$. The number of projects in each category is underestimated because some projects have multiple subprojects (as many as 25 in some cases)

2. Technical and socioeconomic feasibility

a. Technical feasibility

- 5.10 To determine the program's technical feasibility, the project sample was examined for the following factors: (i) community participation in project identification and execution; (ii) fulfillment of the project-preparation standards of the respective national sector authorities; (iii) the projections used to determine project sizing; (iv) the design parameters and criteria; (v) the alternative designs and/or concepts considered; (vi) the supervision and quality-control plans; (vii) adequate counterpart resources in the budgets submitted; and (viii) plans of operation that ensure proper operation and maintenance of a project for the duration of its useful life. The projects in the sample are considered technically feasible.

b. Socioeconomic feasibility

- 5.11 To examine the program's socioeconomic feasibility, each project in the sample was checked to make certain that it was adequately scaled based on actual demand; that the technical option selected was the least-cost solution; and that the project was properly targeted, in accordance with the program's criteria and target groups. The investment and operating costs per beneficiary were also examined 10/. The total per capita costs were found to remain within a reasonable range for the types of services involved, compared with similar Bank-financed projects. For cost-efficiency, maximum per-beneficiary costs were established for each investment sector and, as the program advances, will be adjusted based on experience 11/.

c. Sustainability

- 5.12 The sustainability of the projects in the sample was evaluated by examining the institutional and financial capacity of the NGOs, COs, and other institutions to operate and maintain the services financed by the projects. The factors examined included the institutions' relevant experience and their sources of financing. In addition, under the program, a project's operating costs may be financed for up to two years, which allows for a gradual transition to self-sustainability. The analysis confirmed that the services provided by program-funded projects would be sustainable over time.

10/ The annual per capita cost (APCC) was figured by taking the equivalent investment cost (discounted at 12% per annum), adding the operating cost, and dividing the total by the number of beneficiaries.

11/ The ceiling or cutoff point was determined by taking the average per capita investment costs in each sector and adding 33% (for all projects in the original sample of 86 projects).

C. Institutional and financial feasibility

1. Institutional feasibility

- 5.13 The institutional feasibility of the program is premised on the introduction of the organizational structure described in chapter IV, which will have to be staffed with qualified technical personnel. For the program to function properly, a senior international consultant and consultants specializing in the various subject areas covered under the program components will provide support, thus ensuring that the project funding component and the social policy component are efficiently carried out. It should be noted that the strategy of decentralizing project execution to the applicant institutions will help the SAS carry out the program properly. Furthermore, as the sample was being prepared, the SAS showed that it was able to harness an efficient technical team, indicative that the SAS will be able to bring qualified personnel to the program. As an added contribution, UNICEF will provide technical support for implementation of the technical-cooperation project to assist street children and adolescents.
- 5.14 The social policy and institution-strengthening component will be carried out by hiring specialized consulting services. Through these consulting services, the SAS is expected to develop its own expertise in such areas as monitoring social programs and preparing and controlling the consolidated social welfare budget.

2. Financial feasibility

- 5.15 The program's financial feasibility will be ensured once the SAS budget that will be the source of the local counterpart contribution is approved. The latter totals US\$750,000 each year, a small percentage of the central government's budget, which is US\$2.093 billion in 1996.

D. Environmental feasibility

- 5.16 The projects conducted under the program will have a direct, positive environmental impact on populated areas by providing basic services and improving health care and education facilities, among others. The facilities - properly built, equipped with a plentiful supply of good quality water, with adequate provision for disposal of sewage and solid waste, and a better illuminated, cleaner, and more pleasant environment - will help make these services more efficient and thereby improve the quality of life. These activities are expected to reduce transmissible waterborne disease and improve overall and specific public health indicators. Proper disposal of sewage and other effluents will protect the country's water resources and soil and preserve vegetation.

- 5.17 Any negative environmental impact the projects may have will be moderate to slight in magnitude, localized, and temporary, and can be mitigated by taking simple measures. The project sample indicates that the main negative effects are water pollution as a result of sewage drainage, poor quality water susceptible to contamination, and improper waste disposal. The program's environmental feasibility will be ensured by the environmental evaluation and control instruments used, the project environmental questionnaires completed for each project, the environmental protection and mitigation measures stipulated in the eligibility criteria and the Operating Regulations, and the hiring of an environmental expert as part of the SAS project evaluation unit. The environmental analysis and corresponding environmental summary describe these and other environmental measures called for under the program.

E. The program's risks and benefits

- 5.18 Risks: The principal risks to accomplishment of the program objectives are: (i) because it was only recently created, the SAS' capacity as an executor of projects is still an unknown; (ii) the technical contributions from the consulting services will necessitate national counterparts of sufficient calibre to establish the SAS permanently as the governing technical agency in the sector, to which end, the SAS must have technical and political legitimacy among government agencies in the social sectors and the highest ranking government authorities; (iii) the demand for projects may not be strong, since funding is conditional upon rigorous targeting that will necessitate adjustments in the working methods used and higher quality project preparation by nongovernmental organizations; and (iv) the projects for income generation and support for productive activities may not be sustainable.
- 5.19 To minimize these risks, the Bank and the SAS authorities have drawn up a detailed staffing plan that includes the qualifications required of national professionals. Recruitment of professionals qualified in project execution and social specialists is considered feasible since the salaries offered will be competitive on the local labor market. All the same, one international consultant will be present during the program's first years.
- 5.20 Support from the highest decision-making government authorities will be essential to carry out any recommendations that may come out of the program and for the SAS' institutional role to develop. Discussions with the local authorities and the SAS' setup in the Office of the President of the Republic are indications that its work will have sufficient backing. As for the possibility that not enough projects will meet the program's eligibility criteria, workshops and seminars are being held with institutions that are potential project executing agencies, to disseminate the lines of

financing, explain the rules, and provide assistance in preparing proposals for the program. 12/

- 5.21 Benefits: The above risks notwithstanding, program's benefits clearly justify the program, which will be instrumental in introducing major reforms designed to give direction to the government's initiatives and will improve the quality of social services and activities to combat poverty.
- 5.22 The operation will directly help alleviate poverty in the country, meeting needs in education, health, and sanitation in those districts found to be the poorest and assigned top priority by the government. Its impact will be significant for the program's priority target population. In carrying out the projects, local executing agencies (municipal and departmental governments) will benefit from the institutional strengthening. The community organizations and nongovernmental organizations that actively participate in the program will have their legitimacy and their role as community institutions considerably enhanced.
- 5.23 The program will help introduce more effective practices for identifying and carrying out projects, such as: (a) targeting investments based on the eligibility requirements that apply to the projects' beneficiary groups; (b) more efficient and economical execution of social programs by emphasizing privatized, decentralized execution; and (c) better quality programs by introducing the practice of constant monitoring, which generates data that can be used to improve and evaluate those programs. These practices will spread among the institutions in the social sectors, thereby improving quality of public sector investments in general.

12/ To ensure the quality of productive projects, an expert in the design and evaluation of such projects will be hired. In addition, financing for productive projects will be limited to 10% of the investment resources of the program.

