

**PREINVESTMENT PROGRAM**

(PR-0093)

**EXECUTIVE SUMMARY**

**BORROWER AND GUARANTOR:** Republic of Paraguay

**EXECUTING AGENCY:** Technical Secretariat for Socioeconomic and Development Planning of the Office of the President (STP)

**AMOUNT AND SOURCE:**

IDB:	US\$5 million (OC)
Local contribution:	US\$1 million
Total:	US\$6 million

**FINANCIAL TERMS AND CONDITIONS:**

Amortization period:	20 years
Disbursement period:	4 years
Interest rate:	variable
Inspection and supervision:	1%
Credit fee:	0.75%
Currency:	dollars of the United States of America

**OBJECTIVES:** The program seeks to: (a) support the preparation of general and specific preinvestment studies in order to make available a reasonable number of projects that have studies ensuring their feasibility and that help to establish their level of priority for inclusion in the national budget; and (b) help consolidate the public investment system by strengthening the agencies participating in the studies and supporting consolidation of the system for monitoring ministerial goals.

**DESCRIPTION:** The program activities can be divided into two subprograms: studies (US\$4.6 million) for the financing of preinvestment studies on projects that are in keeping with the strategy and priority areas agreed upon with national authorities; and institutional strengthening (US\$1 million), which would be carried out in two areas of the STP: strengthening the public investment system and improving the system for formulating ministerial goals, which also includes measures to strengthen the units responsible for programming, preparing, analyzing, monitoring, and evaluating investment projects, including the Ministry of Finance.

**ROLE OF THE PROJECT IN THE BANK'S COUNTRY AND SECTOR STRATEGY:** The proposed operation is consistent with the strategy agreed upon by the country and the Bank in that it will: (i) support modernization of the State and establishment of a social investment program to alleviate poverty; (ii) increase efficiency in the allocation of investment resources; (iii) reconcile spending and available resources; and (iv) improve supervision and control at the central level of the active portfolio and new investment operations.

**ENVIRONMENTAL  
REVIEW AND SOCIAL  
ASPECTS:**

The Environment Committee determined that an official environmental impact assessment was not needed for this program. As part of the studies, depending on the nature of the project, environmental impact assessments will be included to identify any problems that may occur and propose solutions to such problems and the investments necessary to prevent, control, or mitigate any adverse environmental impact and to improve the quality of the environment. All the studies to be financed will include an obligation on the part of the beneficiary institution to comply with all applicable national legislation on the protection of the environment and natural resources and to follow the procedures established by the Bank for environmental impact assessment.

**BENEFITS:**

The program will provide resources for the preparation of investment projects in areas considered priorities for the country's operations program with the Bank, which calls for support for the social sectors, poverty reduction, the productive sector, and State reform. The program will also help to improve the capacity to prepare investment projects for the public sector by conducting higher-quality studies, and will support preparation of the studies needed for the projects included in the country's operations program with the Bank.

**RISKS:**

Although the legal instrument that links the STP to the public investment system gives it a clearly-defined leadership role as system coordinator, it has only recently been enacted. Therefore, there is a risk that the sector institutions that were not subject to a coordinating body in the process of incorporating their projects into the country's public investment budget may initially be resistant to that body. Another risk is the institutional weakness of the STP and the new agencies that will be included in the public investment system, especially those that operate in the social sectors and rural areas (*gubernaciones*).

In order to mitigate the foregoing risks, the proposed program and ongoing technical-cooperation project ATN/SF-5461-PR include training activities for officials in the STP and sector institutions directly involved in the public investment system. These activities will be supplemented by the institutional strengthening subprogram, targeting the STP offices involved in the operation and the sector offices responsible for investment projects in each of the project's beneficiary institutions.

The government, which recently took office, has asserted the need to strengthen the STP, giving it a proactive role of greater leadership in the economic management of the country.

**SPECIAL  
CONTRACTUAL  
CONDITIONS:**

The conditions precedent to the first disbursement are: (a) establishment of the executive committee (see paragraph 3.2); (b) entry into force of the Operating Regulations (see paragraph 3.9); and

(c) confirmation of the executing agency for project ATN/SF-5461-PR as the executing agency for the proposed program (see paragraph 3.2).

**POVERTY TARGETING  
AND SOCIAL SECTOR  
CLASSIFICATION:**

Because of its nature, the program is not considered poverty-targeted.

**EXCEPTIONS TO  
BANK POLICY:**

None.

**PROCUREMENT OF  
GOODS AND  
CONSULTING  
SERVICES:**

This operation does not involve the procurement of goods. The consulting services will be hired in accordance with Bank policy.