



Extended Country Program Evaluation

Paraguay 2014-2023



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Preface

This document presents the evaluation conducted by the Office of Evaluation and Oversight (OVE) of the Country Program of the Inter-American Development Bank Group (IDBG) with Paraguay for the 2014-2023 period, spanning two strategic planning periods. This Extended Country Program Evaluation (XCPE) marks the fifth independent evaluation, conducted by OVE, of the IDB Group's program in Paraguay. Previous evaluations covered the following periods: 1991-2002 (document [RE-294](#)); 2003-2008 (document [RE-356](#)); 2009-2013 (document [RE-452-1](#)), and 2014-2018 (document [RE-527-1](#)).

As outlined in the OVE Country Products Protocol (document [RE-348-8](#)), XCPEs are independent assessments of the last two Country Strategies (CS) and the corresponding Country Program (CP). XCPEs evaluate their relevance, effectiveness, and sustainability. XCPEs focus on both accountability and learning, aiming to provide assessments of the IDBG's performance in the country and its CP to the Board of Executive Directors and to Management of the Inter-American Development Bank and IDB Invest. XCPEs make recommendations expected to enhance the IDBG's subsequent Country Strategy and Country Program.

This evaluation examines the design, implementation, and outcomes of operations approved under the IDBG's Country Program with Paraguay between 2014 and 2023. To conduct this evaluation, OVE analyzed documents and operational data from the IDB Group, consulted evidence from reliable national and international sources, conducted an evaluation mission to Paraguay, and carried out more than 110 interviews (both virtually and in person) with government authorities, project executing units, the private sector, officials from other development agencies, and IDB Group staff both in the Bank's country office and headquarters. OVE appreciates the participation and collaboration of these counterparts, which enabled a rich exchange of information and reasonable access to the verification of the program's results.

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Acronyms and Abbreviations

AMA	Área Metropolitana de Asunción (Metropolitan Area of Asunción)
ADV	Advisory Services
AFD	Agencia Financiera de Desarrollo (Development Finance Agency)
BCP	Banco Central del Paraguay
CAF	Andean Development Corporation
CDC	Country Development Challenges
COF	Country Office
CP	Country program
CPD	Country program document
CPE	Country program evaluation
CS	Country Strategy
CT	Cross-cutting theme
EO	Expected Outcome
ESSAP	Empresa de Servicios Sanitarios de Paraguay (Sanitation Services Company of Paraguay)
FI	Financial Institutions
GDP	Gross Domestic Product
GO	Group of Objectives
GoP	Government of Paraguay
IDB	Inter-American Development Bank

IDBG	Inter-American Development Bank Group
IMF	International Monetary Fund
JICA	Japan International Cooperation Agency
LAC	Latin America and the Caribbean
MEF	Ministry of Finance
MICI	Independent Consultation and Investigation Mechanism
MOPC	Ministry of Public Works and Communications
NDP	National Development Plan
NSG	Non-sovereign Guaranteed
OVE	Office of Evaluation and Oversight
PBL	Policy-Based Loan
PBP	Programmatic Policy-Based Loan
PND	Plan Nacional de Desarrollo (National Development Plan)
PPP	Public-Private Partnerships
R&D	Research & Development
SG	Sovereign Guaranteed
SIAF	Sistema Integrado de Administración Financiera (Integrated Financial Administration System)
SIARE	Sistema Integrado de Administración de Recursos del Estado (Integrated Resource Administration System)
SMEs	Small and Medium Enterprises
SNIP	Sistema Nacional de Inversión Pública (National Public Investment System)
SO	Strategic Objective
TC	Technical Cooperations
TFFP	Trade Finance Facilitation Program
W&S	Water and Sanitation
WB	World Bank
WEF	World Economic Forum
WWTP	Wastewater Treatment Plant
XCPE	Extended Country Program Evaluation
XSR	Extended Supervision Reports

Executive Summary

Context. Paraguay is a landlocked country with an economy predominantly based on the exploitation of natural resources, particularly agricultural resources. Between 2014 and 2023, the country experienced notable economic growth, marking its transition towards a more developed economy. Driven in part by favorable terms of trade for its main export products (soy, beef, and electric power) and effective macroeconomic management, this growth was accompanied by improvements in poverty and inequality indicators. However, the country still faces socioeconomic challenges and public management capacity issues. Furthermore, security issues persist, along with territorial, ethnic, and gender inequities and gaps in the quality and access to health and education services. Other challenges include low productivity, high economic informality, a high concentration of production and exports in primary goods, limited depth of the financial system, and a vulnerability to external shocks. With one of the lowest tax burdens in the region and rising public debt levels (although still moderate), the country has limited fiscal space to address these development challenges.

Objectives and Cross-Cutting Themes. From 2014 to 2023, the Inter-American Development Bank Group (IDBG) formulated two Country Strategies (CS) covering four strategic areas, 19 Strategic Objectives (SO), and 49 expected outcomes (EO). These were organized into ten groups of objectives (GO) and four strategic areas for the analysis of this XCPE. In the area of public management and institutions, objectives were defined for *institutional capacity, fiscal sustainability, public management, and resource mobilization*. For integration and diversification, objectives regarding *financial services, productive development, and international trade integration* were included. Productive and resilient infrastructure considered objectives for *transportation, energy, water and sanitation, and telecommunications*. In the area of human capital and living conditions, objectives included *citizen security and social services*. Additionally, country strategies included the following cross-cutting

themes: support for the use of resources from the “Fondo Nacional de Inversión Pública y Desarrollo” (FONACIDE); gender inclusion, diversity, and indigenous populations; environmental sustainability; urban development; and innovation and technology.

Relevance of the country strategies’ objectives and design. The objectives of both CS were aligned with the country’s development plans and the IDBG’s diagnostics. The relevance of the CS as a guide for the Country Program (CP) was affected by selectivity, vertical logic and evaluability issues. The second CS (CS2) included fewer SO than the first one, but the definition of these objectives was broader and covered most of the objectives of the first CS (CS1). The breadth of both CS dispersed their focus and reduced their capacity to guide the CP towards achieving the objectives set out in all strategic areas. Moreover, the breadth and ambition of the objectives limited the feasibility of advancing them significantly within the CS timeframe, especially given the context of implementation challenges related to the institutional weakness of executing agencies.

Country Program. The CP for the 2014-2023 period consisted of 246 sovereign-guaranteed (SG) operations and 63 non-sovereign guaranteed (NSG) operations, amounting to US\$7.169 billion. The program included 82 legacy operations from previous strategic periods, with an undisbursed balance of US\$739 million in 2014. It also included 53 SG operations approved in the period for US\$4.426 billion (more than double the financing framework projected in the CS) in loan operations and US\$53.6 million in non-reimbursable instruments. Finally, 51 NSG operations were approved for US\$1.951 billion and 10 non-reimbursable advisory services (ADV). Most of the program consisted of investment loans (INV) and ten policy-based loans (PBL), accounting for 59% and 38% of the SG amount, respectively. PBL approvals increased in the period, and the amounts approved through these instruments were higher than those of INV during the second CS. The annual programming adequately anticipated SG loan operations, reflecting a good dialogue with the Government of Paraguay (GoP), although this was not the case for technical cooperation programs (TC), for which there is no programming agreement, nor for NSG operations.

