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PARAGUAY

PROMOTION OF THE CREATIVE ECONOMY IN PARAGUAY

(PR-T1232)

DONORS MEMORANDUM

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PROJECT SUMMARY

PROMOTION OF THE CREATIVE ECONOMY IN PARAGUAY PR-T1232

Despite Paraguay's solid economic performance in recent years, the productive system's innovation requirements remain a development imperative. According to the World Economic Forum's 2016-2017 Global Competitiveness Index,¹ Paraguay is among the Latin American and Caribbean countries with the poorest results in innovation, ranking 132nd out of 138 globally. This poor performance is explained not only because investments are channeled into non-knowledge-intensive industries, but also because the various industries remain far from their respective technological frontiers.²

In this context, the promotion of the creative economy³ is highly attractive. International experience shows the potential of these industries to enhance the innovation capacity of the economy as a whole, since it is a sector that systematically demonstrates higher rates of innovation and productivity than others (Backshie and McVittie, 2009; Muller, Pisón, and Truby, 2009; Falck et al., 2011). The MIF is collaborating with the Competitiveness and Innovation Division of the IDB Group (CTI) to develop a series of pilot projects that will generate experience and knowledge in the region on the potential of these industries from this perspective.

The cultural and creative industries (CCIs) are inclusive, having a recognized impact on vulnerable socioeconomic segments, especially in the youth population. The development of a strategy to promote the creative economy to enhance this dimension is fundamental for Paraguay, since it is one of the countries with the greatest demographic dividend in the region (56% of the population is under 30 years of age).⁴

In Paraguay, it is estimated that CCIs contribute 4.1% of gross domestic product (GDP) and represent approximately 0.5% of total exports.⁵ A study commissioned by the IDB (2015) shows that sectors such as audiovisual and software have had dynamic performance over the last five years, with annual growth rates in excess of 20% and show great potential for the future, considering international demand and the Paraguayan economy's competitive prices. Paraguayan CCIs are increasingly visible in both local and international markets. Nonetheless, the supply remains incipient and needs to be strengthened. The main limitations include: (i) insufficient knowledge about the creative economy in Paraguay; (ii) lack of strategic vision and coordination among the involved stakeholders; (iii) lack of know-how and adequate instruments to promote entrepreneurship and innovation in the CCIs.

The general objective of the project is to contribute to the innovation and productive diversification of the Paraguayan economy by promoting the creative economy. To achieve this, it will consolidate the ecosystem of creative small and medium-sized enterprises

¹ [Global Competitiveness Index](#), 2016.

² Navarro, Juan Carlos; José Miguel Benavente, and Gustavo Crespi, "The New Innovation Imperative: Policy Perspectives for Latin America and the Caribbean," IDB, 2016.

³ Understood as the chain of activities that transform ideas into cultural goods and services whose value is determined by their intellectual property content (The Orange Economy, IDB, 2013).

⁴ *Paraguay Joven. Informe sobre Juventud* [Young Paraguay: Report on youth]. National Youth Secretariat, 2015.

⁵ "The Economic Impact of the Creative Industries in the Americas," report prepared by Oxford Economics, British Council, IDB, and the OAS.

(SMEs) and startups by strengthening key public and private stakeholders in this ecosystem.

ANNEXES

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Annex II	Summary Budget

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Proposed resolution

AVAILABLE IN THE TECHNICAL DOCUMENTS SECTION OF THE MIF PROJECT INFORMATION SYSTEM

ANNEX III	Itemized Budget
ANNEX IV	Diagnostic needs assessment (DNA) of the executing agency [including due diligence and integrity analysis]
ANNEX V	Project Status Reports (PSR), Fulfillment of Milestones, and Fiduciary Agreements
ANNEX VI	Procurement Plan
ANNEX VII	Operating Regulations for innovation