LOGICAL FRAMEWORK AND BENCHMARKS OF THE PROGRAM

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	EXTERNAL VARIABLES
GOAL To improve the quality of life of vulnerable groups (children, adolescents, women, the elderly, indigenous peoples, the disabled, poor farmers, and others) and alleviate extreme poverty.	Beneficiaries are satisfied with the quality of the services and benefits received from the projects.	<ul style="list-style-type: none"> Survey of program beneficiaries (monitoring system) Social statistics 	Economic factors (fiscal, external shocks), natural factors (droughts, floods, epidemics), and political adversity.
PURPOSE To improve and expand the supply of social services available to the poorest and most vulnerable groups.	The coverage of social welfare services increases by 25%.	<ul style="list-style-type: none"> Monitoring system (surveys of beneficiaries) 	Limited resources for social programs. Difficulties with external financing.
To rationalize, target, and consolidate public spending on social welfare by designing policies, targeting spending, and promoting a decentralized model for delivery of social services.	<ul style="list-style-type: none"> Social spending targeting vulnerable groups increases by at least 20%. Unit costs per unit of service and per beneficiary decrease by 20%. Administrative costs for the social welfare programs are kept at 30% of the total cost. 	Fiscal accounts and annual budgets Program monitoring system	<ul style="list-style-type: none"> Parliamentary approval of the budgets or the program Geographic factors that affect costs Institutional weakness of the executing agencies (NGOs, COs, and government institutions)
COMPONENTS I. <u>Social policy and institutional strengthening</u> <ul style="list-style-type: none"> Social spending strategy and anti-poverty plan. Social welfare budget. Institutional strengthening: SAS, welfare agencies, monitoring system. 	<ul style="list-style-type: none"> A social spending strategy has been prepared and approved. Decentralized anti-poverty plans have been prepared and approved. A consolidated budget is prepared on a regular basis. Strengthening activities are carried out. The project monitoring system is operational. 	Program monitoring reports (SAS) Reports prepared by the program's consulting services	<ul style="list-style-type: none"> Political resolve: regional and national pressure from voters about investment priorities An adverse institutional culture

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	EXTERNAL VARIABLES
<p>II. <u>Financing for social projects</u></p> <p>Targeting the following vulnerable groups:</p> <ul style="list-style-type: none"> a. Rural poor b. Urban marginal population c. Children and adolescents working in the streets d. The elderly e. At-risk women f. The disabled g. Indigenous peoples 	<p>The number of projects conducted and population directly benefitting:</p> <ul style="list-style-type: none"> - 150 productive projects with 150,000 beneficiaries - 250 sanitation projects with 500,000 beneficiaries - 81 training projects with 70,000 beneficiaries - 80 health projects with 38,000 beneficiaries - 70 social services projects with 18,000 beneficiaries 	<p>Surveys of beneficiaries (monitoring system)</p> <p>Program progress reports</p>	<p>Noncompliance on the part of executing agencies and/or contractors.</p>

PARAGUAYAN SOCIAL INVESTMENT PROGRAM ("PROPAIS")

OPERATING REGULATIONS

I. INTRODUCTION AND DEFINITIONS

A. Introduction

These regulations establish the terms and conditions governing the investment component of the Social Investment Program - "PROPAIS" (the program) carried out by the Secretaría de Acción Social [Secretariat for Social Programs] (SAS), with partial financing from the Inter-American Development Bank (IDB).

B. Definitions

Beneficiary contribution: the contributions that the applicant institutions and/or end-beneficiaries of the projects make to cover project costs.

Change order: an instrument to alter the overall amount of a program-financed project.

Executing unit: the Secretaría de Acción Social [Secretariat for Social Programs] (SAS), which is the executing agency of the program.

Grant agreement: the agreement for nonreimbursable financing that the SAS must enter into with the executing agency to carry out the project.

Loan contract: the loan contract for no. /OC-PR, between the Republic of Paraguay and the IDB.

Neighborhood associations or community organizations (COs): those institutions or organized groups, formal or not, which may apply for funding under the program, provided they fulfill the requirements stipulated in these Regulations.

NGOs or nongovernmental organizations: private, nonprofit institutions whose social activities are consistent with the program objective.

Project committee: the body that ultimately decides whether applications for project funding are approved or rejected.

Target groups: the program's final beneficiaries, who shall be the vulnerable groups and groups living in poverty, as defined by the eligibility criteria specified in these Regulations.

Technical cooperation agreement: the agreement for nonreimbursable technical-cooperation operation no. ATN- /PR, between the Republic of Paraguay and the IDB.

II. THE PROGRAM

A. Objective

The program's general objective is to improve the quality of life of the extremely poor and vulnerable segments of Paraguay's population, by financing social projects and promoting measures to rationalize public spending on poverty alleviation and social welfare programs.

The specific objectives of the program are:

- a. Devise a strategy for rationalizing public spending on poverty alleviation and social welfare programs by adopting regional plans of action for combatting extreme poverty and defining a policy and consolidated budget for the social welfare sector.
- b. Address the most pressing needs of at-risk low-income groups – the rural poor, the urban disadvantaged, street children, at-risk women, the elderly, the handicapped and indigenous peoples – through financing for social investment projects.

B. Executing agency

The executing agency of the program is the Secretaría de Acción Social [Secretariat for Social Programs] (SAS), created to advise the government on coordination of the country's social policy.

C. Program components

To accomplish its objectives, the program shall consist of the following components:

1. Social policy and institutional strengthening

The terms of reference for the activities to be carried out under this component are appended hereto.

a. Social spending strategy/anti-poverty plan

With a view to setting government priorities, a general strategy and regional plans of action shall be devised to combat poverty. Regional surveys shall be conducted of problems and specific plans of action devised to order help government agencies assign priorities so that their activities target the segments of the population living in extreme poverty. The goal of the component is to develop concrete guidelines for geographic priorities and to devise institutional strategies for implementing measures for poverty alleviation nationwide.

b. Social welfare plan of action and budget

A social welfare policy shall be devised and measures taken to reorganize public spending on social welfare. The purpose of the policy shall be to improve the efficiency of public spending and the targeting and execution of government programs. The models that the program shall promote for delivery of services shall be based on cooperation with nongovernmental organizations and decentralization to departmental and municipal governments.

As one means to articulate priorities and coordinate the activities of the sector institutions, a consolidated budget shall be prepared covering all public spending on social welfare programs. The budget shall be prepared by the SAS, which shall become the governing sector agency. The program shall provide technical and financial support for preparation of sector and institutional studies and for consolidation of the budget.

c. Monitoring system

The program shall finance the implementation of a system to evaluate and monitor: (a) the anti-poverty and social welfare policy, and (b) the quality and effectiveness of the program-funded projects. For the sector policy and programs, the system shall use geographic indicators of poverty and unmet basic needs to evaluate government measures to improve those conditions. The basis for monitoring program-financed projects shall be direct research on the beneficiaries to obtain their views on the results of the social projects. The information thus generated shall be used to correct or adjust project designs. The monitoring shall be continuous such that in each period, a number of projects either in progress or already completed shall be selected and the entire process evaluated, from analysis and approval to execution and operation. The analysis shall be supplemented with the research on the beneficiaries' views regarding project impact. The recommendations drawn up from project monitoring shall be presented in periodic reports forwarded to SAS executives. The program shall

also finance technical assistance to develop methods and conduct field studies and surveys.

d. Strengthening of the SAS and sector institutions

This subcomponent shall support implementation of the program and the strengthening of the SAS through: (a) the hiring of an international expert hired to assist with execution of the program's various elements; (b) national consultants to promote projects and develop methods for analyzing and evaluating projects in certain areas of specialization financed by the program (productive projects, projects for indigenous peoples); (c) project promotion activities in the field and training for government agencies and private institutions (NGOs) in project preparation and submittal under the program; and (d) organizational consulting services for implementation of corrective programs identified in diagnostic and other studies conducted on the sector agencies.

2. Funding for social projects

This component shall fund small projects for investments in works and services for people living in extreme poverty and vulnerable groups (such as at-risk youth and women, the elderly, the handicapped, and the urban disadvantaged). The program's emphasis shall be on fighting rural poverty and on the above-mentioned groups. The eligible sectors and types of project to be financed are described below. The program shall provide grants to fund projects submitted by NGOs, community organizations, and other nonprofit institutions, and by municipal and departmental governments. The projects shall meet the institutional, sector, and technical criteria and other rules stipulated in these Regulations.

a. Children and adolescents working in the streets (street children)

The program includes nonreimbursable technical-cooperation funding in the amount of US\$8 million, financed by the Bank and executed in accordance with the program rules and methods. This component shall be governed by these Regulations and by the plan of operations for said technical cooperation (attached to these Operating Regulations).

D. Program resources

The total cost of the program is US\$31 million. The IDB's contribution shall be a loan of US\$20 million and nonreimbursable technical-cooperation funding in the amount of US\$8 million. The local counterpart funding shall be US\$3 million.

