

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
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PARAGUAY

PLAN OF OPERATIONS

INSTITUTIONAL STRENGTHENING OF THE FEDERACIÓN PARAGUAYA DE MICROEMPRESARIOS (FEPAME)

(TC-02-03-02-6-PR)

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EXECUTIVE SUMMARY

Executing agency: Federación Paraguaya de Microempresarios [Paraguayan Federation of Microentrepreneurs] (FEPAME)

Amount and source: IDB: US\$65,000
Total: US\$65,000

The resources come from the net income of the Fund for Special Operations, in foreign exchange.

Terms and conditions: Execution period: 18 months
Disbursement period: 24 months

Problem: Microentrepreneurs in Paraguay currently have an organization that represents them—FEPAME—that has certain problems that keep its work from being more efficient. Some of these problems include: (i) not having been able to clearly define its strategic mission because of countless demands for services expressed by its members; (ii) not having the administrative capacity to service the associations it sponsors and has helped to establish; (iii) not having deepened the comparative advantages of its drawing power in order to establish commercial and development networks among the various associations to pave the way for access to markets, financing, and technical assistance; and (iv) not having an administrative and governance structure to strengthen and democratize its actions.

If FEPAME were to ally its local drawing power with greater institutional and financial soundness, it would be in a position to generate a multitude of benefits for the microenterprise community of Paraguay, such as: (i) gaining knowledge of the various opportunities offered by the government and agencies that execute programs focused on the microenterprise sector; (ii) gaining access to financing opportunities; (iii) arranging market and trade opportunities; and (iv) acting as the sector's mouthpiece and bringing its specific needs and requirements to the attention of the government and support agencies. Accordingly, this project seeks to support FEPAME in strengthening not only its members but itself.

Objectives:	<p>The project's general objective is to have an institutionally strong entity that widely represents the interests and needs of microentrepreneurs, with drawing power at the public and private levels enabling it to channel information in both directions between microentrepreneurs and sector support entities, particularly with regard to financing opportunities, market opportunities, and business development service needs and offerings.</p> <p>The specific objectives are to: (i) consolidate FEPAME's position as the representative of the microenterprise sector; (ii) develop and maintain communication and updating systems between FEPAME and its members throughout the country; (iii) organize meetings and workshops for microentrepreneurs involved in different economic activities; and (iv) collect and update information on the specific needs of microentrepreneurs, by economic sector and geographical area.</p>
Description:	<p>The project seeks to support FEPAME in the design and identification of support instruments needed by the members. The project will consist of three components: (i) institutional strengthening of FEPAME; (ii) strengthening of member associations; and (iii) reactivation of 10 associations.</p>
Environmental review:	<p>The project was reviewed and approved by the Committee on Environment and Social Impact on 11 November 2002.</p>
Beneficiaries:	<p>The project beneficiaries are some 8,500 Paraguayan microentrepreneurs that belong to existing associations and the 10 associations to be reactivated.</p>
Risks:	<p>The main risk facing the project is related to the possibility that FEPAME could hire a project director that is directly involved in the microenterprise sector but does not have the proper qualifications for the job. To offset this risk, the design of the project provides for staff contracting to be done by means of an open competition and for the terms of reference for such contracting to be previously accepted by the Bank.</p>
The Bank's country and sector strategy:	<p>The Bank's strategy in Paraguay, described in the country paper (document GN-2118-1) dated 30 October 2000, concentrates on two strategic areas: (i) supporting long-term sustainable economic growth in the context of regional integration that will help reduce poverty and inequity; and (ii) contributing to the modernization of the country's institutions in the context of a democratic system that is being consolidated. To achieve results in the aforementioned areas, the Bank's actions will place special emphasis on competitiveness, modernization of the State, rural development, and social sector</p>

reforms. The project presented here squares well with the strategic area of sustainable economic development and poverty reduction.

It should be noted that the project is consistent with the overall goal of the Bank's microenterprise development strategy (document GN-1938-3), which is to expand economic activities in Latin America and the Caribbean through the sustainable and dynamic development of microenterprise.

**Coordination
with other
multilateral
and bilateral
institutions:**

This project complements international technical-cooperation projects and initiatives currently under way in Paraguay. Specifically, technical support is being provided by the Spanish Agency for International Cooperation (AECI), the German Agency for Technical Cooperation (GTZ), the United States Agency for International Development (USAID), and the Governments of Belgium and the Netherlands.

**Special
contractual
clauses:**

The following are to be submitted to the Bank's satisfaction as conditions precedent to the first disbursement: (i) terms of reference for commissioning the design of the survey; (ii) a timetable of activities for project execution; (iii) terms of reference for hiring the project director and the environmental specialist; and (iv) agreements signed by the Ministry of Industry and Commerce and the Department of Women's Affairs of the Office of the President of the Republic.

**Evaluations
and reports:**

FEPAME will submit semiannual progress reports to the Bank within 60 days of the end of each six-month period, beginning in the fiscal year in which disbursements begin. As a minimum, such reports will include: (i) reports on execution of all components of the technical-cooperation operation (procurement, contracting, and training provided); (ii) accounting reports on the total cost of each activity carried out; (iii) reports on progress and achievements under the project, measured as the difference between the initial situation of the member associations and the status at the time the report is written, based on the following criteria: (a) the number of active member associations; (b) the number of microentrepreneurs in the federation; (c) the number of services being delivered; and (d) description of the communication and information media operating between FEPAME and its members; and (iv) an updated operating plan for the next 12 months, with timetable and budget. The last of these reports will constitute the final report and is to contain a summary of the achievements vis-à-vis the project's general objectives.

The Bank will review the results as reflected in the reports. If significant deficiencies are found to exist in the execution of the

project, the Bank will authorize no further disbursements until FEPAME has taken appropriate measures to correct the deficiencies.

Sixty days from the last disbursement of the technical cooperation funding, FEPAME will present a financial report to the Bank, with an opinion issued by independent auditors, showing how the financial contribution was used.

A final evaluation will be conducted when 80% of the contribution has been disbursed. The evaluation will be performed by consultants selected by the Bank and hired by FEPAME with resources from the technical cooperation operation.

This evaluation will consider project execution and will analyze the current process of support for the associations, the number of associations surveyed and interviewed, partial results, and the number of associations formed, among other things.

**Exceptions to
Bank policy:**

None.