Program Alignment. The CP covered all the GO but achieved strong alignment in only six out of the ten group of objectives (institutional capacity, fiscal sustainability, financial services, transportation, water and sanitation, and telecommunications). In general, the CP with strong alignment to the GO deployed operations whose scope matched the objectives set forth by the CS. Moreover, the Country Program was strongly aligned with the objectives in areas where there has historically been greater execution capacity and in areas where the IDB has had a longstanding presence. The alignment was weak in the remaining four GO (productive development, energy, citizen

security, and social services), which was due to both the limited scale of the CP in relation to the ambition and breadth of the SO, as well as issues with covering certain expected outcomes that affected the feasibility of contributing to the objectives.

Implementation of the program. During the period, disbursements of SG loans increased (exceeding the framework anticipated by the CS) as a result of the increase in approvals, which included two large rapid disbursement operations to support the country's response to the COVID-19 pandemic. NSG disbursements doubled following the increase in origination capacities of IDB Invest after the merge-out of private sector operations. The increase in disbursements occurred despite an increase in the execution times of INV in Paraguay, which, taking more than nine years on average from Executive Board approval to full disbursement, were the second highest in the IDB. This increase is mainly attributed to delays in legislative ratification, which were partially mitigated by active IDB follow-up work and close monitoring of loans with execution difficulties. INV also faced challenges related to the low capacity of executing agencies and budgetary issues, to which the IDBG responded by allocating technical cooperation and transactional resources to operational support.

Program contribution to the objectives. The IDBG predominantly contributed to five out of the ten GOs, achieving significant advancements in *public management*, infrastructure (*transport, energy, water and sanitation*), and the *financial sector*. Three factors, enhanced by technical support, were associated with better contributions from the Country Program: correspondence (between the objectives and the scale of the program deployed), persistence, and the transfer of sectoral experience. On the other hand, the low contribution to the objectives of *productive development, energy, telecommunications, citizen security, and social services* was mainly due to three factors: low feasibility of contribution due to issues of focus and scope of the Country Program, execution challenges, and a lack of evidence of results.

Contribution by Groups of Objectives

In the public management and institutions strategic area, the IDB had a moderate contribution to the *Institutional Capacity and Fiscal Sustainability and Resource Mobilization* GOs. The Bank supported this group of objectives mainly through PBLs to support reforms, some complementary INVs, and TCs. The reforms supported by the PBLs materialized in institutional changes that led to advances in transparency, investment, and public debt management, as well as in the ability to collect and process statistical information. The main contributions included the implementation of an early warning system for corruption prevention, the consolidation of the National Public Investment System (SNIP, by its Spanish Acronym),

the modernization of public debt management, the creation of the National Institute of Statistics, the development of the 2022 Census, and the implementation of the first Public-Private Partnership (PPP) in transportation with the support of IDB Invest. In contrast, there were challenges in advancing the Integrated Resource Administration System (SIARE, by its Spanish Acronym), implementing the digital agenda, and reorganizing and professionalizing the civil service. The main sustainability risks are linked to the political continuity of the initiatives started.

In the strategic area of integration and diversification, the IDB had a medium contribution to the Financial Services GO and low contribution to the Productive Development and International Insertion GO. In Financial Services, the IDB contributed to creating more favorable financing conditions through the strengthening of the sector's regulatory framework. This was achieved by promoting the development of the local capital market with the issuance of bonds in Guarani by IDB Invest, and the expansion of the institutional capacities of the Central Bank of Paraguay (BCP) and the Financial Development Agency (AFD, by its Spanish Acronym) by the IDB. Furthermore, it contributed to increasing credit with longer terms through IDB Invest loans to private financial institutions and IDB support to second-tier banking. The sustainability risks of these results are low. On the other hand, the contribution in Productive Development was low due to the low feasibility of the CP contributing to the broad objectives defined in the Country Strategy. The main contributions to this group of objectives were seen in the *increase in exports* and, to a lesser extent, in the *opening of new markets*, achieved through SG and NSG operations targeted at exporting companies (mainly from the agro-industrial sector). The main risks to the sustainability of the achieved results are associated with budgetary issues (the continuity of support has depended on subsequent loans from the IDB) and the high turnover of personnel in the GoP.

In the strategic area of productive and resilient infrastructure, the IDB's contribution was high in the transportation GO, moderate in the water and sanitation (W&S) GO, and low in the telecommunications and energy GOs. In transportation, the IDBG participated in the improvement and maintenance of more than 1,600 km of the road network (40% of the increase in the paved road network during the last decade). This includes the country's first road PPP project. It also contributed to the *reduction of traffic accident victims* by improving road safety. The main sustainability risks are related to the availability of resources for network maintenance, although some mechanisms have been envisaged to mitigate them. In energy, the CP contributed to *improving the quality of electric service* and strengthening the electrical infrastructure with the

construction of more than 500 km of transmission lines. However, it failed to participate in electrical distribution as planned, and there was no evidence of results for the objectives of *biofuel production and electrical access for the indigenous population*. The main sustainability risks of these results are related to the sector's tariff structure, the growth of domestic demand, and the dependence on water sources vulnerable to climate shocks. In W&S, the IDBG contributed to *increasing service coverage*, though below target in both urban and rural areas. The CP included the construction or expansion of the first modern wastewater treatment plants (PTAR, by its Spanish acronym) in the Metropolitan Area of Asunción and contributed to reducing access gaps through sanitary solutions and the expansion of drinking water service in rural communities and small towns. However, the contribution to the *operational improvement of ESSAP* was low. The main sustainability risks of these results are related to the low capacity of service providers for the correct operation and maintenance of the investments and problems in the sector's institutional framework. Lastly, in the group of objectives for telecommunications, the contribution to the objectives of *increasing broadband penetration and internet connectivity* was low, due to significant delays and cancellations of aligned operations.

Finally, in the strategic area of human capital and living conditions, the IDB's contribution was low to the citizen security and social services GO. The CP had a low feasibility of contributing to *reducing levels of violence and crime*, since it was limited in scale compared to the ambition of the objective, and due to the cancellation of 85% of the only INV aligned to this objective. In *social services*, the contribution to improving students' learning outcomes and the population's health was low due to the limited scope of the CP, delays in execution, and a lack of evidence of results. On the other hand, there was progress in the objective of *high-level professionalization* through a postgraduate scholarship program that resulted in an increase in the number of researchers with doctorates and professionals with master's degrees in science and technology areas.

Based on this XCPE's findings, OVE formulates the following recommendations.

