



**Board of Executive Directors**  
**For consideration**  
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**To:** The Executive Directors  
**From:** The Secretary  
**Subject:** Paraguay. Proposal for a loan for the "Rural Road Improvement Program II"

**Basic Information:** Loan type .....Global Multiple Works Operation (GOM)  
Beneficiary ..... Republic of Paraguay  
Amount ..... up to US\$62,000,000  
Source .....Ordinary Capital

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**Remarks:** This operation is included in Annex III of document GN-2805, "2015 Operational Program Report", approved by the Board of Executive Directors on 15 April 2015. However, the loan amount exceeds the ceiling established for Group D countries. Therefore, the operation does not qualify for approval by Simplified Procedure.

**Reference:** GN-1838-1(7/94), DR-398-17(1/15), GN 2805(4/15), PR-4229(11/14), DE-175/14, DE-176/14



DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

## **PARAGUAY**

### **RURAL ROAD IMPROVEMENT PROGRAM II**

**(PR-L1092)**

#### **LOAN PROPOSAL**

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<b>REQUIRED</b>	
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2.	<a href="#">Annual Work Plan (AWP)</a>
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<b>OPTIONAL</b>	
1.	<a href="#">Map of the national road network and program roads and bridges</a>
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4.	<a href="#">Cost study for improving roads in the sample</a>
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17.	<a href="#">Program profile for the national public investment system records</a>
18.	<a href="#">Preliminary execution timetable</a>
19.	<a href="#">Resilience of road infrastructure in Paraguay</a>
20.	<a href="#">Rural Road Program Operating Regulations</a>
21.	<a href="#">Lessons learned in rural road programs</a>

## ABBREVIATIONS

AWP	Annual work plan
DCV	Dirección de Caminos Vecinales [Rural Roads Division]
DGEEC	Statistics, Surveys, and Census Bureau
DGSA	Socioenvironmental Management Bureau
ECATEF	Empresa Consultora de Apoyo Técnico y Fiduciario [technical and fiduciary support consulting firm]
EIRR	Economic internal rate of return
ESMF	Environmental and Social Management Framework
ESMR	Environmental and Social Management Report
IMF	International Monetary Fund
MOPC	Ministry of Public Works and Communications
PEP	Program Execution Plan
PEU	Program Execution Unit
PNCV	National Rural Roads Plan
PNRPE	National Program for the Reduction of Extreme Poverty
PVP	Participatory Road Plan
UOC	Contract Operations Unit
WAL	Weighted average life

**PROJECT SUMMARY**  
**PARAGUAY**  
**RURAL ROAD IMPROVEMENT PROGRAM II**  
**(PR-L1092)**

Financial Terms and Conditions				
<b>Borrower:</b> Republic of Paraguay			<b>Flexible Financing Facility<sup>(a)</sup></b>	
			Amortization period:	25 years
<b>Executing Agency:</b> Ministry of Public Works and Communications (MOPC)			Original WAL:	15.25 years <sup>(b)</sup>
			Disbursement period:	5 years
<b>Source</b>	<b>Amount (US\$)</b>	<b>%</b>	Grace period:	6.5 years <sup>(b)</sup>
			Inspection and supervision fee:	<sup>(c)</sup>
IDB/OC:	62,000,000	100	Interest rate:	LIBOR-based
Total:	62,000,000	100	Credit fee:	<sup>(c)</sup>
			Approval currency:	US\$ from the Ordinary Capital (OC)
Project at a glance				
<b>Project objective and description:</b> The program's general objective is to improve connectivity in the rural areas of the Eastern Region of the country, providing productive areas with improved access to points of consumption.				
<b>Special contractual conditions precedent to the first disbursement of the loan:</b> (i) designation of the Rural Roads Division (DCV) of the Ministry of Public Works and Communications (MOPC) as the program execution unit (PEU) (paragraph 3.1); (ii) submission of evidence that the Technical and Fiduciary Support Consulting Firm (ECATEF) has been contracted and is fulfilling its tasks (paragraph 3.1); (iii) entry into force, by ministerial resolution, of the Environmental and Social Management Framework (ESMF) of the MOPC, based on the Environmental and Social Management System (paragraph 2.4); (iv) submission to the Bank by the executing agency of the maintenance plan for the works planned under this program (paragraph 2.8); and (v) entry into force of the program's Operating Regulations and their respective annexes, under terms previously agreed upon with the Bank (paragraph 3.2).				
<b>Special contractual execution conditions:</b> (i) before startup of each of the works for road rehabilitation and bridge construction, the executing agency will deliver to the Bank evidence that the corresponding inspection company has been contracted (paragraph 2.4); and (ii) prior to startup of each of the works, the executing agency will deliver to the Bank evidence that it has the corresponding environmental license (paragraph 2.4).				
<b>Special contractual condition:</b> The term for the physical start of the program works will be three years, as of the effective date of the loan contract (paragraph 2.1).				
<b>Exceptions to Bank policies:</b> None.				
<b>Project qualifies as:<sup>(d)</sup></b> SV [X] PEI [X] CC [X] CII [ ]				

<sup>(a)</sup> Under the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency and interest rate conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

<sup>(b)</sup> The original weighed average life (WAL) and the grace period may be shorter, depending on the effective signature date of the loan contract.

<sup>(c)</sup> The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with applicable policies.

<sup>(d)</sup> SV (small and vulnerable countries); PE (poverty reduction and equity enhancement); CC (climate change, sustainable energy, and environmental sustainability); CI (regional cooperation and integration).

## I. PROJECT DESCRIPTION AND RESULTS MONITORING

### A. Background, problem addressed, and rationale

- 1.1 **Socioeconomic and geographic context.** Paraguay has an open, market economy dominated by farming and livestock raising. Foreign trade has grown rapidly over the last decade, and exports and imports together total nearly 95% of gross domestic product (GDP). Economic growth has averaged 4.8% since 2004, but this performance has been accompanied by significant output volatility, the second-highest in the region after Venezuela,<sup>1</sup> and the country's GDP is heavily dependent on the economies of neighboring countries. Since 2014, Paraguay has figured in the group of countries with a medium level of development,<sup>2</sup> high levels of extreme poverty, and poor distribution of income (Gini coefficient of 0.51), placing it among the most vulnerable countries of Latin America and the Caribbean.<sup>3</sup>
- 1.2 The country's territory is divided administratively into two regions, the Eastern Region (*Región Oriental*) and the Chaco, separated by the Paraguay River. The Eastern Region occupies 40% of the country's total land area of 406,752 km<sup>2</sup>, and is home to 6.7 million residents, or 97% of the national population. Paraguay is continuing its efforts to promote the industrialization of agriculture in the Eastern region, despite the high logistics costs involved.<sup>4</sup> The potential for growth in traditional sectors remains significant over the medium term, thanks to the availability of arable land in the Eastern Region for boosting agricultural output, and in the Chaco Region for expanding livestock production.
- 1.3 **Poverty and inequality among the rural population.** Between 2010 and 2014, total poverty nationwide showed a steady downward trend, dropping from 34.7% to 22.6%. Yet there are still around 1.5 million people living in households where incomes fall short of the cost of a basic shopping basket.<sup>5</sup> Poverty continues to be particularly significant among the rural population, where 32% of the population, or some 870,000 individuals, are living in poverty, in contrast to 16.2% (659,000 persons) in urban areas. Consequently, poverty is more extensive, in both absolute and relative terms, in the countryside: 74% of extreme poverty (523,000 persons) is to be found in rural areas, and it accounts for 19.2% of the rural population, versus 4.6% of urban dwellers.<sup>6</sup>
- 1.4 The Government of Paraguay has made it a priority to reduce poverty, through implementation of the National Program for the Reduction of Extreme Poverty (PNRPE), *Sembrando Oportunidades* ("Sowing Opportunities"),<sup>7</sup> the objective of which is to boost incomes and access to social services for families living in extreme poverty. The isolation resulting from poor connectivity and physical inaccessibility has been identified

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<sup>1</sup> International Monetary Fund (IMF), Country Report 15/38.

<sup>2</sup> Paraguay ranks 112 among 187 countries in the 2014 [Human Development Report](#) of the United Nations Development Programme (UNDP).

<sup>3</sup> IDB Country Strategy with Paraguay 2014-2018.

<sup>4</sup> Paraguay's national logistics cost for 2011, including the cost of foreign trade freight and insurance, amounted to US\$2.9 billion (11.52% of GDP for that year); 50.3% of that cost relates to road transport operating costs (followed by freight and insurance (27.4%), inventory keeping (13.1%) and administrative costs (5.3%)). National Logistics Plan for Paraguay, Logistics Cost, 2013.

<sup>5</sup> Permanent Household Survey 2014, Statistics, Surveys, and Census Bureau (DGEEC).

<sup>6</sup> The extreme poverty rate during the years 2010-2014 shows a trend similar to that of total poverty. In rural areas, the decline in the incidence of poverty was 13.2%, and in urban areas around 6%. Permanent Household Survey 2014, DGEEC.