ABBREVIATIONS

CCI	Cultural and Creative Industries
CIRD	Fundación Centro de Información y Recursos para el Desarrollo
CONACYT	National Council of Science and Technology
CTI	Competitiveness and Innovation Division of the IDB
DNA	Diagnostic Needs Assessment of the Executing Agency
EXR	Office of External Relations
HUD	Housing and Urban Development Division of the IDB
IFD	Institutions for Development Sector of the IDB
INT	Integration and Trade Sector of the IDB
MSME	Micro, small, and medium-sized enterprises
PSR	Project Status Report
SME	Small and medium-sized Enterprise

EXECUTIVE SUMMARY
PROMOTION OF THE CREATIVE ECONOMY IN PARAGUAY
(PR-T1232)

Country:	Paraguay		
Executing agency:	Fundación Centro de Información y Recursos para el Desarrollo (CIRD)		
Focus area:	Knowledge economy, in the group of projects promoting ecosystems.		
Coordination with other donors/IDB Group operations:	The project will be coordinated with the Competitiveness and Innovation Division (CTI); Housing and Urban Development Division (HUD); Integration and Trade Sector (INT); and the Office of External Relations (EXR).		
Project beneficiaries:	The end beneficiaries will be creative small and medium-sized enterprises (SMEs) and entrepreneurs who will receive support to build their innovation capacity and enhance their growth potential. It is estimated that over 15,000 ⁶ people in the creative industries will benefit from operating within a stronger ecosystem.		
Financing:	Technical cooperation funding:	US\$1,000,000	47%
	Investment:	US\$ 000,000	
	Loan:	US\$ 000,000	
	Other (explain):	US\$ 000,000	
	Total MIF contribution:	US\$1,000,000	
	Counterpart:	US\$1,120,000	53%
	Cofinancing (if applicable, include a separate line for IDB cofinancing)		0%
	Total project budget:	US\$2,120,000	100%
Execution and disbursement periods:	36 months for execution and 42 months for disbursement.		
Special contractual clauses:	The following will be conditions precedent to the first disbursement: (i) selection of the project coordinator; (ii) submission of the local contribution timeline; (iii) opening of the project's dedicated bank account; and (iv) approval of the project's Operating Regulations.		
Environmental and social impact review:	This operation was pre-evaluated and classified in accordance with the requirements of the IDB's Environment and Safeguards Compliance Policy (Operational Policy OP 703). Since the impacts and risks are limited, the project has been proposed as a category "C" operation.		
Unit responsible for disbursements:	MIF unit at the Country Office in Paraguay (MIF/CPR).		

⁶ Based on the estimated number of workers in the software, audiovisual, and design sectors. Final report, Naranja district, Develometis Advisors. 2015.

I. PROBLEM

A. Description

- 1.1 According to the World Economic Forum's 2016-2017 Global Competitiveness Index,⁷ Paraguay is among the Latin American and Caribbean countries with the poorest results in innovation, ranking 132nd out of 138 globally. Various sources supplement these results, showing that this poor performance is evident in both the efforts made at innovation (inputs) and the outcomes obtained. In terms of inputs, a notable weakness is the capacity of the various institutions making up the National Innovation System (enterprises, universities, laboratories, accelerators, etc.) and their uncoordinated actions. With respect to the outcomes, the production of knowledge and technologies is low.⁸
- 1.2 The challenge of building the country's innovation capacity arises in parallel with the need to develop an even more inclusive economic model, especially considering the young population. Paraguay is one of the countries with the greatest demographic dividend in the region: 56% of the population is under 30 years of age. Of the young economically active population, 9.1% is unemployed, while the national average is 5%.⁹