- 1. Consider the IDB Group's capacity to contribute when focusing future country strategies on key country challenges.** The Country Strategies have defined relevant objectives in several areas of intervention without explicitly stating in which of them it would seek to concentrate resources given the IDBG's feasibility of contribution. The breadth of both CS dispersed their focus and reduced their capacity to guide the deployment of a program that was sufficient to

achieve objectives in all areas of intervention. Therefore, OVE recommends that future CS specify how the IDBG plans to concentrate its efforts in each priority area based on an analysis of its comparative advantages and its capacity to contribute to the different objectives, while also considering coordination spaces and synergies between IDB and IDB Invest. Additionally, Country Strategies must define objectives according to this analysis and establish expected outcomes that help to focus them. These objectives should be evaluable to allow the measurement of their progress.

- 2. Incorporate the institutional characteristics of Paraguay in the design and planning of operations in a more comprehensive way.** Two aspects of the Paraguayan context have implied widespread difficulties for the implementation of the CP, as well as for its effectiveness and the sustainability of its results: i) long execution times, which include delays due to legislative ratification, and ii) institutional weaknesses that have affected sustainability, among other aspects. Therefore, OVE recommends: (i) ensuring that timelines for new operations consider the historical legislative ratification times and institutional capacities, so that they reflect country realities; (ii) foreseeing mechanisms to mitigate the risks associated with long ratification periods; and (iii) strengthening the arrangements and institutional mechanisms related to the sustainability of operational results.
- 3. Strengthen technical assistance planning regarding its use and the measurement of its effectiveness.** During the period, there were deficiencies in the strategic programming for TC resources and information issues on the extent to which their use for several purposes (including support for execution and knowledge generation) contributed to the objectives. These deficiencies in TC planning and in the evidence of their results affected the possibility to determine if they were used in the most effective way to enhance their contribution. Therefore, OVE recommends developing and implementing a strategy for the programming and prioritization of TC and transactional resources, as well as monitoring their outcomes.



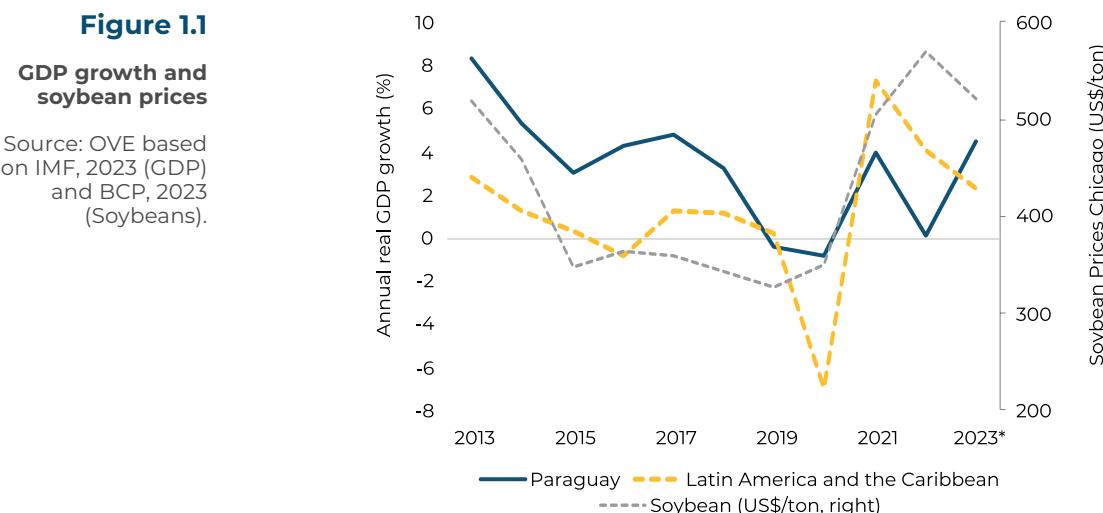
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Country Context

1.1 Paraguay is a landlocked country with a predominantly agricultural economy based on the exploitation of natural resources. Located in the heart of South America, the country borders Argentina, Brazil, and Bolivia. It is divided into two parts by the Paraguay River, which runs north to south. To the west of the river is the Chaco region, with a very low population density. Despite representing 60% of the national territory ($250,000 \text{ km}^2$), it is inhabited by only 213,000 people (3.5% of the total population). Meanwhile, almost 6 million Paraguayans (96.5%) live in the eastern region, which extends over $150,000 \text{ km}^2$ (INE, 2022). About 40% of the population lives in the Asunción Metropolitan Area (AMA). During the evaluation period (2014-2023), the country experienced notable economic growth,¹ marking its transition towards a more developed economy.² Its main exports are agricultural products and electric energy generated by binational hydroelectric dams with Argentina and Brazil.

A. Macroeconomic and Institutional Situation

1.2 Over the last decade, Paraguay had an average annual growth of 2.8%, higher than the 1.0% average for Latin America and the Caribbean (LAC). This high growth (Figure 1.1) is partly attributed to favorable terms of trade for its main export products, as well as to solid macroeconomic policies that include an inflation-targeting regime and a fiscal responsibility law. Likewise, the country maintained low inflation, in line with the Central Bank of Paraguay's (BCP) target range (however it was exceeded during the pandemic).



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- 1 Paraguay's rapid growth trend began in the early 2000s; between 2004 and 2023, Paraguay experienced an average annual growth of 3.7% (IMF, 2023).
 - 2 Since 2015, the World Bank (WB) classifies Paraguay as an upper-middle-income economy.

- 1.3 Although several external shocks have recently reduced this growth, its prudent macroeconomic management has allowed the country to maintain a favorable performance. In recent years, growth was reduced by shocks from the unfavorable situation of its main trading partners, the COVID-19 pandemic, and adverse weather conditions.³ Given that two-thirds of its exports are concentrated in soybeans (and its derivatives), beef, and electric energy, the country's economy is particularly vulnerable to weather shocks. However, prudent macroeconomic management has allowed Paraguay to partially mitigate the effects of external volatility on growth. In 2019, the country experienced a fall in its Gross Domestic Product (GDP) of 0.4% which continued into 2020. Nonetheless, measures implemented during the pandemic helped to make the 2020 contraction one of the least severe in the region (-0.8% compared to an average of -6.96% for LAC).⁴
- 1.4 Paraguay continues to have one of the lowest levels of indebtedness, sovereign risk, and tax pressure in the region. The net public debt in relation to GDP remains among the lowest in the region, albeit on an upward trajectory.⁵ Furthermore, during the evaluation period, Paraguay consolidated its financing diversification strategy through sovereign bonds, reducing its exposure to debt with multilateral institutions.⁶ Macroeconomic stability improved the country's credit rating, which is one notch below investment grade, showing low and stable levels of sovereign risk.⁷ After experiencing a surplus between 2004 and 2011, the fiscal balance turned into a deficit in 2012 due to an increase in public expenditure (current plus investment) over revenue collection, staying within the limits established by the Fiscal Responsibility Law (a maximum fiscal deficit of 1.5% of GDP). This limit was exceeded in 2019 due to countercyclical measures against climate shocks,⁸ and since then it has been

3 Including significant droughts that affected agricultural and electric power production in 2019, and due to heavy rains, that caused flooding in different years.