<sup>7</sup> [Sembrando oportunidades](#).



as a factor contributing to the persistence of rural poverty,<sup>8</sup> and accordingly there is great interest in expanding transportation infrastructure and services in rural areas for addressing these issues in a structural way.<sup>9</sup>

Figure 1. Map of Paraguay's road network, 2015



- 1.5 **Status of the rural roads sector.** Paraguay has a road network of approximately 62,200 km. Of this, 6% consists of national roads, 24% of departmental roads, and 70% rural roads.<sup>10</sup> The vast majority of the rural road network (97%), estimated at some 43,900 km, is made up of dirt roads with no drainage, of which 23% are under some conservation or improvement program. Due to the lack of proper standards and maintenance, combined with the frequent rains (annual precipitation of more than 1,600 mm) and the specific soil conditions in the Eastern Region, more than 65% of rural dirt roads inventoried are in poor condition,<sup>11</sup> making them in many cases impassable for an average of 40 to 90 days per year.<sup>12</sup>
- 1.6 **The road safety situation.** The number of deaths per year from traffic accidents in Paraguay rose by 38% between 2006 and 2008,<sup>13</sup> from 796 to 1,096, and then stabilized until 2012 at an average of 1,083 deaths,<sup>14</sup> in addition to over 6,000 injuries each year. In 2012 there were 1,346 deaths per million vehicles, a figure that far exceeds the regional

<sup>8</sup> *Special evaluation study on Asian Development Bank's contribution to inclusive development through assistance for rural roads*, Asian Development Bank, 2009. Evaluación de impacto del Programa de Transporte Rural Descentralizado en Perú, Macroconsult y Cuanto S. A., 2014.

<sup>9</sup> [National Development Plan of Paraguay](#), 2030.

<sup>10</sup> Road Planning Department, Ministry of Public Works and Communications (MOPC). Road statistics.

<sup>11</sup> According to the Participatory Road Plans (PVP), in the departments of Itapúa, Alto Paraná, Cordillera, San Pedro, and Canindeyú (the area of intervention initially proposed for this operation), 50%, 50%, 36%, 85%, and 60% of rural roads, respectively, are in poor condition, i.e. impassable during the rainy season.

<sup>12</sup> [Master Transportation Plan 2011](#).

<sup>13</sup> Statistical Yearbook, 2006 and 2008, DGEEC.

<sup>14</sup> World Health Organization (WHO), Global Status Report on Road Safety 2013.

average of 815.<sup>15</sup> The Bank has supported the country through: (i) financing for development and implementation of the National Road Safety Plan (PNSV) 2008-2013 and 2013-2018,<sup>16</sup> the main objective of which is to prevent or to reduce the severity of traffic accidents and to reduce economic losses; and (ii) including elements to increase road safety in road projects financed, an approach that will be replicated in the works under this program (paragraph 1.18).

- 1.7 **Gender issues.** Paraguay has a legal and regulatory framework that promotes and guarantees the economic, social, political, and cultural rights of women. As part of its strategy, it plans to boost social investment to ensure effective equality of opportunity in all its conceptual and practical dimensions. Noteworthy initiatives include the National Development Plan 2020, the Equal Opportunities Plan, and Law 5,446/15 on Public Policies for Rural Women. The lead government agency responsible for gender policies and strategies is the Ministry of Women, created by Law 4,675/2012. Within the structure of the Ministry of Public Works and Communications (MOPC), the Socioenvironmental Management Bureau (DGSA) has a gender and resettlement department that needs to be strengthened. In fact, the income gap for rural women vis-à-vis men, and also vis-à-vis urban women, is quite marked. On average, rural women earn only 62.1% of what their male peers earn, and just over half (53.1%) of what urban women earn. Of rural women, 37.3% do not have their own income: this is three times the proportion for men, and it exceeds the rate for urban women (28.6%).<sup>17</sup> Thus, rural women are at a double disadvantage. The diagnostic assessment found that there are almost no women working in nontraditional jobs in the road construction and maintenance sector, despite the shortage of labor. This is due primarily to the fact that such jobs are not offered to women, and they feel excluded by the persistent cultural stereotypes: as a result, women have neither training nor the required skills.
- 1.8 **Organizations of the road sector.** The MOPC sets policies for the road sector and is responsible for planning, studies, works, and conservation of the road network, through the Roads Division for the national and departmental routes, and the Rural Roads Division (DCV) for rural roads. The DCV oversees administration of the country's entire tertiary road network, through 17 departmental maintenance districts, as well as the implementation of programs funded both locally and by multilateral lending agencies.
- 1.9 **The Paraguayan government strategy.** Within the National Development Plan 2014-2030 (PND), the Government of Paraguay has made it a priority goal to reduce poverty, through implementation of the PNRPE<sup>18</sup> (paragraph 1.4). The strategy: (i) supports the rural population through technical, financial, and administrative assistance to improve access to markets and the development of value chains; (ii) creates jobs through investment in the construction and maintenance of roads, schools, health centers, and sanitation infrastructure; (iii) expands conditional cash transfers; and (iv) increases job training in coordination with the private sector. Thus, in the transportation sector, the PNRPE considers rural road rehabilitation and maintenance interventions, with a view to overcoming the isolation of rural communities due to poor accessibility, in addition to fostering job creation.

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<sup>15</sup> PNSV 2013-2018, MOPC-IBD-National Road Safety Council.

<sup>16</sup> Through administrative resources and funding under loans 1822/OC-PR and 2934/OC-PR.

<sup>17</sup> Diagnostic report and gender action plan for the program, 2015 ([optional electronic link 13](#)).

<sup>18</sup> The Bank has US\$318.15 million in available resources for active projects that support the government's objective of combating extreme poverty, 31 July 2015.

- 1.10 **National Rural Roads Plan (PNCV).** In this context, the MIPC's road policy is aligned with the PNRPE through the PNCV, the objective of which is to improve 3,200 km, replace 12,000 meters of wooden bridges with reinforced concrete bridges, and maintain 15,000 km of rural roads. At present, financing is being identified for the upgrade of 2,101 km of roads, the replacement of 2,352 m of wooden bridges by concrete bridges, and the maintenance of 9,171 km of roads ([optional electronic link 7](#)). For the Eastern Region, the MOPC has prioritized all of the interventions, through departmental Participatory Road Plans (PVPs)<sup>19</sup> that incorporate a multicriteria selection methodology with social, economic, and technical indicators. Similarly, the PNCV envisages the rehabilitation of roads that provide access to 41 settlements considered a priority in the PNPPE's efforts to combat poverty. In order to finance the PNCV, the MOPC is drawing on its own resources, as well as on in-kind contributions from the municipios and financing from multilateral banks,<sup>20</sup> including this operation, which will improve 165 km of roads, replace 600 m of wooden bridges, and maintain roughly 500 km of rural roads that have been the subject of previous Bank interventions.
- 1.11 **Bank involvement in the rural roads sector.** Since 1993 the Bank has been providing support to the Paraguayan government for improving the rural road network. The main achievements of the operations completed include the improvement of 1,570 km of roads, maintenance of 2,780 km of rural roads, construction of 1,420 meters of bridges, incorporation of new road safety guidelines, development of technical specifications for executing the program's projects, updating of the General Environmental Technical Specifications, creation of the MOPC's Environmental Unit,<sup>21</sup> establishing an inventory of nearly 14,000 km of rural roads, and implementation of the Maintenance Management Plan. The works carried out under these programs have helped to diversify traditional agricultural production in the region, providing complementary alternatives for income, while creating direct and indirect job opportunities.<sup>22</sup> The Government of Paraguay has requested this program (Rural Road Improvement Program II) in order to consolidate the progress achieved under the previous programs, at the institutional level as well as in terms of improving and maintaining the rural road network. This program will help to achieve the targets established in the PNCV (paragraph 1.10), thereby contributing to rural poverty reduction, and it will also include measures to promote employment with a gender approach.

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<sup>19</sup> The PVPs prioritized 7,680 km of major rural roads in 13 of 14 departments in the Eastern Region. Resources from loan 1297/OP-PR have financed the execution of PVPs in the departments of Concepción, Cordillera, Ñeembucú, Amambay, Canindeyú, Alto Paraná, and Itapúa; resources from the Japan International Cooperation Agency (JICA) were used to finance three in the departments of Misiones, Paraguari, and Guairá; and with the World Bank PVPs were financed in the departments of Caaguazú, Caazapá, and San Pedro ([optional electronic link 11](#)). For priority setting, the PVPs considered five dimensions of analysis: spatial (regional linkage, connectivity); economic (number of collection centers, ports, tourism products), social (population served, health centers, and schools), technical (vehicle flow, final design), and environmental (impact on protected areas).

<sup>20</sup> Programs in execution: National Rural Roads Program, Second Stage - Phase 2 (2163/OC-PR and 2164/BL-PR), with US\$65.6 million from the IDB, US\$29 million from the OPEC Fund for International Development (OFID), and US\$50 million from JICA; and the Program for the Improvement, Management, and Maintenance of the Road Network in Paraguay, with US\$74 million from the World Bank. In addition to operation 3363/OC-PR, the Paraguayan government is preparing two operations with the Andean Development Corporation (CAF), for US\$150 million.

<sup>21</sup> Raised to the rank of Socioenvironmental Management Bureau (DGSA) in December 2014.

<sup>22</sup> The road improvement works covered under loan 1230/OC-PR created direct opportunities for temporary jobs, lasting approximately 10 months, for around 2,500 people living in the area of influence of the roads involved, with wage levels higher than those normally earned in those areas. Increased demand for the products and services in the area has generated indirect jobs for approximately 5,000 people, and the Maintenance Management Plan produced approximately 906 direct jobs.