III. ELIGIBILITY CRITERIA

(For the social project financing component)

A. Eligible beneficiaries

Projects that benefit the following target groups shall be eligible for funding under the social project component:

1. the rural poor
2. marginal populations
3. street and/or at-risk children and adolescents
4. at-risk women
5. the elderly
6. the handicapped/disabled
7. indigenous peoples

B. Eligible sectors

1. Projects classified in the following sectors shall be eligible to receive funding:
 - a. income generation/support for productive projects
 - b. environmental sanitation
 - c. education/training
 - d. health/nutrition
 - e. social services
2. The types of projects covered by these sectors and the categories of expenditures that will be financed are as follows:

a. Income generation/support for productive projects

Projects in this category shall assist establishment and operation of small units to produce goods for personal consumption and/or marketing. The projects shall benefit poor farm communities or marginal urban districts. The funding may be used for equipment, tools, facilities, technical assistance, job training, and marketing assistance. The amount to be allocated to projects in this area will be limited to 10% of the investment resources of the program divided evenly over the program execution period.

b. Environmental sanitation

Projects in this category shall assist the design, construction or rehabilitation of: (a) simple sanitation facilities (latrines, septic tanks, bathrooms); (b) water supply systems (cisterns, wells, and others); and (c) hygiene and environmental education. Projects shall be carried out in rural or marginal urban areas, in

areas not presently covered by the government agencies in the sector. The amount earmarked for projects in this sector shall not exceed 30% of the program's investment resources.

c. Education and training

Projects in this category shall assist construction, modernization, rehabilitation and outfitting of educational centers and the training programs for young people and adults. Projects in the following areas shall be eligible: (a) schools in rural areas and in outlying urban areas; (b) teaching materials for schools; (c) job training for youth; and (d) literacy programs and job training for adults. Projects involving new schools shall be financed only if presented and operated by NGOs or COs.

d. Health

Health projects shall support the operation, construction, expansion, or rehabilitation of services for: (a) primary health care in rural or marginal urban areas; (b) rehabilitation for the physically and/or mentally handicapped; and (c) special health care required by vulnerable groups. Under the projects, the following shall be eligible for financing: (i) works and medical equipment, instruments, and supplies (medications, vaccines, etc.); (ii) education/training of the population on health issues; and (iii) training of health care providers.

e. Social services

These projects shall assist the construction, repair, expansion, and operation of: (a) comprehensive services for street children; (b) services for women, youth, and the elderly; (c) day-care centers and home child-care centers; and (d) community centers to be used as a base for the delivery of social services, with emphasis on youth activities. The funding will be used for the works, equipment, and services needed to carry out these activities, for fellowships, and for other associated costs.

3. Technical selection criteria

Projects funded under the program shall meet the following technical requirements:

- a. The unmet basic needs (UBN) index ^{1/} most applicable to the proposed project, in the district of the target population, must be below the national average and fall into one of the

^{1/} Paraguay-Atlas de Necesidades Básicas Insatisfechas 1995 [1995 Atlas of Unmet Basic Needs]. Bureau of Statistics, Surveys and the Census.

lowest two brackets (IV and V) on the Poverty Map (only bracket V in the case of productive projects). The "subsistence capacity" UBN shall apply in the case of productive and social services projects; the "sanitation infrastructure" UBN in the case of projects in environmental sanitation and health, and the "education access" UBN in the case of education projects. If the UBN for a district is not below the national average, research shall be conducted to verify the socioeconomic situation of the community or group in question; the average monthly income of which must be below the poverty threshold of US\$60/month.

- b. Projects shall meet the cost criteria indicated below:

COST PARAMETERS PER BENEFICIARY

TYPE OF PROJECT	MAXIMUM COST PER BENEFICIARY (US\$ EQUIVALENT)
Productive projects	171
Sanitation	41
Education and training	196
Health	440
Social services	458

These parameters may be updated by mutual agreement with the Bank, or at the request of the SAS, according to the experience gained in the analysis of new projects.

4. The general technical requirements for submitting projects shall be as follows:
- To submit a project, beneficiaries must belong to an organized community group. If the group does not have legal status, it must be sponsored by a private institution or decentralized government agency, which shall be responsible for the project execution.
 - The proposal to carry out a project must be supported by a request from the community group, wherein the beneficiaries themselves confirm the need for the project.
 - The operating costs and associated costs of a project shall be funded for a maximum of two years; the funding shall decrease by 25% every six months.
 - The projects may not figure in the plans of operation of other public-sector institutions nor may financing be requested of such institutions.

- e. The project funding proposals shall contain at least the following information:
- a qualitative and quantitative description of the expected benefits; the risks involved in project execution and the measures taken to minimize those risks; and the number of direct beneficiaries and a reasoned estimate of the indirect beneficiaries;
 - the executing agency's previous experience with and capacity for the type of project in question or in the requesting community, and information on the personnel to be used during execution;
 - a complete schedule of activities, including presentation of reports;
 - an itemized budget of the project's total cost, broken down by year, expenditure category, and sources of financing (PROPAIS, NGO or local government, contribution by beneficiary community, specifying the approximate value in funding, in kind, or in labor, other donors, etc.), with the beneficiaries having to contribute the equivalent of at least 10% of the total amount of the project;
 - plans of the works and technical specifications of the equipment to be funded, approved by the municipalities or the sector agency whenever such approval is required by law; and
 - a description of a basic system for monitoring and evaluating the project, which shall provide information on the impact achieved.
5. The sector requirements shall be:
- a. Income generation and support for productive projects:
- (i) Productive projects shall include a justification that demonstrates their economic and commercial feasibility, in order to preclude activities that are not sustainable either because access to inputs is lacking, regional marketing is difficult, or demand is insufficient.
 - (ii) The cost of a productive project for which funding is requested may not include funds for loans.

- (iii) Productive projects shall include a component for training of beneficiaries in technical matters, administration, and marketing.

b. Environmental sanitation

- (i) Infrastructure projects shall conform to the technical standards and meet the criteria established by SENASA for the respective types of projects and shall include a component for education on sanitation and the environment for the beneficiaries, specifying the curriculum.
- (ii) Projects shall include a plan for maintaining the works and indicate who will be responsible for such maintenance.

c. Education and training

- (i) Infrastructure projects shall conform to the technical standards and meet criteria the established by the Ministry of Education and the Ministry of Justice and Labor, as appropriate.
- (ii) Education and/or training projects shall contain justifications demonstrating that the training to be provided to the beneficiaries responds to their need to resolve a specific problem in their community.
- (iii) The projects shall specify the curriculum and training methods to be used.
- (iv) In the cases of new schools that rely on public funding to pay their teachers, certification shall be presented from the institution operating the school to the effect that the school or training center has assigned staff and that the project is included in its supervision and technical support plans.

d. Health

- (i) Infrastructure projects shall conform to the technical standards and meet the criteria established by the Ministry of Public Health and Social Welfare and include exact specifications.
- (ii) Projects that, because of their characteristics, will require support to ensure their continuity, shall include a component to teach the beneficiaries comanagement techniques so they will have the skills

necessary for the independent operation phase. The training curriculum shall also be included.

- (iii) In cases of new infrastructure, a certificate issued by the government agency in the respective sector shall be submitted stipulating that there are sufficient human resources to operate the system and that the project is included in the agency's plans for supervision and technical support.

e. Social services

- (i) Infrastructure projects shall conform to the technical standards and meet the criteria established by the municipal government or the public institution for the sector to which the project pertains.
- (ii) Projects that involve procurement of specialized equipment shall be submitted with the technical specifications of same and a technical justification of how the equipment will be used with respect to the beneficiaries.
- (iii) Projects to finance operating costs shall include a training component, either to teach beneficiaries self-management techniques or to strengthen the operating NGO.
- (iv) Projects that involve training activities for beneficiaries shall be submitted with the curriculum.

C. Eligible institutions

The following institutions shall be eligible to apply for funding under the program and to carry out projects:

1. public-sector institutions (departmental governments, municipal governments, and decentralized agencies of the central government);
2. private nonprofit institutions (nongovernmental organizations - NGOs, community organizations, neighborhood associations, farm cooperatives, and the like).

To apply for the program's funds, these NGOs and community organizations must meet the following requirements:

- a. Be officially recognized (see item IV.2.c.).
- b. Demonstrate the technical capacity to carry out the project.