4 These measures included the extension or reduction of tax and tariff on capital goods, as well as the creation and extension of social transfer programs. Additionally, among other measures, the BCP boosted the liquidity to the financial system (estimated at 4% of GDP) by reducing reserve requirements and implementing an additional liquidity window for discount operations, and reduced the monetary policy rate to 0.75% (IDB, 2023).

5 Net public debt went from representing 10.9% of GDP in 2014 to 22.7% in 2019, and 36.9% in 2022.

6 The debt through sovereign bonds went from representing 18% of the total public debt in the period 2004-2012 to more than 35% in 2013-2023. Loans from multilateral and bilateral financial institutions decreased from 64% to 30% in the same period (Annex II, Section IV).

7 Standard & Poor's (BB+ in February 2024), Fitch (BB+ in November 2023), and Moody's (Ba1 in December 2023) have improved Paraguay's credit rating in recent years.

8 The escape clauses included in the law consider exceptions. They allow the deficit limit to be extended up to 3% of GDP. In 2019, this was 2.9% of GDP.

surpassed every year. Paraguay is characterized by having one of the lowest tax burdens in the region, with tax rates of 10% (VAT, personal and corporate income, and trade; IMF, 2022a), which reduces its fiscal space to finance development projects.

- 1.5 However, Paraguay's public management capacity is below LAC average, with lags in transparency, judicial independence, and public sector performance. Administrative and legal weaknesses in public institutions and the judicial system fuel perceptions of corruption, cronyism, and impunity,⁹ and undermine the efficiency of expenditure control (IMF, 2021). In turn, the World Economic Forum (WEF) survey (2019) identified corruption as the main obstacle to business development in the country and showed lags in the business climate despite improvements introduced during the evaluation period in business regulations.¹⁰
- 1.6 The level, effectiveness, and quality of public spending in Paraguay are low. Government effectiveness has improved over the last decade, though it still ranks within the bottom third of countries in the region (World Bank, 2022) and is characterized by a bureaucracy that is not very professionalized. The public sector in Paraguay spends less on salaries than the regional average in terms of GDP, but more in terms of total expenditure, leaving little room for public investment and social services (IMF, 2022a). Spending gaps in Paraguay are greatest in education, road infrastructure, and water and sanitation, where additional investment by 2030 of 2.9%, 2.3%, and 0.2% of GDP, respectively, has been estimated as necessary.¹¹ Additionally, it has been estimated that there is a waste in the public procurement of goods and services of approximately 1.0% to 1.3% of GDP, which could be avoided with better procurement systems and oversight.¹² In turn, the absence of a uniform regulatory framework for the public employees' pension system (Caja Fiscal) is related to increasing deficits and deficiencies in coverage and institutional fragility of the pension system. Lastly, the public sector shows a low level of e-government use (17/26 in LAC; ECLAC, 2022).

9 Paraguay ranks 115th out of 141 in the institutions pillar of the World Economic Forum (WEF) (2019) (111/141 in transparency, 138/141 in judicial independence, and 107/141 in public sector performance). The Transparency International Corruption Perceptions Index places the country at 136th out of 180 in 2023, one of the highest in LAC.

10 It ranks 115th out of 141 in business dynamism and 117/141 in administrative requirements (WEF, 2019).

11 The IMF conducted a standardized analysis, estimating that an increase in public spending of up to 7% of GDP annually would be required to achieve the Sustainable Development Goals in health, education, roads, and water and sanitation (IMF Staff Discussion Note, No. 19/03).

12 The implementation of the Public Supply and Procurement Law (*Ley de Suministro y Contrataciones Públicas*) of 2022 is part of a long-term effort to improve the system (IDB, 2018).

B. Productive development

- 1.7 Low productivity and high informality are challenges for sustained and inclusive growth in Paraguay. Paraguay's growth has been mainly linked to the accumulation of productive factors rather than to productivity gains (Feal Zubimendi and Ventura, 2023). The country has a dual productive structure: on one hand, an export sector (agriculture and electric power generation) which is not labor-intensive, and on the other hand, a sector characterized by low productivity and high informality. Productive linkages are concentrated in the agricultural sector, with exports of low added value levels. The economic and social gains from growth have not translated into significant productivity gains or reductions in informality. The informal economy has accounted for an estimated 42% of GDP between 2014 and 2021, with about two-thirds of workers employed in informality (mainly young people and the elderly; PRODevelopment and IDB, 2022). This has been associated with labor market rigidities, limited state capacity to regulate employment, and a deficit of skills and alignment with the demand of productive sectors.¹³ Additionally, despite regulatory and public banking improvements,¹⁴ Paraguay's financial market remains small and underdeveloped.¹⁵
- 1.8 The gap in the quality of infrastructure services poses challenges, although the country had one of the greatest improvements in LAC in recent years.¹⁶ The quality of logistics and transport infrastructure is among the lowest in the region.¹⁷ The possibilities for expanding and diversifying its exports and integrating into global value chains are restricted by the high trade costs associated with transportation, making Paraguay one of the LAC countries with the lowest logistics performance.¹⁸ Regarding electricity, Paraguay has achieved almost universal access, although the quality of its

13 The flexibility of the Paraguayan labor market ranked 93rd out of 141 countries (WEF, 2019).

14 Paraguay was ranked 105th out of 141 in terms of financial market depth in 2019 (WEF, 2019).

15 Domestic credit to the private sector (% of GDP) in Paraguay was 51.3% for 2022, below the LAC average of 56.3% (WB, 2022a)

16 Cavallo, Powell, and Serebrisky (2020).

17 In 2019, Paraguay ranked 126th out of 141 in road infrastructure quality, 122nd out of 141 in the efficiency of air transport services, and 109th out of 141 in river/maritime transport (WEF, 2019).

18 In 2022, Paraguay was ranked 79th out of 139 countries in the logistics performance index (WB, 2023b), surpassing only Bolivia (115) and Venezuela (123) in the region, far from Brazil (51) or Peru (61).

provision remains behind,¹⁹ tariffs do not cover costs,²⁰ and losses are above the regional average (Lucantonio, Sosa, and Aiello, 2022). The duration and frequency of power outages are among the highest in LAC and represent one of the main infrastructure problems identified by companies.²¹

C. Social development

- 1.9 Sustained growth and active social policies significantly reduced poverty in Paraguay over the last 15 years and, to a lesser extent, inequality. Between 2004 and 2019, the rates of poverty and extreme poverty were more than halved, going from 48.8% and 9.1% to 23.5% and 4.0%, respectively (27.2% and 5.5% in 2014 respectively; INE, 2024). However, the COVID-19 pandemic had a significant impact, partially reversing these advances. The poverty rate increased to 26.9% in 2021 (3.9% for extreme poverty), particularly affecting children and adolescents. In 2023, they were 22.7% and 4.9%, respectively. Income inequality, measured by the Gini coefficient, also decreased during the period,²² although with greater volatility.
- 1.10 However, Paraguay still suffers significant geographic, ethnic, and gender inequities. The rural population (37% of the total in 2022; INE, 2022) faced poverty levels that were 1.6 times those of the urban population (four times in the case of extreme poverty) between 2004 and 2019. Moreover, improvements in these areas have been less pronounced for the rural population. Of the indigenous population (2.3% of the population in 2022; INE, 2022), about two-thirds belong to low-income households. In terms of gender equality, Paraguay ranks unfavorably in LAC according to the World Economic Forum's 2023 Global Gender Gap Index. Women's labor participation is 24% lower than that of men, and they earn on average 34% less for similar tasks, a disparity that widens in rural areas. In terms of political representation, 19% of the seats in Congress and local governments were held by women in 2022 (vs. 32% in LAC; WEF, 2023).