- 1.12 **Lessons learned.** The proposed program considered a number of lessons learned during preparation and execution of the previous programs, in relation to planning (PVPs), timely preparation of designs, revision of the program Operating Regulations, consulting services to support execution, involving the municipalities in maintenance, and other issues. For further details, see [optional electronic link 21](#).
- 1.13 **Rationale for the Bank's continued involvement in the rural roads subsector.** The Bank's strategy for the road sector aims to support the improvement and paving of the most important road corridors and the integrated development of the departmental and rural road system, in order to establish a basic network that provides adequate, reliable connections between production, trade, and service areas. The development of physical infrastructure in the rural sector is considered a fundamental condition for combatting extreme poverty in rural areas and for social sector development. At present, 81% of the resources for the operation in execution (2163/OC-PR, 2164/BL-PR) have been committed, while for the operation approved by the Bank in November 2014 (3363/OC-PR, 3364/CH-PR), bidding processes for the contracting of works in the sample and their respective supervision are in advanced stages and the works are expected to be awarded during the first half of 2016.<sup>23</sup> Although the Bank's systematic involvement through all these programs is of key importance for meeting the government's investment needs in terms of rural road infrastructure, it represents only 26% of its investment program for the improvement of rural roads ([optional electronic link 7](#)).
- 1.14 **Identification of the problem, its magnitude, and determining factors.** The main problem to be addressed by this operation is the low connectivity (paragraph 1.4) of the rural road network in the Eastern Region (paragraph 1.5), which limits access and consequently the transfer of freight and passengers to centers of supply, consumption, and public services. This situation is due primarily to shortcomings in tertiary road infrastructure, which translate into low coverage of roads in good condition,<sup>24</sup> generating high vehicle operating costs, limiting travel speeds, increasing travel times, and restricting mobility in the face of climatic events ([optional electronic link 5](#)).
- 1.15 **Bank strategy with the country.** The program is aligned with the IDB Country Strategy with Paraguay (2014-2018) (document GN-2769), as it will contribute to: (i) improving transportation infrastructure; and (ii) enhancing road safety.
- 1.16 **Strategic alignment.** The program will contribute to the financing priorities of the Ninth General Increase in the Resources of the Inter-American Development Bank (document AB-2764) (GCI-9), namely: (i) support for small and vulnerable countries; (ii) poverty reduction and equity enhancement;<sup>25</sup> and (iii) support for initiatives on climate change, renewable energy, and environmental sustainability through designs appropriate for future needs to help adapt rural road and bridge infrastructure<sup>26</sup> ([optional electronic link 19](#)). In addition, it will contribute to the regional goals of: (i) reducing extreme poverty

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<sup>23</sup> The National Congress approved the loan law on 15 October 2015.

<sup>24</sup> The condition of a road depends on its driving surface, and is classified according to the nature of surface irregularities that affect safety, comfort, travel times, and user costs. These irregularities are measured using the International Roughness Index (IRI), where a lower score means higher quality.

<sup>25</sup> The program focuses on rural areas where the poverty rate (32%) exceeds the national average (22.6%). The details are contained in [optional electronic link 14](#).

<sup>26</sup> The inclusion of technical concepts in the design and construction of new road infrastructure or in the improvement of existing infrastructure, for adaptation to the effects of climate change, is a preventive measure against the adverse impacts of natural disasters that may occur, and that would interrupt the benefit achieved.

rates; (ii) expanding paved road coverage (km/km<sup>2</sup>)<sup>27</sup> by financing 165 km of road improvement works, reducing transport costs and times; and (iii) helping to establish a basic road network that will allow adequate, reliable connections between production, trade, and service areas, reducing the geographic isolation of entire rural communities. It will also contribute to the output measured by kilometers of interurban roads built, maintained, or improved, as defined in the Results Framework. Furthermore, the program is aligned with the IDB Infrastructure Strategy: Sustainable Infrastructure for Competitiveness and Inclusive Growth (document GN-2710-5), in that it will (i) promote access to infrastructure services; and (ii) promote planning, improvement, and maintenance of the infrastructure for an environmentally and socially sustainable rural road network as a means of fostering the country's inclusive growth. The program is aligned with the Transportation Sector Framework Document (document GN-2740-3), in its dimension for increasing and improving the coverage, quality, connectivity, and capacity of the transportation system.

- 1.17 **Coordination with other institutions.** Multilateral institutions have been active in financing Paraguay's road sector, and the PNCV (paragraph 1.10) establishes the framework for coordinated, integrated action by all institutions involved in funding the rural road network. Under coordination by the DCV, the Japan International Cooperation Agency (JICA), OFID, CAF, and FONPLATA are financing works as part of the [Rural Road Megaproject](#).

## **B. Objectives, components, and cost**

- 1.18 **Objective.** The program's general objective is to improve connectivity<sup>28</sup> in the rural areas of the Eastern Region of the country, providing productive areas with improved access to points of consumption. The specific objectives are to: (i) reduce vehicle operating costs; (ii) reduce travel times of users, allowing all-weather servability on rural road segments and bridges in the Eastern Region; and (iii) increase average daily traffic flows.
- 1.19 **Scope.** The global multiple works program will finance: (i) works on 165 km of the priority rural road network, through structural improvement of the roadways, construction of drainage that allows for climate change-induced variability, inclusion of various measures to control erosion and protect slopes, placement of improved roadway surfaces of gravel or cobblestone, construction of pilot segments with alternative paving technologies using chemically stabilized materials and flexible pavement, which will be subject to careful monitoring in order to compare the effectiveness and cost of the alternatives; (ii) replacement of 600 linear meters of wooden bridges by reinforced concrete bridges designed to withstand 100-year flooding events ([optional electronic link 19](#)) as a climate change adaptation measure; (iii) maintenance of the rural road network, including previous works, with a view to continuing the decentralization effort; and (iv) road safety measures, such as speed bumps and bicycle lanes in populated areas and the installation of protective barriers on bridge approaches. A single investment component has been defined to achieve these objectives.
- 1.20 **Component: rural roads improvement and maintenance works and bridge replacement (US\$58.8 million).** This component's objective is to invest in priority

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<sup>27</sup> The current index of paved roads (asphalt, paving stone, cobblestone, gravel, reinforced concrete) in Paraguay is 0.0196 km/km<sup>2</sup>.

<sup>28</sup> This is part of a road network that will allow territorial articulation with other roads of equal or greater importance.



works,<sup>29</sup> specifically: (i) engineering studies and projects, economic analysis, socioenvironmental studies relating to the principal rural roads and the replacement of small bridges, not included in the respective samples analyzed; (ii) improvement of approximately 165 km of rural roads in five departments, prioritized via the departmental PVPs,<sup>30</sup> through interventions that are simple<sup>31</sup> but sufficient ([optional electronic link 2](#)) to ensure road safety and acceptable conditions of serviceability throughout the year; (iii) routine maintenance on approximately 713 km of roads already targeted in this project's area of influence and/or rehabilitated under this operation, potentially including sections that have been under routine maintenance for a certain time and are reaching the end of their useful life ([optional electronic link 2](#)); (iv) replacement of approximately 600 m of small wooden bridges by reinforced concrete bridges, designed to resilience standards that will reduce vulnerability to climate change ([optional electronic link 3](#)); (v) technical and environmental inspection of the works; and (vi) management of environmental and social programs that include gender aspects.

- 1.21 **Other costs: Management and administration (US\$3.2 million).** This includes funding for: (i) program administration, including operating expenses and incremental staffing costs of the Program Execution Unit (PEU) and the contracting of a consulting firm for technical and fiduciary support (ECATEF); and (ii) an independent external financial audit.
- 1.22 **Representative sample and project eligibility criteria.** The program includes segments of rural roads and bridges that are independent but have similar characteristics. For evaluating the program, a representative sample of approximately 30% of the program was analyzed, consisting of 66.5 km of rural roads and 150 m of bridges ([optional electronic link 4](#)) for which there are technical engineering designs and environmental, social, and economic viability assessments available, and which meet the following program eligibility criteria: (i) they have been prioritized through a PVP duly developed and approved by the Association of Municipios; (ii) they meet the requirements established in the program's Environmental and Social Management Framework; (iii) they have a technical improvement and road safety standard adapted to the characteristics of the road's location and consistent with the nature and level of demand ([optional electronic link 16](#)); (iv) they have an economic internal rate of return (EIRR) greater than 12%; and (v) they connect with the main road network or other main rural roads with good driving conditions. The bridges to be replaced will meet the following eligibility criteria: (i) be located on a second-tier road segment prioritized in a PVP; (ii) have a length of between 6 meters and 45 meters; and (iii) have been prioritized taking into account: (a) the communities they link; (b) the population served;

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<sup>29</sup> The target segments connect with other roads with higher service levels, comprising road network systems. They are in critical condition: (i) the San Vicente-Arroyo Itanará segment (20.6 km) has an average speed of 31 km/h and an IRI of 14; (ii) Route 3-Cañada Costa Pucu – Pirapomí, (10.8 km) has a speed of 31 km/h and an IRI of 14; and the Itakry-Col. Ykua Pora-Rancho Alegre segment (35.1 km) has a speed of 31 km/h and an IRI of 13.

<sup>30</sup> The PVPs are based on a territorial and network approach, implemented through multiple criteria that incorporate various analytical dimensions in order to characterize each segment at the municipal level, defining a classification within the rural network (primary or secondary) and a ranking by priority in terms of interventions. The segments prioritized through the PVPs must meet eligibility criteria that evaluate the technical, environmental, and economic conditions of each segment for inclusion as part of the intervention.

<sup>31</sup> In addition to the simple engineering works, the program will apply chemical stabilization and flexible pavement technologies to certain short segments within the gravel or cobblestone segments, so as to perform comparative monitoring of alternatives for future use. These tests will be recorded with the support of the National University of Asunción's school of engineering, with which the MOPC is negotiating an agreement.