- c. Demonstrate the legal and financial capacity to manage and maintain the service.
- d. Meet the program's institutional and financial criteria.
- e. Agree to undergo the institutional strengthening program that the SAS indicates, when such program is needed for proper execution and subsequent operation of the project.

IV. PROJECT CYCLE

A. Project identification and preparation of funding requests

1. Project identification and promotion

Projects shall be identified through the promotional activities conducted by the program's executing unit, from applications received from NGOs and other institutions eligible to carry out projects, and based on the needs of the communities and groups that qualify as program beneficiaries.

The program shall respond to applications that meet the eligibility requirements with respect to sector, institution, and targeting, as determined on a preliminary basis by the SAS technical team when the request is first filed.

2. Submittal of applications

Applicant institutions interested in carrying out an eligible project shall submit their applications for funding to the executing unit, in accordance with the requirements set forth in the project presentation guidelines and in these Regulations. The following documents shall be submitted with an application:

- a. a project study at the feasibility level and a final design (appropriate to the degree of complexity) in two copies, in accordance with the PROPAIS project presentation guidelines;
- b. evidence of legal possession of the property where the works will be built or of rights to use said property; if such evidence cannot be initially provided, presentation of same shall be a condition precedent to approval of the funding;
- c. legal documentation attesting to the applicant institution's legal status or, if the institution is a neighborhood association that does not have legal status, official recognition by a municipal or departmental government, in which case the application shall include a pledge from the departmental or municipal government to contract for and carry out the works or

services, and to transfer them thereafter to the appropriate operating entity or to operate and maintain the works or services itself. If another government institution vouches for an applicant institution without legal status, the applicant institution shall authorize the SAS to make payments directly to suppliers or contractors on its behalf, charged against the grant;

- d. the name of the party bearing technical responsibility for the project.

3. Evaluation

Once a project application is received, a technical evaluation shall be conducted in accordance with the program's project evaluation manual. The chief criteria shall be the following: (a) **institutional criteria:** the executing agency's management capacity (i.e., experience in carrying out projects, organizational structure, human resources, installed organizational capacity, community participation, and method of evaluation and supervision), with local government agencies and neighborhood communities being treated differently; (b) **social criteria:** socioeconomic conditions of the target population (level of organization and beneficiary participation, perceived need and sense of project ownership, verification of UBN status); (c) **technical and methodological criteria:** the suitability of the methods and inputs given each project's objectives (i.e., selection of the beneficiary group, materials, timetable, expected benefits); (d) **financial criteria:** the executing agency's financial capacity to carry out the project given the planned sources of financing, and the appropriateness of the project design given the resources budgeted; (e) **environmental criteria:** the environmental impact of the project in its area of influence and measures to eliminate or mitigate any adverse impact.

4. Project approval

The executive coordinator shall examine the project evaluation reports submitted by the program project office and shall forward them, with his or her recommendation, to the project committee for approval, postponement, or rejection.

The project committee shall have final authority for approval of projects submitted by the program's executive coordinator. It shall consist of five members, and shall be chaired by the Secretary for Social Programs. Its decisions shall always be based on the provisions of the program's operating regulations and manuals.

Once a final decision has been reached, the outcome shall be officially communicated to the applicant. If the project has been approved, a draft of the grant agreement between the SAS and the

applicant institution shall be drawn up. The project office shall open a project file, which shall be forwarded to the control and monitoring office with the following documents:

- application and project approved
- evaluation report
- legal documents
- grant agreement

5. Formalization

Projects approved under the program shall be funded under grant agreements between the SAS and the applicant institutions and/or beneficiaries, in accordance with Bank-approved models.

6. Procurement and contracting

Procurement and contracting under the program shall be carried out in accordance with the provisions of the SAS procurement manual. Whenever IDB resources are used, the terms set forth in the loan contract shall apply.

When the applicant institution is in the public sector, all contracting and procurement shall follow the procedures set forth in Paraguay's domestic legislation. Pursuant to the program regulations, the amount for each project may not exceed the equivalent of US\$200,000. When such amounts are involved, the competitive bidding procedures established in Paraguayan law shall apply.

When the applicant institution is in the private sector, all contracting and procurement shall follow private competitive bidding procedures, in accordance with the SAS procurement manual, which requires offers from at least three contractors.

Contracts for works or services or for the procurement of goods shall be **awarded** by the applicant institutions to the contractors once the party responsible for supervising the project has approved such contracts.

Regardless of the result of the award, the counterpart contribution shall remain fixed at the percentage dictated by the approved funding structure. Grant agreements shall stipulate the percentage variation that the program may cover in the awards.

7. Supervision

The projects shall be supervised by consulting firms or individual consultants, charged against the cost of the project. Those firms or consultants must be in operation before the respective contracts

to begin the project's works or services are signed. Under exceptional circumstances, the SAS may directly supervise a project.

Supervisors shall:

- a. Approve the contracts for works or services and the procurement of goods.
- b. Approve each disbursement request.
- c. Certify the authenticity of the documents presented and the degree of progress projects have accomplished and, where appropriate, implementation of the measures required to mitigate any adverse environmental impact.

However, the executing unit reserves the right to supervise a project directly when, in its opinion, its direct supervision is more advisable or adequate third-party supervision cannot be secured. The IDB has the authority to inspect program-funded projects at any stage in their execution.

8. Control and monitoring

The executing unit's control and monitoring office shall monitor project execution and appoint one person to be responsible for each project. Control and monitoring shall be based on the plans and timetables established in the grant agreements.

To monitor fulfillment of the contracts, the control and monitoring office shall review the work of the supervisors hired for each project, by carrying out the following activities:

- a. review of plans for how the work should progress;
- b. authorization of requested disbursements, which shall be paid by the administrative and financial office;
- c. review and approval of change orders (modifications in the overall amount of a project) of under 15%, by agreement with the project office;
- d. review and recommendation to the executive coordinator on change orders involving more than 15%;
- e. verification that the project is proceeding on schedule;
- f. verification that contractual clauses are being fulfilled;
- g. comparison of a project's physical progress with its financial progress; and
- h. selective on-site inspections, with a report on each detailing its activities.

9. Disbursement method

The disbursement method shall depend on the type of contract and the project specific needs.

a. Advances

The executing unit may disburse to the applicant institution or executing agency, as appropriate, an advance of no more than 20% of the amount of the contract. The necessary sums shall be deducted from subsequent disbursements to ensure that the advance is repaid in full by the time the final disbursement is made.

b. Reimbursements

An executing agency may draw upon its own resources for the project initial investments. The executing unit shall reimburse the executing agency for its outlays once the latter have been verified in accordance with the established procedures.

V. **TERMS AND CONDITIONS OF THE PROJECT FUNDING**

A. Use of resources

1. Types of investments that can be funded

The program resources shall be earmarked to fund the following types of investments:

- a. civil works and facilities
- b. procurement of machinery, equipment, furnishings, spare parts, tools, and supplies
- c. training
- d. operating expenses
- e. consulting services for supervision
- f. consulting services for technical assistance
- g. contracting

2. Contributions from beneficiaries

In addition to paying for all or part of any of the items to which program resources are allocated, beneficiary contributions may be used to finance:

- a. purchases of property for the projects
- b. domestic taxes and customs duties for the import of goods

3. Prohibitions

Applicant institutions may not use program resources to:

- a. repay debts, either principal or interest
- b. purchase shares, bonds, or other securities

B. Funding limits

- a. The maximum amount of the program's contribution to any single project shall be US\$200,000.
- b. The component for works and equipment in these projects may not exceed US\$100,000.
- c. The cost of each project's supervision component shall not exceed 10% of the project's total cost.
- d. For the duration of the program, funding to public-sector agencies may not exceed 50% of the total earmarked for the social projects support component.

C. Funding instruments

The executing unit shall award funding to the applicant institution under a grant agreement that shall specify: (a) the structure of the funding, indicating what percentage will be program resources and what percentage will be contributed by the applicant institutions and beneficiaries, either in cash or in kind; (b) the financial obligations of the parties such as operation and maintenance of the projects; and (c) the timetable for payments and execution. The standard agreements with the applicant institutions approved by the Bank shall be used for the program.