19 In 2019, Paraguay ranked 121st out of 141 in terms of electricity supply quality (WEF, 2019). Although access to electricity is almost universal, only 59.4% of indigenous homes had electricity coverage in 2017 (Permanent Household Survey, 2017).

20 The Organic Law of ANDE (National Electricity Administration) stipulates that electricity tariffs must be set to generate an annual net income of no less than 8% and no more than 10% of the immobilized investment. However, profitability was below 8% throughout the analysis period (ANDE, 2022).

21 In 2017, 83% of companies experienced problems due to electrical blackouts, a higher average than both the regional average and that of Sub-Saharan Africa (Cavallo, Powell, & Serebrisky, 2020).

22 The Gini coefficient decreased from 0.52 in 2004, to 0.51 in 2014, to 0.43 in 2021 (World Bank, 2023).

1.11 Lags in human capital persist in Paraguay, with challenges in the quality and access to health, education, professional training, and security. Life expectancy at birth increased in the pre-pandemic years,²³ while infant mortality decreased by 35% (IDB, 2023). However, in 2019, life expectancy was still four years less than the Southern Cone average and 1.4 years less than the LAC average, while infant mortality exceeded the regional average, with larger gaps in rural areas and among indigenous populations. In education, the country also shows gaps compared to what is expected for its income level, mainly regarding the quality of mathematics and science teaching, the use of technology and the internet, and the level of schooling at all levels.²⁴ Additionally, the country ranks among the lowest worldwide in terms of its workforce's skills.²⁵ Finally, although the rates of robberies and acts of serious aggression have decreased in the last decade, problems with citizen security and domestic violence,²⁶ as well as a low confidence in the police, remain.²⁷

23 From 71.9 years in 2010 to 73.6 years in 2019 (World Bank, 2023).

24 The coverage of initial education was 73.5% in 2020 (77.8% in LAC). Paraguay ranked last in the region in science, and 92% of students were below the minimum level in mathematics in the 2017 PISA-D tests. In 2022, 85% of students were below the minimum level in mathematics in the PISA tests. The indigenous population is lagging in terms of access to education, with illiteracy around 33%, 5 times higher than the national average (Permanent Household Survey, 2017).

25 The country ranks 133rd out of 141 in the quality of vocational training, 135th out of 141 in ease of finding skilled employees, and 134th out of 141 in digital skills of the workforce (WEF, 2019).

26 The robbery rate went from 355 in 2016 to 78 in 2021 and acts of serious aggression from 2024 in 2012 to 578 in 2021 (OAS, 2021). In turn, the Public Ministry received more than 31,000 complaints about family violence in 2022 (ministeriopublico.gov.py/violencia-familiar).

27 Ranked 113th out of 141 in security, and 134th out of 141 in police reliability in 2019 (WEF, 2019).

02

The IDB Group
in Paraguay:
2014-2023

A. IDBG country strategy with Paraguay 2014-2023

- 2.1 Between 2014 and 2023, the IDB Group²⁸ formulated two country strategies (CS) in Paraguay, focusing on four strategic areas. These country strategies aimed to support the institutional and productive transformation of the country, under criteria of sustainability, equity, and inclusion.²⁹ The 2014-2018 Country Strategy (CS1) established 13 Strategic Objectives (SO) and 33 expected outcomes (EO). The 2019-2023 Country Strategy (CS2) set 6 SO and 16 EO. These SOs and EOs (together, “objectives”) were organized into 4 strategic areas and 10 groups of objectives (GO),³⁰ which serve to structure the analysis throughout the rest of the XCPE (Table 2.1 and complete matrix in Annex II). Furthermore, the CS included the following cross-cutting themes: support for the use of FONACIDE funds³¹; gender inclusion, diversity, and indigenous populations; environmental sustainability; urban development; and innovation and technology.

Table 2.1. Consolidated Strategic Objectives 2014-2023

Groups of Objectives 2014-2023	Country Strategy 2014-2018	Country Strategy 2019-2023
	Strategic objectives	Strategic objectives
Strategic area I. Public management and institutions		
GO1. Institutional capacity	13. Improve the effectiveness, transparency, and integrity of public entities	1. Strengthen public management capabilities
GO 2. Fiscal sustainability and resource mobilization	11. Consolidate fiscal sustainability	2. Boost the mobilization of public and private resources for development
Strategic area II. Integration and diversification		
GO3. Financial services	9. Promote investment financing through the financial system 10. Foster greater financial inclusion	4. Promote financing for investment
GO4. Productive development and international positioning	6. Enhance the productivity and competitiveness of firms 7. Guarantee the legal certainty of land ownership 8. Increase the supply of agricultural public goods and services	3. Encourage firms to pursue international trade integration

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- 28 The evaluation covers only the IDB and IDB Invest programs (and not that of IDB Lab).
- 29 The first Country Strategy aimed to “support the country’s productive transformation with a view to achieving sustainable and inclusive economic growth, which translates into a reduction of poverty and inequality, through the generation of formal employment,” and the second Country Strategy, “support the institutional and productive transformation of Paraguay, under criteria of sustainability, equity, and economic and social inclusion.”
- 30 Group of objectives refers to a set of objectives that aim to contribute to similar challenges and may or may not be present in both country strategies.
- 31 The National Public Investment and Development Fund (FONACIDE, by its Spanish Acronym) is a development fund for allocating the revenues received from the transfer of energy from the Itaipu Binational Entity to Brazil.

Groups of Objectives	Country Strategy 2014-2018		Country Strategy 2019-2023
	2014-2023	Strategic objectives	Strategic objectives
Área estratégica III. Infraestructura productiva			
GO5. Transportation	1. Improve transportation infrastructure		5. Improve the coverage and quality of infrastructure
	2. Improve the level of road safety		
GO 6. Energy	3. Ensure the sustainability of power supply for the public and for the productive sector		
	4. Boost domestic production of biofuels		
GO7. Water and Sanitation	5. Increase the coverage of water and sewage (including wastewater treatment) services in the AMA and in rural areas		
GO8. Telecommunications			
Strategic area IV. Human capital and living conditions			
GO9. Citizen security	12. Reduce levels of violence and crime		
GO10. Social services			6. Improve the coverage and quality of social services

Source: Source: OVE based on the IDB Country Strategy with Paraguay 2014-2018 (document [GN-2769](#)) and 2019-2023 (document [GN-2958](#)).