(c) annual average daily traffic; (d) access to health and education services; and (e) type of production served.

- 1.23 **Socioenvironmental management of the program.** The program will finance: (i) socioenvironmental mitigation measures; (ii) measures to support the management, monitoring, and evaluation of environmental and social quality and performance; (iii) design of training programs on environmental and social issues for the MOPC, contractors, and subcontractors; (iv) implementation of a training, awareness-raising, and outreach plan on gender considerations related to women's participation in the program's works and maintenance, through agreements with government institutions responsible for vocational training in the context of the PNRPE<sup>32</sup> and the National University of Asunción; and (v) monitoring of the institutional strengthening framework of the DGSA.
- 1.24 **Gender-related activities.** Given the low employment rate of women in the civil construction sector (paragraph 1.7) and the need to address gender equality as a factor for social inclusion and equity, in line with the Bank's Institutional Strategy 2010-2020, the gender strategy for this program will focus on awareness raising, communication, and capacity-building in order to promote the employment of women and to improve the quality of female employment in road construction and maintenance, targeting the geographic areas covered by the program. The plan includes training for at least 100 women in the zone surrounding the works, relating to construction, laboratory work, topography, and other nontraditional occupations, including the use of machinery, with the support of SINAFOCAL and/or SNPP (paragraph 1.23).
- 1.25 **Beneficiaries.** The program's direct beneficiaries will be the users of the roads, i.e. the inhabitants and producers of the area of influence of each targeted road segment, including the residents of settlements prioritized by the PNRPE. A lesser additional benefit will be the generation of employment opportunities for some of the region's inhabitants. The direct beneficiaries of the projects to improve the roads in the sample will be the inhabitants of seven districts of the Eastern Region, with a rural population of 119,000 persons, of whom around 55,000 are women ([optional electronic link 15](#)).
- 1.26 **Cost.** The program will have a total cost of US\$62 million, to be funded entirely from the Bank's Ordinary Capital.

Table 1. Program costs (in US\$ thousands)

Investment category	Description	Total (IDB)*
<b>1</b>	<b>Road improvement and maintenance and bridge replacement works</b>	<b>58,800</b>
1.1	Engineering	2,600
1.2	Rural road improvement	38,000
1.3	Rural road maintenance	4,000
1.4	Replacement of wooden bridges	10,200
1.5	Inspection	3,200
1.6	Socioenvironmental management	800
<b>2</b>	<b>Other costs</b>	<b>3,200</b>
2.1	Administration	3,000
2.2	Audit, monitoring, and evaluation	200
	<b>Program total</b>	<b>62,000</b>

\* These amounts include local taxes.

<sup>32</sup> Servicio Nacional de Promoción Profesional [National Professional Promotion Service] (SNPP) and Sistema Nacional de Formación y Capacitación Laboral [National Job Training System] (SINAFOCAL).

## C. Key results indicators

- 1.27 The program will seek to achieve the following outcomes, which will be evaluated on the basis of the indicators proposed in the [Results Matrix](#): (i) reduction in average vehicle operating costs on the targeted rural road segments; (ii) reduction in average travel times over the rural road segments targeted by the project; (iii) improved connectivity and access for freight and passenger transport to road infrastructure of the targeted segments of the rural road network, through the increase in vehicular traffic; and (iv) greater involvement of women in road construction and maintenance work on the segments targeted by the program.
- 1.28 **Economic viability.** For the economic evaluation of this operation ([optional electronic link 5](#)), a cost-benefit analysis was conducted for the proposed interventions on each sample road segment, applying a methodology generally used for roads serving relatively underdeveloped areas, where improvement can have an impact on local production. This evaluation is based on a comparison of costs and benefits at economic prices, in situations with and without the road interventions. The estimate of benefits was based on savings in overall transportation costs (vehicle operation and travel times) for nonagricultural users of the road, after improvement (consumer surplus), as well as the increased value-added of agricultural production within the area of influence as a result of road improvements (producer surplus), over a period of 10 years. The analysis also took into account the investment costs resulting from the engineering studies, including the costs of mitigating direct socioenvironmental impacts and the annual maintenance costs for situations with and without the project.
- 1.29 Using a discount rate of 12%, the analysis yielded an EIRR of between 31.1% and 40.1% under base-case conditions and assumptions. To test the robustness of the projects under more unfavorable scenarios, a sensitivity analysis was performed, assuming (i) a 20% increase in the investment cost; (ii) a 20% reduction in benefits; and (iii) an investment cost increase of 10% combined with a simultaneous 10% reduction in benefits. Table 2 summarizes the results for the rural road segments; the analysis of the remaining segments is found in [optional electronic link 5](#).

**Table 2. Results of the cost-benefit and sensitivity analyses**

Project	Length (km)	Investment cost (US\$000)	ENPV (US\$000)	EIRR (%)			
				Base	Sensitivity analysis		
					Investment cost (IC) +20%	Benefits (B) -20%	IC +10% & B -10%
San Vicente-Arroyo Itanara	20.62	1,953	3,505	40.1	37.3	28.7	31.8
Ruta 3. Costa Pucu-Pirapomi	10.79	3,399	1,776	31.1	28.4	23.7	25.0
Itakyry-Col. Ykua Pora-Rancho Alegre	35.10	8,284	11,610	35.4	32.8	22.8	27.1

- 1.30 There are other, additional benefits that were not quantified, and that result from both continuous serviceability and improved access to social services (schools, health centers, markets, etc.), as well as from the strategic nature of each project's area of influence in terms of socioeconomic development and integration (tourism development, savings in health costs through the reduction in traffic accidents, etc.).



## II. FINANCING STRUCTURE AND MAIN RISKS

### A. Financing instruments

- 2.1 The program is a global multiple works operation (paragraph 1.22) that will finance independent works with similar characteristics, in accordance with eligibility criteria. The term for the physical start of the works will be three years, with a disbursement period of five years, counted in each case from the loan contract's effective date. The planned disbursement timetable is as follows:

Table 3. Program disbursement timetable (US\$ thousands)

	2017	2018	2019	2020	2021	Total
Amount	3,409	19,674	27,573	9,466	1,875	62,000
%	5%	32%	44%	15%	3%	100%

### B. Environmental and social risks

- 2.2 In accordance with the Bank's Environment and Safeguards Compliance Policy (Operational Policy OP-703), the program is classified as a "Category B" operation, given its environmental and social impacts. The works covered in this multiple works program include the rehabilitation of 165 km of rural roads, the rehabilitation or replacement of 600 m of wooden bridges by reinforced concrete bridges, and the maintenance of existing rural roads in the departments of Itapúa, Alto Paraná, Cordillera, San Pedro, and Canindeyú. Road rehabilitation consists of improving the roadway surface. The program does not call for any widening or any realignment of the roadways: all the works will be carried out on the existing right-of-way, without the need to acquire any additional land, and consequently no involuntary resettlement is foreseen. The rural roads to be supported by the program have been identified by departmental PVPs, with the active involvement of the inhabitants of the respective departments.
- 2.3 The program's representative sample includes the cobblestone paving of two segments in the District of Itakyry in Alto Paraná and in the District of Arroyos y Esteros in Cordillera, of 35.1 km and 10.8 km respectively, as well as the graveling of 20.7 km in the district of General Resquín in San Pedro. In addition, three wooden bridges of 45 m and one bridge of 15 m will be replaced. The MOPC has prepared a series of environmental analyses for the various works, including environmental management plans, on the basis of which environmental licenses were issued for these sample works. The adverse impacts that will be generated are considered to be of low to medium magnitude and of short duration, and include the generation of dust, waste, noise etc., as well as occupational health risks. These impacts are manageable using standard procedures and good practices. The rural roads are in areas devoted primarily to agriculture, and improvement of the roads is expected to boost productivity and facilitate transportation of products. The roads and bridges are well removed from sensitive ecological and indigenous zones.
- 2.4 This program will provide continuity to the approach taken by the previous rural road program (loan 3363/OC-PR) and, more generally, the approach of other previous Bank operations with the MOPC. Because it is a global multiple works program, environmental and social management of the works will be handled in accordance with the Environmental and Social Management Framework (ESMF) of loan 3363/OC-PR, which was designed to comply with the Bank's environmental and social safeguards policies. The ESMF specifies an environmental categorization process that: (i) defines the

evaluation, monitoring, and reporting requirements for each work; (ii) includes protocols for handling and resolving complaints during implementation of the works; (iii) establishes specific procedures for incorporation in the bidding documents for the works; (iv) defines compliance with the environmental and social management plan for each project; and (v) describes the corresponding technical and environmental specifications. The ESMF is an integral part of the Operating Regulations. **Entry into force, by ministerial resolution, of the Environmental and Social Management Framework of the MOPC, based on the Environmental and Social Management System, will be a condition precedent to the first disbursement.** In addition, the following special execution conditions have been defined: (i) before startup of each of the road rehabilitation and bridge construction works, the executing agency will deliver to the Bank evidence that the corresponding inspection company has been contracted; and (ii) prior to startup of each of the works, the executing agency will deliver to the Bank evidence that it has the corresponding environmental license. Independent environmental and social supervision activities will also be included.

- 2.5 The Environmental and Social Management Report ([required electronic link 4](#)) includes further information on compliance with the Bank's environmental policies, details on the impacts to be generated, and the monitoring and supervision measures that will be carried out during execution.