The amount stipulated in an agreement is an indicative amount, inasmuch as changes may be made in the contract awards and change orders may be approved during project execution. In that event, the executing unit shall make the necessary changes in the funding structure.

D. Approval authority

Program-funded studies or projects shall be approved by the executing unit independently when the amounts involved do not exceed the ceilings established in the above section. Subsequent to approval of the program, every year the IDB shall review a random sample representing at least 30% of the projects involving sums in excess of US\$30,000, and a representative sample of projects involving lesser amounts.

VI. REGULATION OF THE PROGRAM

The program shall be governed by the provisions of the following documents:

- the loan contract for no. , between the Government of Paraguay and the IDB
- these Operating Regulations
- the program's operations manuals
- model grant agreements between the SAS and the beneficiaries

In the event of any discrepancy among the above documents, the contract shall prevail over any other.

A. Amendments to the Regulations

The borrower and/or executing agency may suggest changes to these Regulations to adapt them to any new conditions or circumstances that may arise during program execution. Such changes shall require the Bank's prior approval and shall take effect upon subsequent issuance of a resolution by the SAS.

Should situations not contemplated in these Regulations or requiring special treatment arise during program execution, the executing unit and the IDB shall agree upon the procedures to be followed.

The terms and conditions stipulated in the loan contract and its annexes shall take precedence over these Regulations.

B. Approval

These Operating Regulations were approved by Executive Degree No. , dated , and through IDB communication no. , dated .

Any changes to these Regulations shall enter into force upon the issuance of a resolution by the SAS.

PROGRAM TO PROVIDE COMPREHENSIVE CARE
FOR CHILDREN AND ADOLESCENTS WORKING IN THE STREETS

(TC-95-01-48-9)

EXECUTIVE SUMMARY

REQUESTER: Government of Paraguay

EXECUTING AGENCY: Secretariat for Social Programs [Secretaría de Acción Social] (SAS)

BENEFICIARIES: Paraguayan street children and adolescents

FINANCING: IDB: US\$8 million
(FSO/LC, net income)

TERMS: Execution period: 4 years
Disbursement period: 4 years

OBJECTIVES: The objective of this technical-cooperation project is to help provide children and adolescents who work in the streets with an opportunity to develop their physical, intellectual, professional, social, and spiritual potential in a harmonious manner and thereby prevent them from becoming fringe and criminal elements of society.

DESCRIPTION: The technical assistance involves the following:

1. A subcomponent for preventive care and assistance will fund eligible projects submitted by government organizations (GOs) and NGOs in accordance with the Operating Regulations of the program and the selection and prioritization criteria specific to each component. It will finance projects and activities in: (i) child labor prevention; (ii) prevention and mitigation of the risks to which street children (12 and under) are exposed; (iii) prevention and mitigation of risks to which teenagers (age 13 to 18) working on the street are exposed; (iv) assistance for children and teenagers who live in the streets; (v) comprehensive rehabilitation of juvenile delinquents; (vi) promotion of child protection; and (vii) special studies.
2. A subcomponent for promotion and technical assistance will finance activities in: (i) mass

communication activities to increase awareness in Paraguayan society of the needs and rights of street children; (ii) project promotion and advisory assistance for GOs and NGOs in project preparation and submittal; (iii) technical assistance for participating institutions; (iv) the strengthening that the sector-related GOs and NGOs require; and (v) joint efforts among the various organizations active in the sector.

BENEFITS:

The goal of the component is to improve the personal situation, quality of life, education, health, and future prospects of 25,000 children and adolescents working in the streets of the country's major cities.

RISKS:

The risks of the proposed component include the NGOs' managerial and operational weaknesses, their financial dependency, and coordination problems within the sector. These risks would be minimized with the institutional strengthening to be carried out to improve the managerial capacity of the beneficiary organizations.

**SPECIAL
CONTRACTUAL
CONDITIONS:**

The SAS consultant in charge of the component to assist children and adolescents working in the streets must be hired before the first disbursement.

I. BACKGROUND INFORMATION

- 1.1 Of Paraguay's 4.8 million inhabitants, some 38% (1.8 million) are under 15 years old; 36% are under five. Two out of every three children live in poverty and half of these in absolute poverty. The low and uneven coverage of the social services is reflected in the high rates of functional illiteracy, mortality, and physiological and psychosocial pathology evident among the youth of this South American country.

A. Who are the children working in the streets?

- 1.2 The most dramatic manifestation of child poverty are the children and youth who work or live on the streets ("street children") in the country's major cities, prematurely exposed to many dangers that directly affect their growth and physical as well as psychosocial development. The 1994 human rights report states that their number has increased in recent years, as have child prostitution and other forms of sexual exploitation of juveniles. There are currently an estimated 30,000 street children in the country (see Table I-1). While the vast majority (98%) still live with their families, those children and adolescents who have severed ties with their families and now live in the streets (2%) come mainly from broken homes (65% have single mothers or female heads of household) where domestic violence and child abuse are common. Although the children work mainly to contribute to the family income or to ensure their own survival, by working in the streets they expose themselves at an early age to all its dangers.

Table I-1
CHILDREN AND ADOLESCENTS WORKING IN THE STREETS

CITY	No.
Asunción	26,000
Ciudad del Este	2,300
Pedro Juan Caballero	800
Encarnación	300
Coronel Oviedo	300
Concepción	200
Caacupé	100
TOTAL	30,000

- 1.3 Many street children came from families that have emigrated from rural areas to the city. While child labor is an accepted practice in rural areas, it is done in the family environment with workdays a child can withstand without compromising his or her growth and

development. In the urban milieu, however, life on the streets differs radically and the same values and reasoning do not apply. With the recent skyrocketing of rural poverty (Morley), it is clear that unless concrete measures are taken to improve the quality of life of rural farmers, the exodus from the countryside to the city will invariably get worse, accelerating the breakdown that the cities and their inhabitants are already beginning to experience, particularly children and teenagers from families already living in extreme poverty.

- 1.4 Street children are usually introduced to the streets between the ages five and seven. Most are boys (80%-90%) (except in Ciudad del Este, where 50% are boys) over the age of 10. More than 80% (85% in Asunción) also attend school. The majority (70%) work as vendors (articles, newspapers), shoeshine boys, car guards, etc., earning an average of approximately Gs5,900 a day (US\$3).

B. What is the problem?

- 1.5 Given this situation and the cultural context, street children face two key problems: (a) child labor *per se*, and (b) the dangers of the city streets (violence, drug addiction, crime, sexual exploitation, etc.). The social perception of child labor and the presence of children working in the streets vary according to the child's age: Paraguayan society is less and less tolerant of small children having to work, but it does tolerate adolescents working. Thus, for children under the age of 12, the problem is having to work at all (rather than being in school, developing themselves for the future); the fact that they work in the streets makes it that much worse. For youth between the ages of 13 and 18, however, the problem stems more from the risks associated with being on the streets and the physical, psychological, social, and working conditions (long hours, lack of sanitary services, violence, etc.) to which they are exposed at the expense of their quality of life, their growth and psychological, physical and professional development, and, ultimately, their potential to become productive adults.
- 1.6 One consequence of child and adolescent labor is its devastating effect on their educational opportunities. The direct costs to a family of public school alone (enrollment, uniforms, supplies, transportation, etc.) cause many children and teenagers to work long hours in the streets. They end up exhausted and their school performance suffers as a result, as reflected in the high repeater and dropout rates.
- 1.7 One aspect of the problem of child labor is a tradition known in Paraguay as the *criadita*, which is dying out (58% of households in 1989, 38% in 1992 and 7% in 1994). These are little girls and teenage girls between the ages of 5 and 18 who, in return for room

and board, education and, occasionally, money, are turned over by their parents to city families to do housework, run errands, care for children, and the like. Recent studies show that while their numbers are dropping rapidly, in Asunción alone there are still over 11,000. Many are not actually being given the educational and recreational opportunities their parents were promised. The theory is that a parallel increase in remunerated child labor as domestics explains the rapid decline of the *criadita* tradition. The same studies show, however, that contrary to popular belief, this practice is now more common in lower-income households (as opposed to medium- and high-income households) because the low-income households need cheap labor.