Note: Annex II provides the full version of this table, including the placement of the expected outcomes within the groups of objectives. The gray empty spaces indicate areas not addressed by the country strategy.

2.2 The objectives of both Country Strategies were relevant and aligned with the priorities of the National Development Plan and were consistent with the diagnoses and broad institutional priorities of the IDBG. Both Country Strategies considered the priorities of the National Development Plan (NDP) 2030, including objectives corresponding to the three strategic axes of the NDP, but with a greater correspondence to the national strategies of the axis of inclusive economic growth and the cross-cutting line of efficient and transparent public management (see Annex III.I.A). The CS objectives were related to one of the four strategies of Paraguay's insertion in the world axis (investment attraction and foreign trade) and were less related to the national strategies associated with the cross-cutting line of land-use planning and development. The objectives were also consistent with IDBG diagnoses (including the CDCs), with the priorities of the IDB's Institutional Strategy 2010-2020 (and its update for 2020-2023), and with the IDB Invest Business Plan 2017-2019.

2.3 Both Country Strategies anticipated close coordination with other partners, mainly in the infrastructure and public management sectors, although a division of intervention areas based on the IDB Group's advantages was not explicitly mentioned. The Bank anticipated catalyzing opportunities in Water and Sanitation (W&S), transportation, and energy, where the volume of projects

would require the action of more than one partner. Coordination was also anticipated for strengthening public management, an area where the Bank had already collaborated with other partners in diagnostics. The first Country Strategy also anticipated that the World Bank (WB) would mainly focus on the social sector. Meanwhile, the second Country Strategy described that the field of action of international organizations in Paraguay is broad and planned to continue dialogue and operational coordination with the community of partners by identifying actors to support in a coordinated manner in each of their strategic areas (see Annex II). Both Country Strategies highlighted the Development Bank of Latin America (CAF) as a partner with an increasing presence in the country.³² However, the CS did not specify an explicit division of intervention areas considering the comparative advantages of the IDB Group, despite this being part of one of the recommendations from the 2014-2018 CPE (Box 2.4).

- 2.4 The objectives of both Country Strategies maintained some continuity across almost all GO, though there were differences in their focus in some areas. CS2 included fewer objectives, with a narrower focus, especially in the strategic area of productive development (see Annex III.2.1). Nevertheless, it defined broader objectives that covered most of the objectives of the first country strategy,³³ allowing some continuity between the group of objectives of both country strategies. However, in the human capital area, the strategic objective to combat violence was discontinued, and the second country strategy incorporated a strategic objective to formally support the improvement of education and health services.³⁴ Additionally, two strategic objectives corresponding to the group of objectives of productive development were discontinued (*legal certainty of land ownership and provision of agricultural public goods and services*). On the other hand, some of the objectives that maintained continuity reflected differences in

32 CAF (Development Bank of Latin America) established itself as a significant financial partner for the country with a portfolio similar in approved amounts to that of the IDB since 2019. With a sectorally concentrated intervention model and broad use of national systems, it gained relevance in infrastructure and the private sector. The IDB remained the entity with the most resources in execution from 2016-2023, except for 2021 when it was surpassed by CAF (Annex II).

33 For example, although both country strategies aimed to improve transport infrastructure, the first one established one Strategic Objective and two specific expected outcomes regarding transport infrastructure, while the second sought to improve the coverage and quality of infrastructure in general, referring to transport only in a broad expected outcome. For financial services, the first Country Strategy contemplated two strategic objectives and five expected outcomes, with some elements of overlap among the expected outcomes. For the second Country Strategy, this was synthesized into just one strategic objective and one expected outcome defined more broadly, without focusing on specific segments like SMEs.

34 The first Country Strategy included quasi-objectives associated with health and education services (with expected outcomes and associated indicators). However, these were defined in the first Country Strategy as cross-cutting themes.

focus, which was in line with the challenges diagnosed and the general objectives of the respective country strategies.³⁵ Nonetheless, the shift in focus in productive development, which was more concentrated on international insertion, left out labor formalization and investment in R&D. In none of these cases did the second country strategy explain the reasons for the changes in focus or discontinuity.

- 2.5 The relevance of both Country Strategies as a guide for the Country Program was reduced by their lack of selectivity. Although the second Country Strategy had a more narrowed focus in some areas, the breadth of both CS dispersed their focus, reducing their capacity to guide the CP to achieve the objectives set in all areas of intervention. Moreover, the breadth and ambition of the objectives hindered the feasibility of significantly advancing them with the foreseen CP within the CS timeframe, especially considering the anticipated context of implementation challenges related to institutional weaknesses in certain sectors. The Country Strategies also did not identify how the program would focus among the different strategic areas to achieve its objectives, particularly considering the IDB Group's historical concentration of Country Program in a few sectors (see Section II.C and CPE 2014-2018), nor did they include an analysis of the IDBG's capacity to contribute to the different areas.
- 2.6 The relevance of both Country Strategies was also affected by weaknesses in vertical logic. Vertical logic in the CS defines the theory of change regarding how progress in the EO contributes to their SO, and these, in turn, contribute to advances in their strategic areas. The Country Strategies had logical connection issues in four EOs and their respective SOs; and in two cases, there was an inverted logic (see Annex III). Most of these issues were found in CS1, especially in the EOs of the strategic area of integration and diversification, where there was also significant overlap between the SOs and EOs related to investment financing and financial inclusion. Additionally, two of the themes defined as "cross-cutting" in the CS (support for FONACIDE in CS1 and urban development in CS2) are not suitable to be pursued or considered horizontally by the expected program operations (as would be expected from a cross-cutting theme in

35 For instance, although both country strategies aim to support the country's productive transformation, the first Country Strategy proposed doing so through the generation of formal employment, while the second Country Strategy sought to support an institutional and productive transformation under criteria of sustainability, equity, and inclusion.

the context of the Bank). Although the two themes were termed as cross-cutting, they were argued more as objectives or areas of dialogue,³⁶ which also hampered the theory of change's clarity.