B. The creative economy: an opportunity to develop

- 1.3 The promotion of cultural and creative industries (CCIs) is attractive for a number of reasons. First, because of their contribution to the economy in terms of income generation and job creation. According to UNESCO, they generate US\$2.25 trillion in revenue and 29.5 million jobs worldwide, and are also one of the fastest growing sectors. With respect to job creation, CCIs, on average, employ more young people than other industries and show high levels of entrepreneurship, as a sector made up of small businesses and the self-employed. In Latin America and the Caribbean, CCIs generate US\$124 billion in revenue (6% of the global market) and 1.9 million jobs (7% of all CCI jobs).¹⁰ The region is gaining traction with the leadership of Argentina, Brazil, Colombia, and Mexico.
- 1.4 International experience shows the potential of these industries to enhance the innovation capacity of the economy as a whole, since it is a sector that systematically demonstrates higher rates of innovation and productivity than others (Backshie and McVittie, 2009; Muller, Pisón, and Truby, 2009; Falck et al., 2011). There is empirical evidence showing that, for example, industrial design activities are directly related to enhanced performance by enterprises in terms of productivity, innovation, and exports (Gemser and Lenders, 2001; Haskel et al., 2005; and Sentence and Clarke, 1997). Formal innovation allows the development of products with high market value, even in traditional sectors like the agrifood sector.

⁷ [Global Competitiveness Index](#), 2016.

⁸ La Fuerza de la Innovación y el Emprendimiento. Sistema Nacional de Innovación en el Paraguay [The Strength of Innovation and Entrepreneurship. The national innovation system in Paraguay]. María Belén Servín. Konrad Adenauer Stiftung, 2016.

⁹ *Paraguay Joven. Informe sobre Juventud* [Young Paraguay: Report on youth]. National Youth Secretariat, 2015.

¹⁰ [The first global map of the cultural and creative industries](#). Ernst and Young, 2015.

- 1.5 In Paraguay, it is estimated that CCIs contribute 4.1% of gross domestic product (GDP) and represent approximately 0.5% of total exports.¹¹ A study commissioned by the IDB in 2015¹² shows that sectors such as audiovisual and software have had dynamic performance over the last five years, with annual growth rates in excess of 20% and show great potential for the future, considering international demand and the Paraguayan economy's competitive prices.
- 1.6 Paraguayan CCIs are increasingly visible in both local and international markets. Nonetheless, the supply remains incipient and needs to be strengthened. The main limitations include:
- 1.6.1 Insufficient knowledge about the creative economy in Paraguay. There is a consensus on the need for and lack of available information on the sector. There is little knowledge of the existing supply, preferences in local and international demand, and therefore the potential opportunities for innovation and diversification. Along these lines, it is particularly important to understand the starting point in terms of human capital and the profiles required by enterprises to be able to compete internationally.
- 1.6.2 Lack of strategic vision and coordination among the involved stakeholders.¹³ No vision has been developed that is shared by the various public and private stakeholders in the creative economy, and while there are a number of efforts aimed at supporting such visions, they are not coordinated for the comprehensive promotion of the sector. Key actors on the public-sector side include the National Secretariat of Culture, the National Intellectual Property Bureau (DINAPI), the Ministry of Industry and Trade (MIC), the Investment and Export Network (REDIEX), the National Secretariat of Information and Communication Technologies (SENATICS), the National Council of Science and Technology (CONACYT), and the Technical Planning Secretariat (STP). On the private sector side, various actors are recognized such as the Paraguayan Chamber of Film and Television Production Companies (CAMPRO) and the Paraguayan Association of Advertising Agencies. Another noteworthy member of the private sector is Red Naranja, a recently formed network of companies in a number of creative industries that signed a letter of understanding in 2016. It will be the first federation of creative economy trade groups in Paraguay.
- 1.6.3 Lack of know-how and adequate instruments to promote entrepreneurship and innovation in the CCIs. Some of the difficulties faced by creative startups include: (i) low exposure to technological advances and a lower predisposition to integrate them into their businesses; (ii) limited networking and difficulty in accessing strategic partners; (iii) weaknesses in business model design; and (iv) absence or scarcity of appropriate financial

¹¹ "The Economic Impact of the Creative Industries in the Americas," report prepared by Oxford Economics, British Council, IDB, and the OAS.

¹² *Informe Final Distrito Naranja* [Orange district final report], Develometis Advisors, 2015.