- 1.8 Another problem for children and teenagers trying to subsist on the streets is their negative image among some segments of society (e.g., shopkeepers, tourists, the public in general). Because of the widely circulated negative stereotypes of these children and teenagers, they are frequently persecuted. Some honest debate is needed in Paraguayan society that begins by acknowledging the inconsistency between its avowed principles and the individual and collective apathy towards the plight of its youngest members.

C. What guarantees and recourse do street children have?

- 1.9 The pertinent principles of current legislation and the bill on the Minor's Law already submitted to Congress, protect a child's right to work, subject to guarantees that prohibit work by children under the age of 12 and that restrict working hours and the degree of danger to which young people between the ages of 12 and 18 can be exposed. The greatest contribution that the proposed legislation makes is to recognize that a child has the authority to make his or her own decisions.
- 1.10 The minors who live in the streets have little access to assistance, even less when it comes to prevention or alternatives to working in the streets, particularly for girls. In Asunción, most of these (approximately 400) are cared for at centers run by religious congregations (for example, the Centro Salesiano Don Bosco Roga and the Hogar San Vicente). The few (180 per year) who become delinquents end up at the rehabilitation center operated by the Instituto del Mañana (boys from 12 to 14); those from 15 to 18 (presently some 200) go to the Centro Francisco López (known as the "Panchito") or to the Women's Detention Facility, both of which are presently in poor condition. In the latter case, some are held in subhuman conditions, at times with adult criminals in the prison facilities of the Ministry of Justice, without any access to effective reeducation programs. One project (already presented by the Fundación La Esperanza) plans to build a modern rehabilitation center to replace the Panchito, at an estimated cost of US\$1.7 million.

- 1.11 To resolve the various aspects of the problem, a different approach is needed for every age group from infancy to adolescence (ages 0-2, 3-5, 6-9, 10-12, and 13-18). At each of these stages, the problem is driven by a different set of dynamics, so that if the underlying causes are to be corrected, measures appropriate to each age group are required. It is also important to stress the extreme vulnerability of girls living and working in the streets, because of their gender.

D. What is being done in the sector?

- 1.12 Prevention-oriented efforts in this area are limited, as are, for that matter, assistance-related efforts. The latter include some promising measures that have thus far eluded several attempts at coordination. One of the most recent is the creation of the National Center for the Protection of Children's Rights [Centro Nacional de Defensa de los Derechos de la Infancia] (CENADI) in July 1995. This government agency has quickly managed to establish contacts with the principal NGOs active in this field, and has become an effective link between the Paraguayan State and the civil society. Its mandate, however, is limited to legal matters. It is already implementing an ambitious work program, one of its first accomplishments being creation of a "Policía Amigo de Niño" [friend of children police] corps and campaigns to end child abuse with a budget of barely US\$265,000.
- 1.13 In 1994, the NGOs in the sector organized themselves into a group to coordinate the protection of the rights of children and adolescents [Coordinadora para la Defensa de los Derechos de la Infancia y de la Adolescencia] (CDIA). Today, the CDIA consists of 14 of the 24 NGOs 1/ active in the sector, providing assistance of various kinds to serve many of the needs throughout the life cycle of the working child (for example, support for at-risk families, protection of women, maternal and child care, day-care centers and shelters, organization of children, school tutoring and vocational training, and comprehensive rehabilitation for juvenile offenders). Nevertheless, care for at-risk girls is needed, the preventive apparatus is weak, particularly at the family level, and Paraguayan society is in general indifferent. Compounding the problem is the fact that almost all the organizations in the sector

1/ Fundación CALLESCUELA, Hogar Don Bosco Roga, Fundación Esperanza, Fundación Instituto del Mañana, Hogar Sta. Luisa/Hogar Villa, Elisa, Fundación Tekojojá, Centro de Defensa del Menor (CEDEM), Red para Infancia y Familia en América Latina (RIF), Asociación Cristiana de Jóvenes (ACJ), Fundación Que Vivan Los Niños (QUEVILONI), Base Educativa y Comunitaria de Apoyo (BECA), Fundación Global de la Infancia, Dejad Que los Niños Vengan a Mi (DEQUENI), CIRD, Atyha, Comité de Iglesias and seven local organizations (i.e., parishes, convents).

(NGOs and GOs) require administrative and operational strengthening, as well as systems to make them financially self-sufficient.

- 1.14 Coordination is still lacking among the government agencies in the sector, with no linkage yet established between the efforts of the principal agencies (these include the Bureau of Social Welfare of the Ministry of Health and Social Welfare (MSYBS), 2/ the National Commission on Child Protection and the Child Protection Office of the Ministry of Justice, the Bureau of Juvenile Affairs of Asunción, and the Social Welfare Bureau of Ciudad del Este).
- 1.15 With these considerations in mind, the Government of Paraguay has requested nonreimbursable technical-cooperation funding from the Bank for a component to support the activities of governmental and nongovernmental organizations to assist at-risk children and adolescents.

II. OBJECTIVES AND DESCRIPTION OF THE COMPONENT

- 2.1 The proposed component's main objective is to ensure that children and adolescents from the poorest homes and working in the streets, will have the opportunity to develop their physical, intellectual, professional, social, and spiritual potential, thereby preventing them from becoming marginalized and falling into a life of crime. To this end, the component will address the causes and effects of the presence of children and teenagers on the streets of Paraguay's main cities, with some 25,000 street children targeted.
- 2.2 The component's specific objectives, therefore, would be to:
(a) prevent child labor (ages 0-12), with particular attention to the financial, emotional, biological, and social needs of at-risk families; (b) protect children (minors 12 and under) and teenagers (ages 13 through 18) who work in the streets from the risks of that environment, paying particular attention to young and adolescent girls; (c) incorporate street children into mainstream society by involving them in the formal education system, the social assistance system, and vocational training, while providing adequate attention to their psychological, educational, health-related, and financial needs; (d) support the effective rehabilitation of juvenile delinquents so that they might again become part of mainstream society; and (e) promote an acceptance among Paraguayan society of the rights of children and adolescents.

2/ Four homes for at-risk children, 16 child welfare centers, juvenile self-management associations, and a program for at-risk families.

- 2.3 The strategy the component will use to accomplish these objectives is coordinated action with emphasis on prevention, by funding projects proposed by NGOs and GOs in order to get the maximum return on the limited resources available. The component also aims to strengthen the participating organizations' operating capacity, with special attention to project management, sustainability, and coordination (GOs and NGOs).
- 2.4 The component will emphasize preventive measures targeting the families of the street children and designed to keep marginal urban children in their homes, schools, and communities, and increase the income and improve the dynamics of urban families with unmet basic needs. The program will assist efforts to induce rural families to remain in their communities of origin (productive projects for extremely poor rural settlements).
- 2.5 The component will thus consist of two subcomponents: (a) **pre-ventive care and assistance**, and (b) **promotion and technical assistance**.

A. Preventive care and assistance subcomponent

- 2.6 This subcomponent will fund (US\$7.7 million) projects that the GOs and NGOs propose in eligible areas, and that meet the general criteria set forth in the Operating Regulations of the program (PR-0075) and the specific criteria of the street children component (selection/prioritization, feasibility). Some eligible activities are the responsibility of the State and are included on this list solely as a means to stimulate the respective agencies to generate projects in the indicated areas. The following types of projects and activities will be funded with resources from this component:
- a. **Prevention of child labor (minors 12 years of age and under):**
(i) services for high-risk urban and rural families, with emphasis on improving family income and intra-family relations: allowances to replace the income that would have otherwise been earned through child labor (for example, to cover school enrollment, uniforms, supplies, transportation); (ii) assistance in applying for other resources (for example, subsidies, credit) to create microenterprises and to carry out other family-run income-generating activities; (iii) assistance in gaining access to vocational training and job placement for female heads of household; (iv) support for day-care centers, dietary supplementation, health education, psychological care, preschool education, academic tutoring, artistic development, recreation, and other services that help mothers enter the job market and that develop the child's potential; (v) reproductive health programs (to avoid underage pregnancy, for example); and (vi) training for family social workers in how to identify and support high-risk families.