- 2.7 The Country Strategies faced challenges in monitoring results due to deficiencies in the evaluability of their indicators. Half of the 56 proposed progress indicators, related to 49 EOIs from both CS, had issues with data updating, and progress could not be measured for more than a third of the originally proposed indicators³⁷ (see Annex V). The lack of data was due to the use of indicators based on ad-hoc surveys that were no longer conducted (43%), the periodicity of the information sources (14%), discontinuity issues with the indicators (14%), and other problems (29%), such as changes in calculation methodology, lack of representativeness in recent territorial level surveys, or the absence of information for some original indicators (although in some cases, they could be estimated using alternative indicators). The strategic area of productive infrastructure faced the most significant problems since there were difficulties in updating more than two-thirds of its indicators.
- 2.8 Although both Country Strategies anticipated CP implementation challenges related to institutional weaknesses and macroeconomic risks, the measures envisioned to mitigate the latter were not suitable. Both CS included measures to increase the average level of disbursements, highlighting that low portfolio execution is the main risk for the IDBG's operational work in the country (CS2). Both Country Strategies noted that low execution results from complex processes and institutional weaknesses affecting the implementation of all projects financed with public funds and considered establishing a joint working group with the Government of Paraguay to address it. They also planned to provide technical assistance focused on improving public project management and integrity capacities, as well as enhancing alternative execution schemes (including the use of management firms), supporting the strengthening of national systems, conducting continuous monitoring of execution, and strengthening the environmental, social, and communicational management of projects. Regarding macroeconomic and climate risks, the Country Strategies proposed to mitigate them through the use of local currency loans, PBL and contingent loans, and TCs. However, some of these mitigation measures

36 For example, the first Country Strategy included the improvement of education quality as an expected outcome of the cross-cutting theme supporting the use of FONACIDE resources for education and health, and also as an area of dialogue. Although the first Country Strategy identified it as a cross-cutting theme, it established three objectives and three related expected outcomes.

37 To improve the measurement of expected outcomes progress, and in coordination with Management, alternative indicators were used for eight expected outcomes (29% of those that had update issues regarding their original indicators; see Annex III).

were proposed through the same Country Program operations,³⁸ which is inadequate due to the temporal lag between the risk and the operation results, especially for those approved during the CS2. CS2 also identified specific risks for NSG operations,³⁹ for which it proposed to strengthen the management capacities of IDB Invest clients through advisory services.

B. The IDB Group program with Paraguay 2014-2023

- 2.9 The IDBG Country Program consisted of 246 SG operations and 63 NSG operations, with a total value of US\$7.169 billion. The XCPE includes the SG and NSG operations approved during the period⁴⁰ (227 operations, equivalent to 73% of the CP), as well as legacy operations from previous periods (82 operations or 27%).⁴¹ During the analyzed period, the IDB approved \$4.426 billion in 53 SG operations, more than doubling the projected financing framework in both CS⁴² (Figure 2.1). It also approved \$53.6 million in non-reimbursable instruments. Meanwhile, NSG approvals reached 51 operations totaling \$1.951 billion, a significant increase following IDB Invest merge-out⁴³ (Figure 2.2). Additionally, 10 non-reimbursable advisory services were approved. The 82 legacy operations (70 SG and 12 NSG) had an undisbursed balance of \$739 million at the beginning of the period (see Annex IV).

38 They would aim to boost domestic growth factors by facilitating the entry of Paraguayan exports into new markets and support the improvement of spending efficiency and tax collection to expand the scope for countercyclical fiscal response, in addition to incorporating disaster risk reduction measures and adaptation to climate change.

39 Specifically, market fluctuations associated with the demand for financing investment projects and market failures that reinforce a cycle of low productivity and investment.

40 It covers from June 12, 2014 (approval of the CS1) to December 12, 2023.

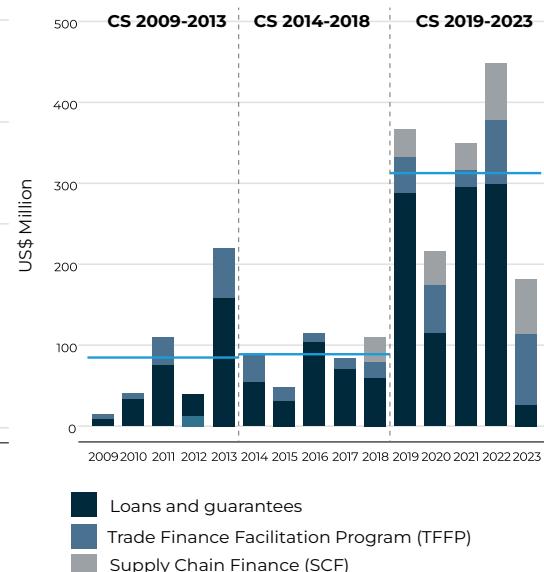
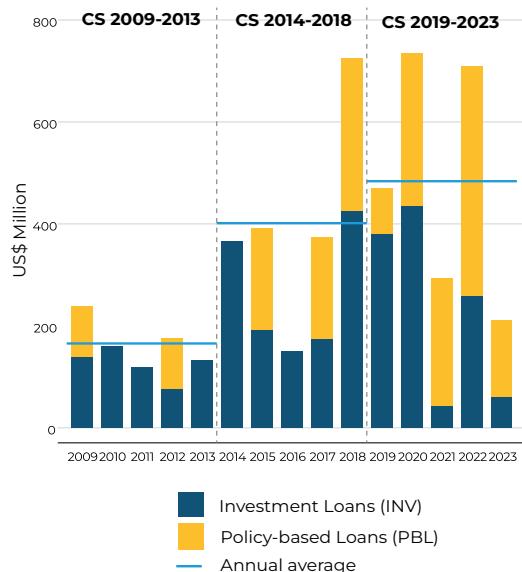
41 Operations that had pending disbursements as of June 12, 2014, and NSG operations that reached early operational maturity during the review period (document [RE-348-8](#)).

42 During the strategic period covered by the CS1, an average of US\$401 million per year in loans was approved (101% more than projected in the CS). The average annual loan approvals were US\$484 million during the CS2 (142% more than the envisioned financing framework; 106% higher when excluding the two COVID-19 response PBLs).

43 In 2015, the consolidation of the IDB Group's private sector activities into the IIC (IDB Invest) was approved, and it came into effect in 2016, along with its capitalization (document [CII/AG2/15](#)). Since then, and mainly from 2020, IDB Invest has increased its business volume, driven by the development of capabilities to originate and structure operations, as well as to deploy a broader range of products and mobilize third-party resources (OVE 2023, document [CII/RE-83-2](#)). Currently, IDB Invest is working on a new business model aimed at broadening its impact.

**Figure 2.1
(Left)****SG approvals**

Source: OVE, with IDB data, 2024a.



Note: Excludes non-reimbursable (TC projects and IGR).

2.10 38% of the CP's SG amount was channeled via policy reform support loans (PBL). The IDB's CP comprised of 61 investment loans (INV) for \$2.980 billion, 10 PBL for \$1.940 billion, and 170 non-reimbursable operations (including 3 investment grants that complemented INV and 167 TCs). PBL approvals increased during the period and were higher (in amounts) than INV during CS2. Also, five contingent lines were approved,⁴⁴ four of them between 2019 and 2020, aiming to provide long-term support for objectives in productive development, infrastructure, and health. The SG CP also included two legacy loans based on results (PDL), approved in 2006 and 2007.