¹³ It should be noted that Paraguay has valuable experience in public-private coordination for the assistance and internationalization of enterprises in a number of sectors, developed under loan 1916/BL-PR. This project will capitalize, in particular, on the lessons learned and linkages created for the ICT boards supported by REDIEX under that loan.

instruments. In this context, enterprises in the creative economy in Paraguay are not finding channels that allow them to innovate and develop new products and business models. This is compounded by a gap in the content taught in universities and the capacities required by companies to be able to compete internationally.

- 1.7 **Beneficiaries.** The end beneficiaries will be creative entrepreneurs who will receive support to enhance their capacity for innovation and growth potential. To achieve this, the project will strengthen key public and private actors in the creative economy ecosystem in Paraguay, aiming to boost the role of this economy as a driver of growth, innovation, and social inclusion.

II. THE INNOVATION PROPOSAL

A. Project description

- 2.1 The general objective of the project is to contribute to the innovation and productive diversification of Paraguay by promoting the creative economy. To achieve this, the project will consolidate the ecosystem of creative SMEs and startups by strengthening key public and private stakeholders in this ecosystem.

Component I: Design and support for implementation of the strategic plan for the creative economy in Paraguay

- 2.2 This component's objective is to build consensus around a strategic vision for the creative economy in Paraguay and a short-, medium-, and long-term action plan, aiming to unleash the potential of the cultural and creative industries in generating inclusive growth and in the economy's level of innovation. The component involves the following activities:

2.2.1 *Mapping and coordination of key public and private stakeholders for the design and implementation of the strategic plan.* The component will help organize the strategic management of the sector in the country, through the formation of a "promotion team"¹⁴ made up representatives of public and private institutions in the national ecosystem for support to entrepreneurs, with emphasis on those institutions devoted to technology and innovation projects.¹⁵

2.2.2 *Preparation of the strategic plan for the creative economy.* This will be developed based on a dialogue with the public and private sectors and supported by a quantitative and qualitative assessment of the current status of the cultural and creative industries and market studies to identify potential local and international demand, as well as actions necessary to generate a supply to meet this demand.

¹⁴ The objectives of the promotion team are defined in the document, "Acuerdo de Gobernanza de la Alianza Naranja" [Governance agreement for the orange alliance]. This document describes the planned governance structure and is included in the project design documents. It represents a proposal to be validated with the stakeholders in the creative ecosystem.

¹⁵ For the mapping and bringing together of stakeholders, a launch workshop will be held in Asunción, and six awareness events will be held outside the capital. There will also be a "coordinator" responsible for ensuring fulfillment of the actions agreed to by the various entities and promoting synergies between them.

- 2.2.3 *Ecosystem strengthening actions.* Four knowledge products will be developed to build on issues considered critical for the development of the creative economy: public statistics, intellectual property, human capital formation, and financing of services and intangibles.¹⁶ Strategic workshops will also be held with the public sector on business regulation and public investment.
- 2.3 The expected outcomes of this component are: (i) a promotion team established and operating with at least 25 relevant entities committed (CRF 450300); (ii) a strategic plan designed, validated, disseminated to the public, and in implementation; (iii) at least four public policies developed or influenced by the project (CRF 450200).

Component II: Development of techno-creative projects for the promotion of innovation in the Paraguayan economy.