- b. **Prevention and mitigation of risks to street children (ages 0-12):** development, dissemination, and implementation of alternatives for infants and children who accompany their parents as they work on the street (i.e., day-care centers, preschools, and academic tutoring centers accessible to parents); regulation of street children (for example, by patrolling).
 - c. **Prevention and mitigation of risks to adolescent street workers (ages 13-18):** (i) organization of groups, cooperatives, and/or productive businesses (shoe-shiners, newspaper vendors, etc.); (ii) prevention and modification of dangerous behavior patterns (substance abuse, video-addiction, alcoholism, prostitution, delinquency, etc.); (iii) legal and other forms of action against exploitation of children (in the form of extortion, harmful working hours and types of work, for example); (iv) health services for adolescent males and females; (v) formal schooling and tutoring; (vi) psychological support; (vii) vocational training and job placement; (viii) alternatives to prostitution for teenage girls; and (ix) services to provide nutrition, rest, and recreation.
 - d. **Comprehensive care for street children and teenagers:** more and better programs for psychological care, education, and health, to locate and to reunite children and teenagers with their families (or to place them in foster families); personal and artistic development; vocational training and job placement.
 - e. **Comprehensive rehabilitation of juvenile delinquents:** improvement and expansion of services for rehabilitation, psychological and emotional care, education, and health; assimilation or reassimilation into the family; vocational training and job placement.
 - f. **Promotion of child protection:** strictly local initiatives to supplement the mass communication activities designed to build and motivate the community's sense of solidarity with working children and teenagers, acceptance of and respect for their dignity and rights, and volunteerism in the service of disadvantaged children.
 - g. **Special studies:** technical studies to identify measures (i.e., big brother programs, etc.) to help street children (the absolute ceiling for the cost of all studies will be US\$30,000).
 - 1. **Project selection criteria: prioritization and feasibility**
- 2.7 The eligible projects will be prioritized according to the following system, in which the criteria that define project content

or beneficiaries take precedence over those related to the mode of execution:

- a. Type of measure: **prevention** (as opposed to assistance)
- b. Age of the beneficiaries: **children 12 and under** (as opposed to adolescents)
- c. Sex of the beneficiaries: **young/teenage girls** (as opposed to boys)
- d. Geographic area: **urban and marginal** (as opposed to rural); communities people are leaving (as opposed to those to which they are headed)
- e. Executing agency: **community organizations and NGOs** (as opposed to GOs).

- 2.8 A **feasibility** analysis of the selected projects will be conducted using the **general criteria** in the **Operating Regulations** (i.e., sustainability, institutional strengthening). It will be coordinated by the *street children specialist* (see terms of reference, Appendix 2) in the SAS project office. The following specific criteria, also part of the **Operating Regulations**, will be used for projects that target children and teenagers who work in the streets:

- a. **No institution** (GO or NGO) may receive more than **US\$400,000** during the life of the component without approval by the Bank;
- b. The average **annual unit cost** per beneficiary may not exceed **US\$300**;
- c. The **staff in charge** of the project at the applicant, sponsor, or executing institution must have at least **three years' experience** in managing services for street children or in an eligible area that the project addresses.

2. Projects

- 2.9 The profiles received for the first eight projects submitted (see Appendix 7) indicate a variety of beneficiaries, institutions, and measures (both preventive and assistance-related). The preliminary estimates of these projects' unit costs (per beneficiary for the life of the project) vary greatly (from US\$21.37 to US\$3,733). The team of consultants responsible for preparing the operation is working with the sector organizations to finalize preparation of this group of projects, following the recommendations of the SAS evaluations in each case.

B. Promotion and technical assistance subcomponent

1. Mass communications (US\$50,000)

- 2.10 This group of activities will focus on nationwide dissemination of street children issues, on increasing awareness on the part of Paraguayan public of the needs and rights of street children, and

on the component as a whole (i.e., dissemination of projects supported thereunder). The *criaditas* will be one of the issues raised. This component is expected to be supplemented by the local communications projects mentioned earlier (see paragraph 2.6.f). Accordingly, a mass communications expert will be hired for three months each year (see terms of reference, Appendix 3), during which time, an annual campaign will be designed, making any necessary adjustments based on the evaluation of the previous year's results.

2. Promotion and technical advisory assistance (US\$150,000)

- 2.11 This group of activities, which complements those called for under the specific street children component, include: (i) active promotion of projects among the various organizations dedicated to the street children sector (an estimated 30 NGOs and offices of 20 municipal governments and 10 departmental governors' offices); (ii) *advisory services* to further joint efforts by the various specialized organizations involved in the sector, including assistance in submitting proposals to the SAS and to strengthen specific technical aspects of those organizations; (iii) *technical training* in specialized areas regarding the needs of children and teenagers; and (iv) *observation missions* to other countries. The general needs for managerial strengthening on the part of the participating GOs and NGOs involved in street children will be covered by the program's institution-strengthening resources (see the respective terms of reference) (up to US\$100,000: estimated cost of US\$400 per project, for 250 street children projects). The technical assistance and minimum equipment required to carry out the projects efficiently will be included in the cost of the projects themselves. The Operating Regulations stipulate that the strengthening of the beneficiary organizations will be a precondition for project funding.
- 2.12 For the promotional activities, two promoter-advisors (six consultant/months) will make annual visits to the indicated organizations in areas with a high incidence of working teenagers, to help those organizations identify their projects. The organizations are to participate in the workshops organized by the SAS project office to provide training in project preparation. They will then be eligible to receive individualized technical assistance, programmed by region, both for preparing and presenting street children projects to the SAS (12 consultant/months, see terms of reference, Appendix 4), and for strengthening in specialized technical areas (up to 25 consultant/months, see terms of reference, Appendix 5).
- 2.13 Annual rounds of technical training will be held in the form of annual courses in specialized street children issues to some 300 participants (five per year from each of the estimated 60 organizations). A single round of observation visits to other countries (Peru, Chile, Colombia, and Brazil) will also be

organized for up to 12 specialists from the SAS and key organizations in the sector.

C. Cost of the component

- 2.14 The total cost of the component will be US\$8 million, broken down as follows:

Table II-1
COST TABLE
(thousands of US\$)

CATEGORY	IDB-STREET CHILDREN	%
1. Preventive care and assistance	7,680	96.0
2. Promotion and technical assistance	200	2.4
a. Mass communications	50	0.6
b. Promotion and advisory services	150	1.8
3. Coordination	120	1.6
TOTAL	8,000	100.0

- 2.15 The sizing of the preventive care and assistance subcomponent is based on an estimated 300 projects, each averaging an estimated US\$26,000, for a total of US\$7.7 million.
- 2.16 The communications measures will require some 12 consultant/months and some US\$26,000 in direct dissemination expenses (materials, space in the mass media) for a total cost of US\$50,000. UNICEF has offered to furnish a consultant to assist with the mass communications activities. The Paraguayan government will donate air time and space available to it in the national mass media.
- 2.17 The promotional work will require the equivalent of six consultant/months (2 consultants x 3 months at US\$2,000 per month per consultant = US\$12,000). The project-preparation advisory services will require 12 consultant/months (2 consultants x 6 months x US\$2,000 = US\$24,000). To these costs must be added the per diem and travel expenses (per trip, US\$1,750 for transportation and 25 days' per diem at US\$70/day, approximately US\$1,750 or US\$3,000 per mission x 4 years = US\$14,000). The specialized technical assistance will require some 25 consultant/months at US\$2,000/month, for a total of US\$50,000. Each organization will have up to one consultant/month. The promotion and advisory assistance will thus cost US\$150,000. The Government of Paraguay will provide logistical and secretarial assistance, and its personnel will participate in these activities.
- 2.18 The technical training will consist of four six-course rounds, each attended by 50 individuals at a cost of US\$5,000 per round (2 instructors per course, 8 hours at US\$20/hour = US\$320 + US\$80

for materials x 6 courses = US\$2,400/round, US\$100 to lease space for each course = US\$600/round, US\$2,000 per round for organization and logistical support), for a total of US\$5,000 x 4 = US\$20,000; and observation missions, involving assistance for the equivalent of three fellowship recipients who will visit four countries (divided among a maximum of 12 persons) at a rate of US\$10,000 per fellow (average travel cost of US\$1,250 per fellow/country, a 5-day stay per country with per diem of US\$200/day x 5 = US\$1,000 per fellow/country, US\$250 per country for purchase of pertinent reading materials; this totals US\$2,500 per fellow per country x 4 countries = US\$10,000 x 3 fellows = US\$30,000). The total cost of the technical training is US\$50,000.

