

## TC ABSTRACT

### I. Basic Project Data

▪ Country/Region:	PARAGUAY/CSC - Southern Cone
▪ TC Name:	Administrative Simplification and Regulatory Improvement
▪ TC Number:	PR-T1283
▪ Team Leader/Members:	Farias, Pedro Cesar L. (IFD/ICS) Team Leader; Theinhardt, Jean Eric (IFD/ICS) Alternate Team Leader; Catano Guzman, Mariana; Rojas Gonzalez, Sonia Amalia; Zanabria Gainza, Gustavo; and Fitzpatrick, Silvana Valdivieso (IFD/ICS)
▪ Taxonomy:	Client Support
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	04 Nov 2019
▪ Beneficiary:	Paraguay
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$165,000.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	30 months
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	Innovation in Citizen Services Division
▪ Unit of Disbursement Responsibility:	Institutions for Development Sector
▪ TC included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Institutional capacity and rule of law

### II. Objective and Justification

- 2.1 The objective of this Technical Cooperation is to contribute to the reduction of transaction and regulatory compliance costs that citizens and businesses in Paraguay must handle while interacting with the Government. The specific objectives are: i) to promote the improvement of the quality of government services through administrative simplification and integration and, ii) to promote the improvement of regulatory quality. The project will take advantage of the knowledge generated by Portuguese Government in initiatives on the areas of service delivery and better regulation.
- 2.2 Paraguay has been experiencing a prolonged and significant economic growth. The average GDP growth rate in the 2013-2018 period was 5.8%. However, the country has significant lags in competitiveness and productivity. According to the 2019 Competitiveness Report of the World Economic Forum (WEF), Paraguay ranks 95th of 140 countries. Also, according to the 2019 Doing Business, Paraguay is ranked 113th of 190 countries. The low level of competitiveness is related, among others, with bureaucratic barriers and high complexity in regulations that inhibit investments and greater economic growth. According to the Multidimensional Study of Paraguay

prepared by the OCDE in 2018, one of the main obstacles to the development of Paraguay is the “weaknesses in the coverage and quality of regulations” due to administrative burdens that hinder entrepreneurship.

- 2.3 In this sense, the general problem that this project seeks to address is the high transaction and regulatory compliance costs that citizens and businesses must handle in their interaction with the Government. The main causes of these problems are: i) institutional weaknesses in the provision of services, and ii) complexity of regulations that govern the compliance of obligations and access to rights and opportunities. The institutional weakness in service delivery translates into cumbersome services and procedures for citizens and businesses. Indeed, according to the Global Competitiveness Index of the 2017-2018 WEF, entrepreneurs point out “inefficient government bureaucracy” as the third most problematic factor for doing business. The regulatory complexity stems from a lag in the adoption of regulatory instruments and practices. Paraguay is one of the countries in the region where a greater number of hours is required to complete an administrative transaction. In total, 6.7 hours are required to complete a transaction, while in the region it is required in average 5.4 hours. Paraguay has not yet established a regulatory policy that includes the adoption of regulatory instruments recognized as good practices at international level. As an example, the country lags the systematic use of Regulatory Impact Analysis (AIR), public consultations of new regulations, lacks systematic records of administrative cost estimates for procedures and regulations, and does not carry out evaluations of its regulatory stock.
- 2.4 Paraguay can benefit from international lessons to improve and simplify public services and transactions of citizens and businesses with the government. A successful experience internationally recognized has been developed by the Government of Portugal through SIMPLEX (Administrative Simplification Program), a Program that combines administrative simplification and digital government actions under a service integration model. Another successful program is “*Custa Quanto?*” which allows identifying and measuring, through standardized criteria and parameters, the burden of regulations on citizens and entrepreneurs. This background has led the Ministry of Finance (MH) of Paraguay to request an IBD TC to finance the transfer of knowledge from Portugal in the areas above mentioned. The request was made based on meetings and communications facilitated by the IDB between professionals of the MH and the Agency for Administrative Modernization and the Center for Legal Competencies of the State of Portugal.

### III. Description of Activities and Outputs

- 3.1 **Component I: Simplification and Modernization of Government Services.** This component aims at the simplification of administrative government transactions and supporting the integration of services delivered to citizens and businesses.
- 3.2 **Component II: Promotion of Regulatory Improvement.** This component seeks to improve the quality of regulations through capacity building and the adoption of instruments to manage the flow and stock of regulations.
- 3.3 **Component III: Monitoring, evaluation and Dissemination of Results.** This component seeks to perform actions for the supervision of activities and components above mentioned as well as the dissemination of results.

#### IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Simplification and Modernization of Government Services.	US\$72,310.00	US\$0.00	US\$72,310.00
Promotion of Regulatory Improvement	US\$80,710.00	US\$0.00	US\$80,710.00
Monitoring, evaluation and Dissemination of Results	US\$11,980.00	US\$0.00	US\$11,980.00
<b>Total</b>	<b>US\$165,000.00</b>	<b>US\$0.00</b>	<b>US\$165,000.00</b>

#### V. Executing Agency and Execution Structure

- 5.1 At the request of the Government of Paraguay, especially due to the budget administrative procedures that could delay the execution, and the need of coordination with the Government of Portugal, the executor of this TC will be the Bank, through the Country Office of Paraguay, with technical support from the Innovation in Citizen Services Division (IFD/ICS).
- 5.2 The Bank corporate procedures will allow more agility to the execution process and the execution by the Bank will not require the inclusion of these resources in the Paraguay's Budget, which could delay significantly the implementation process. Also, the relationship with the Government of Portugal will be facilitated by the channels and dialog already built. The capacity and experience of the Bank in Paraguay and other countries and its expertise in public management issues will make easier the implementation of project in an appropriate manner. The bank will contract consulting services in accordance with the requirements of the Policy for the Selection and Contracting of Consulting Firms in Operations Executed by the Bank (GN-2765-1) and its corresponding Operational Guides (OP-1155-2). For the selection of individual consultants, human resources procedures will be applied (AM-650). In the case of contracts for services other than consulting, the procedures and the Institutional Procurement policy (GN-2303-20) will be applied.

#### VI. Project Risks and Issues

- 6.1 The main risks identified are possible delays that might come from low commitment of entities involved in this project. In addition to the involvement of the Ministry of Finance, the Ministry of Information and Communication Technology should be involved and other entities responsible for selected government transactions. The risks will be mitigated through prior work with the Ministry of Finance in order to make a rigorous selection of those interested in working on the activities planned in this project. Another risk refers to the low interest of consulting firms in Portugal in participating in the contracting process to be carried out by the Bank to support the execution of the project. The mitigation will require coordination the Government of Portugal to support the dissemination of the selective process with Portuguese companies.

#### VII. Environmental and Social Classification

- 7.1 The ESG classification for this operation is "undefined".