- 2.4 The objective of this component is to contribute to Paraguay's innovation system by developing a support structure that rewards innovation in the creative industries and their contribution to productive and organizational innovation in other productive sectors.
- 2.5 To achieve this objective, this component will be coordinated with CONACYT and SENATICS, as well as other partners in the sector such as universities, technical and technological training centers, and other entrepreneurial ecosystem intermediaries (incubators, accelerators, company builders). The planned activities include:
- 2.5.1 *High-level training of innovation managers:* Generation of know-how among public and private stakeholders, to promote collaborative innovation between technology-intensive creative industries (such as audiovisual, design, and software-video games) and non-creative industries.¹⁷
- 2.5.2 *Identification and validation of ideas:* The intermediaries will identify creative professionals and entrepreneurs who have innovative technological ideas with growth potential. Innovative solutions combining technical and creative aspects, understood as the creation of something new for the local market through the collaboration among enterprises in the creative industries and creative, technological, or knowledge-intensive intermediaries who are undertaking or intend to undertake a local innovation effort regardless of the sector, will be selected. To ensure a sufficient flow of proposals, campaigns requesting proposals will be undertaken through ecosystem partners such as KOGA, INCUPAR, Red Naranja, and chambers in sectors including software, audiovisual, and advertising.
- 2.5.3 *Technical assistance for validation:* The group of innovation managers will support business owners and associated entrepreneurs in the development of a test of concept to determine technological and

¹⁶ The prioritized topics and the scope thereof will be validated by the promotion team.

¹⁷ The methodology to be developed will consider the training curriculum in innovation management currently used by CONACYT. The participating intermediaries will commit to incorporating the acquired methodology into their programs.

commercial validity. The validation phase concludes with an initial version of the product (prototype).¹⁸

- 2.5.4 *Cofinancing fund for innovative projects*¹⁹ (*Matching grant fund*): This activity will be used to support validated innovations with the following characteristics: (i) potential to create knowledge-intensive jobs; (ii) potential for growth and exports; (iii) spillover effects/ownership of results; and (iv) outlook for future intersector collaboration. The expected outcome of the financing is the development of new products, business models, and/or value added. The fund will be established for up to US\$225,000 and to access the fund, beneficiaries will present a 50% counterpart contribution for cofinancing purposes. The projects will be selected by a public-private committee, and implementation will be supported by the innovation managers, a consultant to support marketing, and training in business management.
- 2.5.5 *Social innovation line*: Models that use technology for social inclusion and to improve community welfare will be piloted in the creative economy. The line will be executed in the areas of Asunción, Ciudad del Este, and Encarnación, where CIRD has consolidated partnerships. The actions planned in Asunción will be coordinated with the Asunción Historic Center Master Plan. A platform will be created in each region to coordinate the efforts of national agencies, municipal governments, enterprises, training institutes, and civil society organizations to create business opportunities and jobs for women heads of households and at-risk youth. The services to be provided by the program include: crosscutting training in creative entrepreneurship and soft skills; specific training with a special focus on digital technologies (this will be coordinated with SINAFOCAL and SENATICS); seed financing for business plans and mentoring in management and marketing.
- 2.6 The expected outcomes of this component include: (i) 30 innovation managers trained in innovation processes with creative industries (CRF 110100); (ii) 240 entrepreneurs trained in innovation processes; (iii) 90 enterprises benefiting from technical assistance²⁰ to validate solutions (CRF 230100); (iv) at least 30 enterprises benefiting from the matching grant fund; (v) 200 at-risk young people and women trained by the program (CRF 210400) and 60 who receive financing to execute their business plans.

¹⁸ The structuring of the services will consider the stage of the enterprises involved (startup or consolidated), the sector, the seniority of innovation managers (junior, senior), and profiles.

¹⁹ This refers to a nonreimbursable credit line to finance selected projects, not the establishment of an investment fund. The MIF funds allocated for this purpose may be used to finance specific consulting services, the procurement of licenses and minor equipment, software development, and other expenses considered relevant. For execution of this line, lessons learned in the implementation of project UR-T1150 "Innovation Vouchers for Creative Industries in Uruguay" will be considered.

²⁰ At least one pair of creative-non-creative or creative-creative business owners or entrepreneurs benefits from technical assistance.