### C. Fiduciary and execution risks

- 2.6 The MOPC's DCV has experience in applying Bank procedures and rules. However, a number of areas that could bear improvement have been identified, such as planning, organization, staff administration, administration of goods, and internal control. According to the latest Institutional Capacity Assessment System (ICAS) study ([optional electronic link 12](#)), these areas have medium or incipient levels of development, and a medium level of risk. The needs in these areas stem from the successive institutional reorganizations that have not yet been concluded, and from the large number of projects with multiple external financial institutions, exceeding the capacity of trained human resources assigned to the tasks of planning, procurement, administrative financial management, and control of ongoing projects. To mitigate this risk, an ECATEF will assist the PEU in overall management and coordination of program execution (paragraph 3.1). Likewise, the following measures have been identified for incorporation into the program's updated Operating Regulations (paragraph 3.2): (i) an organizational chart of the PEU and job profiles, based on the incremental needs of the operation; (ii) control activities, based on the results of the risk analyses; and (iii) plans for training the members of the PEU and the supporting consulting firm regarding fiduciary matters. At the same time, in the framework of operation PR-L1075,<sup>33</sup> efforts are being made to develop a human resources policy for the MOPC, to strengthen the internal audit division, to harmonize accounting and financial systems, and to provide training for the Contract Operations Unit (UOC)<sup>34</sup> on the Bank's procurement procedures. These activities will also help to mitigate the risks classed as medium, relating to: (i) limited monitoring of the investment by the MOPC's internal audit office; and (ii) late presentation of financial reports and/or inconsistencies in information. The risk of delay in startup of program execution will be mitigated through meetings and technical

<sup>33</sup> Operation 2934/OC-PR, "Program for Paving of Integration Corridors and Road Rehabilitation and Maintenance, Phase II" became eligible in December 2014 and includes a training subcomponent in the amount of US\$320,000.

<sup>34</sup> Created by Ministerial Resolution 81/2004, with functions related to planning procedures, budget programming, and contracting, as provided for in Law 2051/2003 on public contracting.

presentations with various stakeholders who have a role in the approval process; and the risk that the high number of bidding processes on works will exceed the capacity of the local contracting market will be mitigated through the packaging of works enabling international bidders to participate; incentives will also be established in the contracts to encourage compliance and early completion of works.

#### **D. Other project risks**

- 2.7 Cost overruns.** To reduce the risk of cost overruns, the engineering designs have been reviewed, the costs for the sample road segments have been updated, and the results have been taken into account in the program budget. All of the designs will be consistent with the standards established in Paraguay's road manual,<sup>35</sup> harmonizing technical specifications and reducing the probability that: (i) bids will exceed the estimated budget due to a lack of detail in the design; (ii) substantial changes in the design and/or the volume of work will occur during construction; and (iii) the timeframes for the work will be extended due to revisions in the design and/or increases in volume, resulting in higher costs. The MOPC has also reviewed the bidding processes for bridge improvement and replacement works undertaken in recent years, in order to ensure that the average costs established for the program are up-to-date and compatible with market supply.
- 2.8 Sustainability of the investments.** The program will finance the maintenance of the targeted segments for an average period of three years<sup>36</sup> from the conclusion of the improvement works. In preparing the operation, an analysis was undertaken of the outcomes associated with implementation of the Maintenance Management Plan to date ([optional electronic link 9](#)), and the lessons learned are already being incorporated into the execution of 1297/OP-PR, 3363/OC-PR, as well as into the design of this operation. Moreover, in accordance with the established eligibility criteria (paragraph 1.22), the beneficiary municipios<sup>37</sup> will make a commitment to cofinance the routine maintenance of the program's road segments; this cofinancing could be in the form of in-kind contributions (equipment, fuel, operators, etc.) and/or financial resources (based on the financial capacities of the particular municipios resulting from the level of resources they receive through transfers). At the same time, resources from PR-L1019 are being used to move forward in contracting studies related to the establishment of a Road Fund,<sup>38</sup> which would make it possible to earmark more resources for road maintenance. **As a special contractual condition precedent to the first disbursement, the executing agency will submit to the Bank the maintenance plan for the works planned under this program.**

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<sup>35</sup> Created by Ministerial Resolution 1865/12, dated 19 September 2012.

<sup>36</sup> The projects are incorporated into a maintenance system as their execution is completed. For this reason, some works will be covered under the scope of the program for longer than others, given that the loan operation has a limited term.

<sup>37</sup> The commitment of the municipios to contribute to maintenance is reflected in a series of agreements with groups of municipios. At present, there are agreements with the departments of Alto Paraná, Itapúa, Guairá, Caazapá, and Canindeyú. These agreements are part of the MOPC strategy, which also includes maintenance contracts (Amambay, San Pedro, and Concepción), and they are reflected in the Maintenance Plan ([optional electronic link 9](#)) that the MOPC will submit to the Bank as part of the contractual conditions.

<sup>38</sup> The Road Fund is based on Law 2148/2003 creating the Paraguayan Road System, for which regulations have not yet been issued. PNCR II-2 studies, which will be completed at the end of 2015, will analyze the existing legal basis and provide guidelines for implementing the fund.

### III. IMPLEMENTATION AND MANAGEMENT PLAN

#### A. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** The borrower will be the Republic of Paraguay and the executing agency will be the MOPC, operating through the DCV. The MOPC will designate the DCV as the PEU, which will coordinate with the DGSA and the Contract Operations Unit for matters related to program execution under the authority of these bodies, as well as with the Public Credit Department of the Office of the Deputy Minister of Administration and Finance (VMAF), with regard to the financial administration and accounting of the loan proceeds.<sup>39</sup> The PEU will be responsible for the operation's programming, and will develop the actions needed for the proper execution of program components, as well as for the required procurement processes, financial administration, monitoring, and evaluation of outcomes. The functions of the PEU are detailed in Annex III. The PEU will have the support of an ECATEF staffed by professionals with experience in executing similar projects, who will provide support in preparing technical specifications for the contracting of services and works, planning and programming of program activities, review of designs, technical and environmental supervision of works, procurement and financial control, socioenvironmental considerations, internal audits, institutional relations, monitoring and evaluation, etc. **The following will be special contractual conditions precedent to the first disbursement: (i) designation of the Rural Roads Division (DCV) of the MOPC as the program execution unit (PEU);<sup>40</sup> and (ii) submission of evidence that the ECATEF has been contracted and is fulfilling its tasks.**
- 3.2 **Program Operating Regulations.** Operating Regulations ([optional electronic link 20](#)) are in place for the operations in execution, and they will be updated. The Operating Regulations will establish the terms, conditions, and scope of PEU operations, and will include eligibility criteria for financing, and for technical, socioenvironmental (paragraph 2.2), and fiduciary (paragraph 2.6) procedures, as well as institutional arrangements, performance standards, and monitoring, as set forth in the ESMR and in the maintenance agreements (paragraph 2.8) that the MOPC will enter into with the municipios for maintenance of the works, and a broad system for monitoring and evaluation of actions and outcomes. **A special contractual condition precedent to the first disbursement will be the entry into force of the program's Operating Regulations and their respective annexes, under terms previously agreed upon with the Bank.**
- 3.3 **Procurement.** Procurement and contracting will be carried out pursuant to the Policies for the Procurement of Goods and Works Financed by the IDB (document GN-2349-9) and the Policies for the Selection and Contracting of Consultants Financed by the IDB (document GN-2350-9), both of March 2011, and in accordance with the provisions set forth in the loan contract and in the [Procurement Plan](#), which establish the review modality, procedures, and monitoring for program procurement. All procurement processes and/or contracts will be reviewed by the Bank on an ex ante basis.
- 3.4 **Disbursements.** The loan will be disbursed under an advance of funds modality, with the frequency of the advances to be determined based on the program's financial programming, to be periodically updated by the PEU. The Bank may make a new

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<sup>39</sup> All matters relating to disbursements, administration of funds, and management of the single account.

<sup>40</sup> The structure of the DCV will be the same as that agreed for operation 3363/OC-PR.

advance of funds once at least 80% of the total amount disbursed in the form of advances has been justified. The financial review of disbursement requests will be subject to ex post review.

**B. Arrangements for monitoring results**

- 3.5 The [Monitoring and Evaluation Plan](#) will cover execution of the operation in accordance with the indicators and targets set out in the Results Matrix. The following instruments will be used for this purpose: (i) semiannual reports indicating the progress achieved in the components and in the program's overall performance, based on the indicators in the Results Matrix; the monitoring of physical and financial execution, based on the AWP, PEP, and procurement plan, and of disbursements, and compliance with the recommendations of the external audit; (ii) audited financial statements; and (iii) the Program Completion Report. The Bank will monitor the program through inspection visits and administration missions. The Monitoring and Evaluation Plan will be coordinated by the PEU, which will maintain appropriate systems for compiling periodic information on physical and financial progress, and will keep updated information on the program.
- 3.6 The executing agency will submit to the Bank a final evaluation, when the program's resources have been 100% disbursed. At a minimum, this evaluation will include: (i) an ex post cost-benefit analysis of program interventions, using the ex ante analysis methodology, including a comparison of outcomes for purposes of verifying the assumptions and parameters considered, as detailed in the [Monitoring and Evaluation Plan](#); (ii) the results of financial execution; (iii) fulfillment of the established targets, according to the agreed outcome indicators; and (iv) compliance with contractual commitments.