- 2.19 The street children specialist assigned to the SAS project office will be paid with the technical-cooperation funding, at US\$2,500 per month for a 48-month period, for a total of US\$120,000.

III. STRATEGY AND JUSTIFICATION OF THE BANK'S PARTICIPATION

- 3.1 The component is consistent with the Eighth Replenishment's poverty-alleviation objectives, the Bank's country strategy, and the program's objectives of assisting the most vulnerable segments of the population.
- 3.2 Success in overcoming poverty and those family problems that make it necessary for children and adolescents to work will depend on the opportunities they are given for proper physiological, psychological, social, and vocational development. Concrete activities to provide alternatives to the income that children and adolescents bring to the family and to stimulate the supply of services that would provide the essentials for their harmonious development as productive members of society in the short and medium term justify the Bank's participation in this component, as defined by the criteria set forth above.
- 3.3 With this component, Paraguay is defending the rights of children, as embodied in its Constitution and legislated and in various international declarations to which Paraguay is a party.

IV. PLAN OF EXECUTION

- 4.1 The SAS project office will carry out the component. It will have a specialist in the needs of children/adolescents who work in the streets, and the previously described specialized consulting services (promotion, advisory services, media) (see terms of reference, Appendices 3 and 4) to assist with demand-driven project

promotion, evaluation, and monitoring, and communications-related activities. The component's technical coordinator will refer the duly evaluated and selected projects, to the SAS project approval committee, with his or her recommendation, through the executive coordinator, taking into account the opinion of other specialists (for example, economists, financial analysts, engineers, and others) from the SAS project office.

- 4.2 The project office for the street children program will have an **advisory group** composed of individuals and organizations with expertise in children and adolescents who work in the streets. The group will include representatives of the Asociación Nacional de Niños Trabajadores de la Calle [National Association of Children Working in the Streets], CENADI, CDIA, and of sector NGOs, the Bureau for the Protection of Minors, the Ministry of Education, the Family Division of the Police, churches, municipal government departments in charge of children and youth, and UNICEF among other institutions. This group or committee will meet at least twice a year to examine the situation of children working in the streets and the activities and projects carried out under the component, and to share information.
- 4.3 The procurement of goods and services will be carried out in accordance with the Operating Regulations. Projects must include clear provisions on maintenance of component-financed investments (works, equipment).
- 4.4 The appropriate terms and agreements will be drawn up for granting funds to the institutions.
- A. Execution schedule
- 4.5 The component will last four years. Its execution and disbursement schedules are shown below:

Table IV-1
EXECUTION SCHEDULE

ACTIVITY	YEAR			
	1	2	3	4
Assistance projects	XXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX
Communications	xxx	xxx	xxx	xxx
Promotion and advisory services	XXXXXXXXXXXX	XXXXXXX	XXXXXX	xx
No. of projects	60	80	110	50

Table IV-2
DISBURSEMENTS SCHEDULE
(in US\$ thousands)

CATEGORY	YEAR				
	1	2	3	4	TOTAL
Assistance projects	1,490	2,020	2,935	1,235	7,680
Promotion and technical assistance	80	50	35	35	200
Communications	10	20	10	10	50
Promotion and advisory services	70	30	25	25	150
Coordination	30	30	30	30	120
TOTAL	1,600	2,100	3,000	1,300	8,000

V. SPECIAL CONSIDERATIONS AND RISKS OF THE COMPONENT

- 5.1 The risks described in chapter V of the loan proposal apply to this component. Chief among them is the fact that the NGOs identified thus far have managerial and operational weaknesses and are not financially independent. These risks can be corrected with the institutional strengthening to be provided under this component and with the introduction of efficient self-management systems.
- 5.2 Creation of the advisory group will help remedy the problems inherent in coordinating services for street children, particularly among the government agencies with mandates in that sector, and the prevailing mistrust between GOs and NGOs.

LEGI/PR-
PR-0075
Original: Spanish

PROPOSED RESOLUTION

PARAGUAY. LOAN /OC-PR TO THE REPUBLIC OF PARAGUAY
SOCIAL INVESTMENT PROGRAM

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Paraguay, as Borrower, for the purpose of granting it a financing to cooperate in the execution of a Social Investment Program. Such financing shall be for the amount of up to twenty million dollars of the United States of America (US\$20,000,000) or its equivalent in other currencies, except that of Paraguay, which are part of the Ordinary Capital resources of the Bank and shall be subject to the "Special Contractual Conditions" and the "Terms and Financial Conditions" of the Executive Summary of the Loan Proposal.

PROPOSED RESOLUTION

PARAGUAY. PARTIAL PAYMENT OF INTEREST ON LOAN No. ____/OC-PR
TO THE REPUBLIC OF PARAGUAY
(Social Investment Program)

The Board of Executive Directors

RESOLVES:

1. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, as administrator of the Intermediate Financing Facility Account, hereinafter referred to as the "account", to enter into such contract or contracts as may be necessary with the Republic of Paraguay, as Borrower, and to adopt other pertinent measures to use the resources of the account to pay a part of the interest due by the Borrower on outstanding balances of the loan authorized by Resolution DE- /95, for financing part of the cost of the Social Investment Program, hereinafter referred to as the "approved loan." Such part shall represent up to 5% per annum on the outstanding balances of the loan.

2. That the Bank shall charge to the account the amounts due by the Borrower and to be paid by the account, in the currencies designated by the Bank and available in the account, on the dates specified for the payment of interest or on the date or dates on which the Bank receives the payment of the remainder of the interest owed by the Borrower, hereinafter referred to as the "remainder". Should the Borrower not have paid on the date due the remainder, as well as any payment of principal or fees, the Bank shall withhold payment of the amount of interest authorized to be paid from the account to the Bank. In such event, the Borrower shall remain liable for the total amount of the interest due and owed until such time as the Bank has received payment of the remainder and of the respective amounts owed for amortization and fees.

3. That to the extent that the Bank receives payments from the account for interest on the approved loan, the Borrower shall not be liable for the payment of such amounts and, consequently, it shall not be obligated to repay to the Bank any amounts of interest paid from the account to the Bank.

4. That the Borrower may decide to pay the whole amount of the interest accrued on the outstanding balances of the approved loan either during the effectiveness of the loan or only during the amortization period of said loan. In both cases the Bank shall, as soon as possible, reimburse the country for interest paid to the Bank and which may be charged to the account in accordance with Clauses 1 and 2 above.

5. That to the extent that the Bank determines that there are not sufficient resources available in the account for making the payments referred to in Sections 2 and 4 above, the Borrower shall pay the interest due on the dates and in the amounts specified in the loan contract, up to the full amount accrued on the outstanding balance of the approved loan without any obligation for reimbursement by the Bank.

LEGI/PR
PR-0075
Original: Spanish

PROPOSED RESOLUTION

PARAGUAY. NONREIMBURSABLE TECHNICAL COOPERATION FOR THE
INTEGRATED SERVICES PROGRAM FOR WORKING/STREET CHILDREN AND ADOLESCENTS

The Board of Executive Directors

RESOLVES:

1. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such agreements as may be pertinent for the execution of the plan of operations referred to in Document AT- _____ with respect to technical cooperation with the Republic of Paraguay, for the Integrated Services Program for Working/Street Children and Adolescents .

2. That up to the sum of US\$8.000.000, is authorized for the purpose of this resolution, chargeable to the net income resources of the Special Fund for Operations.

3. That the above mentioned sum is to be provided on a nonreimbursable basis.