Component III: Dissemination and marketing of creative projects in the local and international markets

- 2.7 This component addresses the aspects related to communication and the linkage between local and international demand and the supply of the Paraguayan creative industries. MIC-REDIEX will be a strategic partner in this area, as will the National Secretariat of Culture and Red Naranja. Activities include:
- 2.7.1 Design of a positioning campaign, communication pieces, and presence in the media.
 - 2.7.2 Development of a digital platform focused on providing services and information to entrepreneurs in the creative economy. The platform will concentrate and coordinate all existing tools in both the public and private sectors, linking startups with opportunities in education, financing, trends, statistics, etc. This virtual platform will be a hub for enhancing the visibility and marketing of the entrepreneurs supported by the project in the different regions.
 - 2.7.3 An annual event will be established (Primavera Naranja or Orange Spring) in historic downtown Asunción (CHA) bringing together various industries to disseminate and exhibit their creations. A promotion mission will also be undertaken throughout the country ("Roadtrip Naranja").
 - 2.7.4 As part of this project, support will be provided to consolidate Red Naranja, which will develop an appropriate business model for generating income to make promotion and dissemination activities sustainable.
- 2.8 The expected outcomes of this component include: (i) at least 90 enterprises benefiting from the project will participate in marketing and dissemination activities organized with MIC-REDIEX and the Secretariat of Culture; (ii) at least 60 enterprises receive technical assistance to promote the marketing of their projects; (iii) 30 enterprises take part in internationalization processes (330601); and (iv) 30,000 people are reached by the communication campaign.

B. Project outcomes, measurement, monitoring, and evaluation

- 2.9 The project is expected to consolidate the creative SME and startup ecosystem by strengthening key public and private stakeholders, especially in the area of innovation. The following is expected at the end of the project: (i) at least 15,000²¹ people in the creative industries benefit from operating in a strengthened ecosystem; (ii) 90 enterprises receive a service to enhance innovation; (iii) 70% of innovation projects are satisfactorily completed; (iv) 20% of beneficiary enterprises innovate; and (v) 12% of the participating enterprises become international. In terms of impact, it is expected to create/retain 800 new jobs linked to the knowledge economy.
- 2.10 Monitoring and Evaluation: The following activities will be part of the monitoring and evaluation strategy: (i) construction of the indicator dashboard and monitoring system; (ii) external project evaluations; (iii) systematization of the main lessons

²¹ Based on the estimated number of workers in the software, audiovisual, and design sectors. Final report, Orange district, Develometis Advisors. 2015.

learned; and (iv) dissemination of the knowledge generated through events, website, and other media.

- 2.11 The evaluations will be external and will be contracted and supervised by the MIF. Monitoring and evaluation of the innovation projects will be done in coordination with CONACYT.

III. ALIGNMENT WITH THE IDB GROUP, SCALABILITY, AND PROJECT RISKS

A. Alignment with the IDB Group

- 3.1 In its Institutional Strategy, the IDB Group establishes as one of its strategic priorities promoting productivity and innovation by providing adequate knowledge and innovation ecosystems. The IDB Country Strategy with Paraguay (2014-2018) establishes as one of its objectives enhancing the productivity and competitiveness of firms, particularly organizational and technological innovation in SMEs.
- 3.2 The project is a response to the challenge of low levels of productivity and innovation identified in the “Update to the Institutional Strategy 2010-2020: Partnering with Latin America and the Caribbean to Improve Lives.” Specifically, this project is aligned with the CRF’s regional indicator 5 “Global Innovation Index” and contributes to Country Development Results (CDR) indicators 14 “Jobs created by supported firms,” and 17 “MSMEs provided with nonfinancial support.” The implementation of this project will be coordinated with the following IDB divisions:
- 3.2.1 Competitiveness and Innovation Division: in the framework of its objective to promote innovative entrepreneurship and the creation of new enterprises. In particular, the project will be coordinated with loan PR-T1225: Strengthening and Scaling-up Capabilities of the National Innovation System. The MIF is working with CTI on developing a series of pilots to generate experience and knowledge in the region on the potential of these industries in the promotion of intersector innovation. The project will benefit from these international experiences and will also generate methodologies and instruments to be transferred to other countries.
- 3.2.2 Cultural, Solidarity, and Creativity Affairs Division: EXR/CSO will be a strategic partner in the implementation given its knowledge of the sector and the actors in the region, especially in terms of linkages with ministries and secretariats of culture that are coming together in various international forums that are highly relevant for CCIIs, such as MICSUR (Southern Cultural Industries Market).
- 3.2.3 Housing and Urban Development Division: In the context of loan PR-L1044, an urban renewal component is in execution with a hub for creative economy enterprises. CSD/HUD has developed the feasibility analysis and proposal for a creative district in Asunción, Paraguay, which was an input for this project’s design. This technical cooperation operation will supplement HUD’s actions to strengthen coordination among the entities promoting the creative economy, by promoting the supply of private services to creative entrepreneurs and generating relevant information on the sector.
- 3.2.4 Integration and Trade Sector: The project will be coordinated with loan PR-L1139, Support for Business Development Services to Paraguayan