Development Effectiveness Matrix				
Summary				
I. Strategic Alignment				
1. IDB Strategic Development Objectives		Aligned		
Lending Program	-Lending to small and vulnerable countries -Lending for poverty reduction and equity enhancement -Lending to support climate change initiatives, renewable energy and environmental sustainability			
Regional Development Goals	-Paved road coverage (Km/Km2)			
Bank Output Contribution (as defined in Results Framework of IDB-9)	-Km of inter-urban roads built or maintained/upgraded			
2. Country Strategy Development Objectives		Aligned		
Country Strategy Results Matrix	GN-2769	Improve transportation infrastructure.		
Country Program Results Matrix	GN-2805	The intervention is included in the 2015 Operational Program.		
Relevance of this project to country development challenges (If not aligned to country strategy or country program)				
II. Development Outcomes - Evaluability		Evaluable	Weight	Maximum Score
		8.3		10
3. Evidence-based Assessment & Solution		8.0	33.33%	10
3.1 Program Diagnosis		3.0		
3.2 Proposed Interventions or Solutions		2.4		
3.3 Results Matrix Quality		2.6		
4. Ex ante Economic Analysis		10.0	33.33%	10
4.1 The program has an ERR/NPV, a Cost-Effectiveness Analysis or a General Economic Analysis		4.0		
4.2 Identified and Quantified Benefits		1.5		
4.3 Identified and Quantified Costs		1.5		
4.4 Reasonable Assumptions		1.5		
4.5 Sensitivity Analysis		1.5		
5. Monitoring and Evaluation		7.1	33.33%	10
5.1 Monitoring Mechanisms		2.5		
5.2 Evaluation Plan		4.6		
III. Risks & Mitigation Monitoring Matrix				
Overall risks rate = magnitude of risks*likelihood		Medium		
Identified risks have been rated for magnitude and likelihood		Yes		
Mitigation measures have been identified for major risks		Yes		
Mitigation measures have indicators for tracking their implementation		Yes		
Environmental & social risk classification		B		
IV. IDB's Role - Additionality				
The project relies on the use of country systems				
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, Accounting and Reporting. Procurement: Information System.		
Non-Fiduciary				
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:				
Gender Equality				
Labor				
Environment	Yes	As part of the program's preparation, a Technical Annex on road infrastructure resilience in Paraguay was written, addressing the issue of vulnerability and adaptation to climate change. Resources and technical expertise have been prepared to adapt the technical design of civil works and their construction, as a measure of adaptation and anticipation of the potential negative effects of climate change.		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project				
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan				

The operation seeks to finance the improvement and maintenance of rural roads and the replacement of wooden bridges, with the aim of improving connectivity in rural areas of the Eastern Region (ER) of Paraguay providing better access between the productive areas and the consumption points, to thereby increase the agricultural production and the benefits of its residents. The program is aligned with the priorities identified in the Bank's strategy with the country (improving transport infrastructure) as well as the Bank's lending program (support initiatives on climate change, renewable energy and environmental sustainability) and regional development goals (coverage of paved roads).

The diagnosis documents the conditions and coverage of the roads at regional and sample level, as the major causal factor of the specific problems, such as high vehicle operating costs, travel times, and traffic volume. A diagnosis was carried out with respect to gender issues and women's participation in non-traditional jobs in the construction sector. The program logic is solid and in general the results matrix is well defined and presents indicators associated with the project objectives and components. However, some of the results provided are too wide and could be simplified to maintain consistency with the specific objectives defined by the operation and the proposed indicators. The outcome indicator related to gender lacks a baseline, which suggests that the service providers that will carry out the civil works lack women workers to perform activities of non-traditional construction jobs. The indicator should have been improved in order to measure the ex post effectiveness and impact of the project to determine its contribution to the reduction of the gender gap and to the empowerment of women.

The economic analysis is solid and the assumptions are well documented. Detailed estimates of costs and benefits are provided for the scenarios with and without the project. The main drivers of incremental net social benefits are the reduction by approximately 30% of both vehicle operating costs and travel times, and the increases in agricultural production and traffic volume. Under all the simulated scenarios the project is beneficial. The project presents a comprehensive plan for monitoring and evaluation. An ex post cost-benefit analysis will provide knowledge about the real effectiveness of the measures implemented.

Finally, regarding the risks and mitigation measures, there are five expected medium risks. The first two related to the difficulty in the process of implementation of the technical and fiduciary support to the execution agency and a high number of bidding processes. The next two refer to the process of monitoring and accountability of the executor agency and the last one is related to the probable delays in the execution of the project. The project presented mitigation measures for all identified risks.

## RESULTS MATRIX

<b>General objective of the program:</b> The program's general objective is to improve connectivity in the rural areas of the Eastern Region of the country, providing productive areas with improved access to points of consumption.		
Impact indicators	Baseline	Target (2021)
Gross value added (in US\$) of agricultural output in the area of influence <sup>1</sup> of the roads targeted in the Eastern Region. <sup>2</sup>	US\$15,251,507	US\$21,977,286

<b>Expected program outcomes</b>	i. Lower overall transportation costs for users of targeted roads and improved quality of infrastructure in the country's Eastern Region. <sup>3</sup>
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Outcome indicators	Baseline (2015)		Target (2021)		Means of verification /Comments
Average operating cost per vehicle-kilometer (in US\$) on roads targeted by the program. <sup>4</sup>	<b>Fleet average<sup>5</sup></b>	<b>0.62</b>	<b>Fleet average</b>	<b>0.43</b>	Highway Development and Management (HDM-4) – Ex post economic assessment under the cost-benefit analysis modality. DCV- Bank.
Average travel time per vehicle (in minutes) over the total length of the targeted segments <sup>6</sup>	<b>Fleet average</b>	<b>41</b>	<b>Fleet average</b>	<b>28</b>	HDM-4 – Ex post economic assessment under the cost-benefit analysis modality. DCV- Bank

<sup>1</sup> The area of influence is defined for each segment. The composition of agricultural output is included in the Economic Evaluation. See Annex (optional electronic link 5). The area of influence (AI) of each segment is considered to be the surrounding zone extending approximately 6 km to either side of the road, taking into account the topographic, geographic, productive, and socioeconomic characteristics, the existing road network complementary to the segment under study, and traffic behavior.

<sup>2</sup> The baseline corresponds to the gross aggregate value of agricultural production in the area of influence of the roads considered in the program's representative sample, valued at 2015 prices. The 2020 target, estimated on a preliminary basis, corresponds to the value of production for an equivalent geographic area, valued at the prices used in the baseline valuation. Source: Agricultural Censuses, and annual updates thereto by the Ministry of Agriculture ([www.mag.gov.py](http://www.mag.gov.py)).

<sup>3</sup> The samples segments are: (i) San Vicente-Arroyo Itanara (Depto. San Pedro) Route 3; (ii) Costa Pucu-Pirapomi (Depto. Cordillera); and (iii) Itakyry-Col. Ykua Pora- Rancho Alegre (Depto. Alto Paraná). The other segments have been preselected, and their compliance with the eligibility criteria will be verified.

<sup>4</sup> The values for the indicators, both for the baseline and for the end of the program, have been calculated using the HDM-4 model for the sample roads. For further details on this calculation, see the Program Monitoring and Evaluation Plan.

<sup>5</sup> The fleet average considers the values for automobiles, buses, and trucks.

<sup>6</sup> The values for the indicators, both for the baseline and for the end of the program, have been calculated using the HDM-4 model for the sample roads. For further details on this calculation, see the Program Monitoring and Evaluation Plan.



<b>Expected program outcomes</b>	ii. Improved connectivity and access for freight and passenger transport to road infrastructure of the targeted segments of the rural road network of the Eastern Region.
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<b>Outcome indicators</b>	<b>Baseline (2015)</b>	<b>Target (2021)</b>	<b>Means of verification / Comments</b>
Annual Average Daily Traffic (AADT)	251	509 <sup>7</sup>	Considers vehicles of all types; results from the average of AADTs for the segments in the sample, weighted by the length of each segment. Source: traffic count conducted by DCV. Responsibility: DCV- Bank.
% of days of the year when roads are passable	80	100	The baseline was estimated using official rainfall records and maintenance reports from the DCV. The roads will be serviceable at all times after they have been improved. Verification: Road network status report - DCV Responsibility: DCV- Bank.

<b>Expected program outcomes</b>	iii. Greater employment opportunities for the local population, and in particular greater involvement of women in road construction and maintenance work on the segments targeted by the program. <sup>8</sup>
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<b>Outcome indicators</b>	<b>Baseline (2015)</b>	<b>Target (2020)</b>	<b>Means of verification / Comments</b>
% of nontraditional jobs <sup>9</sup> performed by women in the works financed by the program.	0 <sup>10</sup> (by definition of the indicators)	20%	Works and maintenance reports of the DCV detailing the makeup (gender and place of residence) of the employed workforce. Responsibility: DCV- Bank.

<sup>7</sup> The total of 509 veh./day comprises 325 veh./day of normal traffic and 184 veh./day of induced and generated traffic.

<sup>8</sup> See the Gender Action Plan [optional electronic link 13](#).

<sup>9</sup> Nontraditional employment refers to tasks that are culturally assigned only to men, but for which in practice there should be no restriction or limitation preventing women from performing them.

<sup>10</sup> The indicator is designed to capture the percentage of local women in total direct employment generated by the road intervention. The baseline is, by definition, zero, since no road intervention or associated direct employment exists yet.