Exporting Companies, especially through REDIEX's services export board. The lessons learned and instruments generated by loan 1916/BL-PR will also be used in the area of public-private coordination for the assistance and internationalization of enterprises.

- 3.3 In the context of the MIF's current strategy, the project is framed in the knowledge economy area, promoting the creation of knowledge-intensive jobs and generating social impact, by promoting the creative economy. It will be coordinated with other MIF initiatives active in Paraguay in the area of entrepreneurship, such as the KOGA and Fundación Paraguaya projects, and youth job training programs.

B. Scalability

- 3.4 The project is designed to cause a systemic impact²² in Paraguay by strengthening the institutional infrastructure for the creative ecosystem. The project is also expected to set the stage for future IDB Group interventions in this area with both the public and private sectors.
- 3.5 In terms of regional impact, the methodologies for training, technical assistance, and public-private coordination will be systematized and will contribute to the IDB's work on the issue in the region through its various units. The activities under component III in coordination with loan PR-L1139 will also support the creative enterprises with a view to their internationalization, contributing to regional efforts to promote the integration of the creative economy.

C. Project and institutional risks

- 3.6 The main risks posed by this project are:
- 3.6.1 *Achieving a sufficient critical mass of creative enterprises as candidates for the innovation activities.* To mitigate this risk, the project includes awareness raising activities, coordinated work with chambers and other stakeholders in the creative ecosystem, as well as the inclusion of work to identify and develop ideas within the roles of innovation managers.
- 3.6.2 *Difficulty in achieving the intense level of coordination needed among all the stakeholders in the creative ecosystem.* A factor mitigating this risk is CIRD's vast experience in building multisector partnerships and executing projects with ecosystem approaches. A governance structure will also be established with a coordination council and working groups, as formal channels to establish the necessary coordination.²³
- 3.6.3 *Sustainability of the activities upon project completion.* The project will work to build the capacity of the various stakeholders in the ecosystem, as well as to have the linked public and private entities absorb the activities organically. Regarding the sustainability of the dissemination and marketing actions, Red Naranja will develop an appropriate business model to generate income in order to make these activities sustainable.

²² According to the MIF CRF, systemic impact refers to changes in the behavior of organizations and institutions that help replicate or scale the developed models.

²³ The document "Acuerdo de Gobernanza de la Alianza Naranja" [Governance agreement for the orange alliance], describes the planned governance structure and is included among the project design documents. It represents a proposal to be validated with the stakeholders in the creative ecosystem.

3.6.4 *Lack of specific technical know-how in the local market.* This is one of the weaknesses that the project itself aims to address with resources included to contract external consultants, as well as for missions abroad by public and private actors. It should be noted that this project is part of a portfolio on the topic that CTI, EXR, and the MIF are supporting, and therefore the project will benefit from lessons learned and regional contacts.

IV. INSTRUMENT AND PROPOSED BUDGET

4.1 The project has a total cost of US\$2,120,000, of which US\$1,000,000 (47%) will be contributed by the MIF, and US\$1,120,000 (53%) are funds from the counterpart, made up of US\$594,575 in kind and US\$525,425 in cash. The MIF instrument to be used is a nonreimbursable technical-cooperation operation.

Project components	MIF	Counterpart	Total
Component 1: Design and support for implementation of the strategic plan for the creative economy in Paraguay	US\$175,400	US\$107,400	US\$282,800
Component 2: Development of creative projects for the promotion of innovation in the Paraguayan economy	US\$462,000	US\$702,300	US\$1,164,300
Component 3: Dissemination and marketing of creative projects in the local and international markets	US\$152,000	US\$227,600	US\$379,600
Execution	US\$163,400	US\$80,500	US\$243,900
Midterm and final evaluations	US\$30,000		US\$30,000
Ex post reviews	US\$12,000		US\$12,000
Contingencies	US\$5,200	US\$2,200	US\$7,400
Grand total	US\$1,000,000	US\$1,120,000	US\$2,120,000
% financing	47%	53%	100%

V. EXECUTING AGENCY AND IMPLEMENTATION STRUCTURE

A. Description of the executing agency

5.1 The organization Fundación Centro de Información y Recursos para el Desarrollo (CIRD) (www.cird.org.py) will be the executing agency for this project and will sign the contract with the Bank. CIRD is an organization with a long track record working on management for development, and is an institutionally well consolidated entity with experience managing projects of a similar nature and scope; its experience includes opportunities to coordinate major multisector partnerships such as NEO-Paraguay.²⁴ The institution has proven experience in public-private coordination, having worked with more than 150 enterprises in a variety of industries. The project is framed within its work area supporting SMEs “CIRD Empresarial,” and will be coordinated with its Youth unit.

²⁴ MIF project PR-M1031, New Employment Opportunities for Youth-NEO Paraguay.

- 5.2 In addition to the MIF/IDB, CIRD has worked with various international donors such as the World Bank, USAID, JICA, the European Community, and the Finnish Development Fund. CIRD has the administrative and management infrastructure required to establish the technical team necessary to provide the technical assistance for achieving the project's objectives. Within CIRD's institutional structure, a project execution unit (PEU) will be created, with a General Coordinator reporting directly to the Executive Chairperson. CIRD will have a strategic partner in the project in Red Naranja, a recently formed network made up of companies in a number of industries that all signed a letter of understanding in 2016. It will be the first federation of creative economy trade groups in Paraguay.

B. Structure and implementation mechanism

- 5.3 CIRD will establish an execution unit and the necessary structure to execute the project activities and effectively and efficiently manage the project resources. CIRD will also be responsible for submitting status reports on project implementation. Details on the requirements for status reports can be found in Annex V of the technical files for this operation.

VI. FULFILLMENT OF MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS

- 6.1 **Results-based disbursements and fiduciary arrangements.** The executing agency will agree to the standard MIF arrangements concerning results-based disbursements, the Bank's procurement policies,²⁵ and financial management,²⁶ as specified in Annex V.

VII. ACCESS TO INFORMATION AND INTELLECTUAL PROPERTY

- 7.1 **Access to information.** In accordance with the Bank's Access to Information Policy, this document is subject to public disclosure.
- 7.2 **Intellectual property.** All works and results obtained under the project will be the intellectual property of the IDB. The Bank will grant a nonexclusive license to the executing agency free of charge, including rights of dissemination, reproduction, and publication of any product in any medium. Such dissemination, reproduction, and publication will indicate that it was financed by the MIF. For such purposes, any use of the name or logo of the Inter-American Development Bank or Multilateral Investment Fund by the executing agency for any purpose requires the Bank's prior written authorization.

²⁵ Links to [Policies for the selection and contracting of consultants financed by the IDB \(document GN-2350-9\)](#) and [Policies for the procurement of works and goods financed by the IDB \(document GN-2349-9\)](#).

²⁶ Link to [Financial management guidelines for IDB-financed projects](#).