Expected program outputs								
<b>Component 1. Civil works</b>	(i) Road improvement works; (ii) replacement of wooden bridges; and (iii) maintenance.							
Outputs indicators	Baseline (2015)	2017	2018	2019	2020	2021	Cumulative target	Means of verification / Comments
Km of rural roads improved by the program in the Eastern Region. <sup>11</sup>	0	0	0	65	100	0	165	Certificate of provisional acceptance of the works. DCV- Bank. Observation: Contributes to the sector indicator of "km of interurban highways maintained or improved."
Km of program-targeted roads maintained annually in the Eastern Region. <sup>12</sup>	0	131	427	684	713	713	713	DCV maintenance reports detailing the segments incorporated into a PGM conservation plan. DCV- Bank. Observation: Contributes to the sector indicator of "km of interurban highways maintained or improved."
Linear meters of concrete bridges constructed in the road network of the Eastern Region.	0	0	0	405	195	0	600	Certificate of provisional acceptance of the works. DCV- Bank.
Number of women trained by the program for nontraditional jobs in the road sector.	0	30	40	30	0	0	100	DCV reports on implementation of the training plans DCV- Bank.

<sup>11</sup> Road improvement works refer to capping road surfaces with gravel or cobblestone, or the incorporation of stabilization technologies that will make them serviceable at all times of the year.

<sup>12</sup> The kilometers reported are cumulative, as the kilometers that are incorporated into the maintenance system will be the object of ongoing intervention in subsequent years.

## **FIDUCIARY AGREEMENTS AND REQUIREMENTS**

**Country:** Paraguay  
**Name:** Rural Road Improvement Program II  
**Project number:** PR-L1092  
**Executing agency:** Ministry of Public Works and Communications (MOPC)  
**Prepared by:** Alberto de Egea, Raúl Lozano, and Mariano Perales (FMP/CPR)

### **I. EXECUTIVE SUMMARY**

- 1.1 The institutional evaluation of the project's fiduciary management was conducted on the basis of: (i) the country's fiduciary context; (ii) the results of the fiduciary risk assessment and project risk management (PRM) workshop; and (iii) the recent analysis of the update of the Institutional Capacity Assessment System (ICAS) review of the Ministry of Public Works and Communications (MOPC) in the context of loan 3363/OC-PR. As a result of this evaluation, the fiduciary agreements on procurement and financial administration, to be applied in executing the project, were prepared.

### **II. THE COUNTRY'S FIDUCIARY CONTEXT**

- 2.1 In general, the country financial management systems have a medium level of development. They need to be supplemented for execution of Bank-financed projects in the areas of specific financial reports, which are produced through auxiliary accounting systems. The tools for financial control, such as SIAF, SICO, and other subsystems, allow executing agencies to arrange for transfers of payments to suppliers of goods and services through the Central Bank under acceptable conditions. Their integration will enable the SIAF to produce the audited financial statements for programs or projects in the near future. In the meantime, parallel systems are being used. External control is currently performed through private audit firms. However, a pilot project is under way with the Office of the Comptroller General of Paraguay so that, in the short term, it will be in a position to take over the auditing of Bank-financed projects.
- 2.2 The Public Procurement Information System (SICP), which is already in full use for Bank operations, will be supplemented by use of the country electronic reverse auction (SBE) and competitive bidding (LCO) subsystems, for amounts and categories established in the agreement on the use of such subsystems, which Paraguay and the Bank signed on 17 June 2014.

### **III. THE EXECUTING AGENCY'S FIDUCIARY CONTEXT**

- 3.1 The borrower will be the Republic of Paraguay and the executing agency will be the MOPC, acting through a program execution unit (PEU) to be created prior to the first disbursement of the loan. The PEU will be made up of specialized

- personnel, previously agreed upon with the Bank, who will manage the operation's technical and fiduciary aspects through the relevant divisions: the Administration and Finance Unit and the Contract Operations Unit. The PEU will be set up in the Rural Roads Division (DCV). At the executive level, it will draw support from key incremental personnel, while at the operational level it will have the support of a Technical and Fiduciary Support Consulting Firm (ECATEF), the contracting of which is a condition precedent to the awarding of the first work financed by the program.
- 3.2 The risk areas reflect the consequences of successive institutional reorganizations that have not yet been concluded, and the large number of projects with multiple external lenders exceeding the capacity of the trained human resources assigned to the tasks of planning, procurement, financial/administrative management, and control of projects under way.
- 3.3 Based on the current state of execution of Phase II of PNCR-2, through operations 2163/OC-PR and 2164/BL-PR, which have seen considerable delays in practically all of their components, a cross-cutting triggering factor was identified that has a high probability of generating risks with medium-level negative effects in terms of achieving the program's objectives with regard to scope, time periods, and initially estimated costs (quality). The factor at issue is the timely allocation of competent human resources. The main weakness identified (see updated ICAS) relates to the insufficiency of mid-level (operational) personnel to perform the necessary tasks in optimal fashion. This problem would be mitigated by contracting the ECATEF, as indicated in paragraph 3.1 and paragraph 4.2.

#### **IV. FIDUCIARY RISK EVALUATION AND MITIGATION ACTIONS**

- 4.1 Based on ICAS and GUS evaluations of previous operations, opportunities for improvement at the MOPC, in relation to this project and others in the future, should focus on: (i) strengthening the areas of planning, accounting, and internal audit; and (ii) reviewing and updating procedures ranging from procurement to cash management.
- 4.2 **Management of procurement**
- (i) For the Administration of Goods and Services System, the updated ICAS assessment produced a rating of 77.14%, equivalent to a medium level of development, with medium risk.
  - (ii) The problem cited in Chapter III calls for urgent mitigation measures. For this reason a PEU will be established within the DCV, with direct, cross-cutting responsibility for all the processes connected with managing program execution and aimed at meeting the proposed objectives. To this end, it is recommended that, as a condition precedent to the awarding of the first program-financed work, the PEU will have contracted the ECATEF, which is to provide human resources for managing technical, fiduciary, and logistics matters, with profiles that the PEU has established as necessary for program execution. This firm will also provide computer equipment and inputs, as well as the necessary software and furniture, and will rent the necessary physical premises, etc., to act as technical support for the

PEU's project team. The fiduciary risk identified is that it might not be possible for the consulting firm that will be supporting the PEU to be involved in a timely manner. The DCV must therefore reach an agreement with the Bank, sufficiently in advance of the start of the operation, on the respective terms of reference, so as to begin the request for proposals subject to the country's approval of the loan.

#### 4.3 Financial management

- (i) DCV staff has experience in executing Bank-financed projects. However it falls short in its capacity to administer projects and to prepare short-, medium-, and long-term execution plans, thus posing a risk in terms of inaccuracy, delays, and potential errors in accounting and record-keeping;
- (ii) The internal control unit lacks management plans including project supervision;
- (iii) The high degree of dependence on internal units hinders speed and priority attention to project resources.

### V. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE CONTRACT

- 5.1 The aspects to be considered in the special provisions of the contract are as follows: (i) The Bank will disburse the project resources under the advance of funds modality, based on the program's liquidity needs for a maximum period of six months (or as otherwise established in document OP-273-6), in accordance with the investment schedule and the flow of resources needed for such purposes; (ii) The exchange rate agreed with the executing agency for accounting purposes will be the exchange rate on the date on which the loan proceeds are converted, based on the rate established by the Central Bank of Paraguay; and (iii) The project's annual financial statements will be audited by the Office of the Comptroller General of the Nation or by a firm of independent auditors acceptable to the Bank, in accordance with its requirements (document OP-273-6) and terms of reference previously approved by the Bank. The project's audited financial statements will be sent to the Bank no later than four months after the end of each fiscal year or within another period agreed by the parties, in accordance with procedures and terms of reference previously agreed upon with the Bank.

### VI. FIDUCIARY AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

- 6.1 The procurement policies applicable to this loan are set out in documents GN-2349-9 and GN-2350-9. The Bank's Board of Executive Directors has approved (document GN-2538-11) the use of Paraguay's electronic reverse auction (SBE) and competitive bidding (LCO) subsystems (Law 2051/03). The use of other country systems approved after the approval of the project will be automatically applied, and this will be indicated in the procurement plan.
- 6.2 **Procurement of works, goods, and nonconsulting services:** Contracts for works, goods, and nonconsulting services<sup>1</sup> subject to international competitive

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<sup>1</sup> Policies for the procurement of goods and works financed by the IDB (document [GN-2349-9](#)), paragraph 1.1: Nonconsulting services are treated as goods.

bidding (ICB) will be procured using the Bank's standard bidding documents (SBDs). Bidding processes subject to national competitive bidding (NCB) will be conducted using national bidding documents agreed with the Bank. The project sector specialist will be responsible for reviewing the technical specifications for procurement during the preparation of selection processes. Initially, no selection processes are planned that involve direct contracting.<sup>2</sup>

**6.3 Selection and contracting of consultants:** Consulting services contracts under the project will be executed using the standard request for proposals (RFP) issued by, or agreed with, the Bank. The project sector specialist will be responsible for reviewing the terms of reference for the contracting of consulting services. This operation calls for the direct contracting of a Technical and Fiduciary Support Consulting Firm (ECATEF). This will be the same firm that was initially contracted with funds from PR-L1019, through a competitive process pursuant to policy GN-2350-9. That same firm, provided its evaluation has been positive and that it has been contracted directly with approval of the CAP and funds from PR-L1084, may be contracted directly with funds from PR-L1092, recognizing that its previous direct contracting complied with the provisions of paragraph 3.9, 3.10 (a), and 3.11 of document GN-2350-9.<sup>3</sup>

- (i) **Selection of individual consultants:** Individual consultants are expected to be contracted for general, administrative, and technical coordination of the PEU.
- (ii) **Training:** Training activities may be contracted in connection with Component 3.
- (iii) **Use of the country system:** Pursuant to document GN-2538, of October 2013, use of the SBE and LCO subsystems of Paraguay's Public Sector Contracting System (SCSP) for Bank-financed operations will apply to: (a) all contracts for goods and nonconsulting services subject to the use of the electronic reverse auction procedure under the SCSP and involving amounts below the Bank's established threshold for the shopping method for off-the-shelf goods (for reference, US\$250,000); (b) all contracts for works involving amounts below the Bank's established threshold for use of price comparison (shopping) method for simple works (for reference, US\$250,000), and contracts for goods and nonconsulting services up to the amount established by the Bank for use of the shopping method for complex goods and services (for reference, US\$50,000); and (c) contracts for amounts equal to or greater than the above amounts will be governed by Bank policies (document GN-2349-9).

**6.4** Section 1 of the Bank's Policies (document GN-2349-9) will remain applicable for all contracts executed, regardless of their amount or contracting method. Any system or subsystem approved subsequently will be applicable to the operation.

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<sup>2</sup> Policies for the procurement of goods and works financed by the IDB (document [GN-2349-9](#)), paragraph 3.6: Direct contracting must be duly justified.

<sup>3</sup> Policies for the selection and contracting of consultants financed by the IDB (document [GN-2350-9](#)), paragraph 3.9 et seq.: Single-source selection must be duly justified.

The operation's procurement plan and updates thereto will indicate which contracts are to be executed through the approved country systems.<sup>4</sup>

- 6.5 **Recurring expenses:** None are envisaged for this operation.
- 6.6 **Advance procurement/Retroactive financing:** None are envisaged for this operation.
- 6.7 **National preference:** None is envisaged for this operation.

**Table 1. Threshold amounts for ICB and international shortlist (US\$ thousands)**

Method	ICB works	ICB goods and nonconsulting services	International shortlist for consulting services
Threshold amount	US\$3,000	US\$250	US\$200

## 6.8 Main procurement processes:

**Table 2. Main procurement processes (US\$ thousands)**

Activity	Type of bidding	Estimated date	Estimated amount
<b>Works</b>			<b>52,200</b>
Rural roads rehabilitation- Group 1: Itakyry - Arroyos & Esteros - Altos & Gral. Resquin. (66.51 km)	ICB	Q2 - Year 1	13,200
Rural roads rehabilitation- Group 2: La Paz - Gral. Artigas Fram e illa Ygatimi Ype Jhu (99 km)	ICB	Q2 - Year 2	24,800
Maintenance work contracts Group 1: 102.79 km	ICB	Q1 - Year 1	764
Maintenance work contracts Group 2: 226.63 km	ICB	Q1 - Year 2	1,359
Bridge replacement- Group 1: Paraguari - Misiones - Cordillera & San Pedro (405 linear meters)	ICB	Q2 - Year 1	6,885
Construction firm for bridge replacement- Group 2: Guaira - Alto Parana & Amambay (195 linear meters)	ICB	Q3 - Year 2	3,315
<b>Consulting services</b>			<b>9,346</b>
Road designs- Group 2	QCBS	Q4 - Year 1	1,820
Bridge designs- Group 2	QCBS	Q3 - Year 1	780
ECATEF Program PR-L1092	DC	Q1 - Year 1	3,000
Inspection of road rehabilitation Group 1	QCBS	Q2 - Year 1	875
Inspection of road rehabilitation Group 2	QCBS	Q2 - Year 2	1,645
Inspection of bridge replacement Group 1	QCBS	Q1 - Year 1	460
Inspection of bridge replacement Group 2	QCBS	Q2 - Year 2	220

See complete [Procurement Plan](#).

<sup>4</sup> In the event that another system or subsystem is validated by the Bank, it will apply to the operation, pursuant to the provisions of the loan contract.

- 6.9 **Procurement supervision.** All procurement and/or contracting processes governed by Bank policies (documents GN-2349-9 and GN-2350-9) will be subject to ex ante review by the Bank, taking into account the position of the government in this regard. Supervision of all procurement and/or contracting processes operating under the SBE and LCO subsystems of Paraguay's Public Sector Contracting System (document GN-2538-11) will be conducted via the country's system.<sup>5</sup>
- 6.10 **Special provisions.** No special provisions beyond those indicated in paragraph 5.1 are envisaged.
- 6.11 **Records and files.** For the preparation and filing of project reports, the procedures and formats that have been agreed and are described in the project's Fiduciary Manual of Functions and Procedures are to be used.

## **VII. FIDUCIARY AGREEMENTS AND REQUIREMENTS FOR FINANCIAL EXECUTION**

### **A. Programming and budget**

- 7.1 Budget programming, administration, and execution are performed by the Administration and Finance Division under the zero-based budgeting system. It was agreed that this area will be strengthened with additional staff to be hired by the program to work full time on planning and monitoring. This support will allow detailed disbursement plans to be prepared on a real-time basis, cross-referenced with technical activities and fiduciary processes, describing the degree of progress in such activities; as well as disbursement requests under the financial planning system with more assertive advances and renewals, which must also be aligned with the program execution plan, annual work plan, procurement plan, budget, and other tools.

### **B. Accounting and information systems**

- 7.2 **Accounting.** Accrual accounting will be used; however, accountability processes for projects partially financed by the IDB will operate on a cash basis. The SIAF is the principal manager for budgetary and accounting transactions, connected to the SICO accounting subsystem, which with other subsystems enables information to be downloaded and reports prepared that can be accessed by the Bank and other sources of financing. However, the project's accounting records will be kept in an accounting system independent of SIAF, the "integrated invoicing, disbursement, and accounting system." As an immediate task, it was agreed that the MOPC/IDB/Ministry of Finance will hold working meetings to prepare a plan to implement the accounting system interface with SICO. Until then, accounts will be kept through periodic reconciliations between SICO and the program's accounting system. It was also agreed that the audit plan would include periodic evaluation of the integrity of the information from the accounting and financial information systems, along with preparation and implementation of a manual of functions of the MOPC's financial area.

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<sup>5</sup> Depending on the scope of use of the system, the supervision may be supplemented with project audits, in which case note should be made thereof in this Annex.

**C. Information systems**

- 7.3 The executing agency has several internal and external information systems; because of the lack of integration between them, more time is required to prepare and issue reports. Although the MOPC has been fulfilling its responsibilities, support is needed to integrate its reporting system, so that it is able to integrate the project's planning and execution tools.

**D. Disbursements and cash flow**

- 7.4 Program disbursements will be made in the form of an advance of funds, to be corroborated through the presentation of a detailed financial plan, monthly for a period of six months, and a longer-term plan, which will make it possible to determine the program's actual demand based on the PEP, AWP, and procurement plan. The executing agency will present a financial plan for each disbursement, as well as indicate progress toward fulfilling the plan to mitigate risks that have been encountered. Subsequent disbursements will be contingent on justification of 80% of the advances provided, or such other figure as may be determined pursuant to the policy set forth in document OP-273-6. The financial plan will be coordinated in advance with the technical unit, so that it can make real-time adjustments to procurement processes and disbursements within the ministry.

**E. Internal control and internal audit**

- 7.5 In order to strengthen the internal audit plan and achieve better monitoring of project supervision by the internal audit, program resources will be used to contract an auditing professional to strengthen this area.

**F. External control and reports**

- 7.6 The executing agency, through the Public Borrowing Division, will deliver annual audit reports on the program, produced by the Office of the Comptroller General of the Republic or by an independent auditing entity acceptable to the Bank, according to IDB requirements (document OP-273-6), and with terms of reference approved in advance by the Bank.

**G. Financial supervision plan**

- 7.7 Financial supervision will be four-pronged: (i) first, control of disbursement reports and review visits; (ii) second, onsite supervision visits planned by the Bank; (iii) third, financial information taken from the financial statements and the production of execution reports; and (iv) fourth, through information from project personnel tasked with monitoring program execution.

**H. Execution arrangements**

- 7.8 The PEU will be responsible for: (i) coordination of all activities related to the project; (ii) preparation of physical and financial progress reports; (iii) submittal of no objection and loan disbursement requests, as well as keeping accounting records which will be the main source for the preparation of such requests and any financial reporting; (iv) implementation and maintenance of a control system to ensure proper use of resources and their safeguarding, as well as safekeeping of documentation on transactions; and (v) preparation and update of the initial project report, annual work plans, procurement plans, semiannual monitoring reports, evaluation reports, and the project completion report prior to their



delivery to the IDB. The PEU will be responsible for timely fulfillment of the clauses and agreements set forth in the loan contract and project-related activities.

- 7.9 **Program Operating Regulations:** (i) They will be consistent with the standards and policies of the MOPC and of the Bank, as well as with the country's laws and financial practices; (ii) their approval and entry into force by the PEU, to the Bank's satisfaction, will be a condition precedent to the disbursement of loan proceeds; and (iii) any modification to them would require the Bank's no objection.
- I. **Other financial management agreements and requirements:** Not applicable.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/\_\_\_

Paraguay. Loan \_\_\_/OC-PR to the Republic of Paraguay  
Rural Road Improvement Program II

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 the Rural Road Improvement Program II. Such financing will be for an amount of up to US\$62,000,000 from the Ordinary Capital resources of the Bank, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on \_\_\_\_ 20\_\_)

LEG/SGO/CSC/IDBDOCS: 39900787  
Pipeline No.: PR-L1092