2.11 Over half of the NSG operations' amount was concentrated in senior loans, although IDB Invest diversified its instruments during the period covered by CS2. Despite clear progress, IDB Invest's work remained focused on a few sectors,⁴⁵ primarily aiming to address the objectives of the strategic area of integration and diversification (financial institutions and agro-industrial corporate clients). The majority of NSG financing approved during the period consisted of 33 senior loans (\$1.318 billion). The NSG CP also included six non-committed lines for banks within the Regional Trade Finance Facilitation Program (TFFP) for \$350 million, four revolving lines to support agro-

44 Four conditional credit line operations for US\$850 million and one contingent credit facility for US\$250 million. These are considered as individual transactions (and therefore contribute to the count of approved operations), but their contribution to the total amounts is reflected only through the specific operations that have been approved within their framework.

45 Two IDB Invest investment officers are based in the Paraguay office (one in FI and one, multi-segment), while others work from other countries.

industrial production chains for \$266 million, guarantees,⁴⁶ and ADV⁴⁷ (see Box IV.1.1 in Annex IV). At the time of IDB Invest's approval, additionality was mainly associated with offering better financial terms and conditions than those available in the market (longer terms and local currency) and the mobilization of \$107.2 million from third-party resources.

2.12 The use and combination of IDBG instruments were congruent with the CS objectives. On the IDB side, the increase in PBL approvals and their combination with INV was consistent with the objectives in the area of public management and institutions that required reforms and institutional changes (Box 2.1). IDB Invest, for its part, expanded its local currency financing for projects aligned with the GO of financial services through its pioneering local program of public issues. For this, it issued five bonds in Guarani, which would also contribute to the development of the local capital market. Furthermore, IDB Invest financed the country's first PPP in a road infrastructure project, after the framework was supported by the IDB. These initiatives, along with the still-emerging work in the area of financial markets for the development of a sustainable bonds' framework,⁴⁸ showed synergy spaces between both institutions.⁴⁹

Box 2.1. Use of Policy Based Loans (PBL) during the period 2014-2023

During the period of 2014-2023, the IDB approved ten PBLs in Paraguay, significantly increasing the use of this instrument. The PBLs for this period amounted to US\$1.940 billion and represented 44% of the total approved loans, compared to US\$230 million from three PBLs approved between 2004 and 2013, representing 18% of loan approvals.

The PBLs focused on the strategic area of public management and institutions. The Bank proposed using them to support seven reform programs in the areas of fiscal and debt management and public investment, financial sector, transparency, state organization, and digitalization, which partially responded to the need for a more comprehensive strategy for institutional development identified in

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- 46 Two of the five guarantees were canceled.
 - 47 Ten ADVs for technical support to clients (strengthening of sustainable strategies and products, among others). Given the duration and amounts, the scope of some was seen as limited by the clients.
 - 48 A TC approved in November 2023 (PR-T1345) will seek to support the Ministry of Finance in the development and implementation of a sustainable debt issuance strategy. For its part, IDB Invest has expressed interest in supporting the first thematic issuances by its clients in Paraguay, as it has done on more than 35 occasions in other countries in the region.
 - 49 The CS only mention in a general manner the expected coordination between IDB and IDB Invest, without a discussion on potential synergies beyond a general mention in the lessons learned and a note indicating that synergies would be addressed in annual programming exercises.

the 2014-2018 CPE (document [RE-527-1](#)) Additionally, two of the loans corresponded to the COVID-19 response series, which would be the Bank's main support for the country's response to the pandemic (Box 2.3).

The design and sequence of the PBLs were adapted to the needs of the GoP. The Ministry of Finance (MEF) team usually drives one reform at a time following a sequence that demands long-term continuous support. Recognizing this, the PBLs also incorporated policy actions related to other operation agendas, thus chaining various reforms. An example of this chaining of conditions occurred in operations aligned with the transparency EO. This agenda would be supported not only through a multi-tranche PBL operation (PR-L1144) and a series of two PBPs (PR-L1161 and PR-L1180) focused on it, but also with conditions included in a PBL dedicated mainly to improving public finance management (PR-L1151), in the COVID-19 response PBL (PR-L1179), and in the Public Sector Transformation Support series (PR-L1177, PR-L1185) (see Annex VII).

Some of the PBLs were combined with INV and other client support initiatives¹ to advance primarily the objectives of improving public management. The INV supported the implementation of necessary information systems and infrastructure for the correct implementation of the reform. The public finance support PBL (PR-L1151) together with the INV PR-L1150, sought to finance improvements in the modernization and implementation of the SIARE, as well as promote the implementation of the *Sistema Integrado de Facturación Electrónica Nacional*. In turn, the PBL of Public Policy Support for the New Economy (PR-L1163) was complemented with the INV PR-L1163 that sought to finance the implementation of elements of the Digital Agenda (see Annex VII).

Source: OVE, based on corporate databases and interviews.

Notes: ¹For example, with resources from the Transparency Fund managed by the IDB, the Bank supported technical assistance on AML/CFT, the RindiendoCuentas initiative of the GoP, and the development of the MapalInversiones + COVID-19 Module platform. This platform features detailed information on the destination and use of public funds, including those available to address the COVID-19 crisis.

2.13 Additionally, the IDB used non-reimbursable resources to facilitate the execution of operations and support technical dialogue. The IDB continues to be the main provider of technical assistance in the country,⁵⁰ although these resources have decreased,⁵¹ concentrating progressively on operational support (see Annex IV). During the period, virtually all approved SG loans in all areas were accompanied by this support at all stages (including their preparation while awaiting legislative

50 This situation, identified in the CPE 2014-2018 (document [RE-527-1](#)) has persisted. The amounts approved by the IDB for Technical Assistance in execution until June 2023 exceeded by more than ten times those approved by CAF, the next most important provider. See reports on non-reimbursable TC at <https://economia.gov.py/index.php/financiamiento/prestamos-y-cooperaciones>.

51 The average amount approved per year for TC went from US\$6.2 million in 2009-2013 to US\$5.5 million in 2014-2018, and US\$3.6 million in 2019-2023.

ratification).⁵² This support was primarily provided through TC for operational support (77% of the loans), but also came from TC for client support, transactional resources⁵³ and for countries C and D. On the other hand, the Bank allocated resources to support technical dialogue and to provide strategic guidance and specialized technical assistance for the design of reforms and public policies. According to counterparts interviewed by OVE, this has been a differentiating factor between the IDB and other partners. The IDB deployed a knowledge agenda that was perceived by government counterparts as an important contribution that provided information and exchanges relevant to the country. Although the COF has made efforts to systematize information on knowledge products since 2022, there are still challenges related to the lack of systematic information about its number, cost, purpose, or results, as well as its linkage with the objectives of the CSs (Box 2.2).

Recuadro 2.2. La agenda de conocimiento del BID en Paraguay

The IDB promoted a knowledge agenda in the country. In coordination with the Knowledge, Innovation and Communication (KIC) sector of the IDB, the country office facilitated the production and dissemination of products—including discussions, workshops, studies, and blogposts—with the purpose of reinforcing the development agenda in Paraguay. In this context, in 2022 and 2023⁵¹ the production and dissemination of around 50 products was carried out in areas like productive development, youth, labor markets, care, gender and diversity, climate change, and energy, among others.

This knowledge agenda was perceived as a positive differentiating feature of the IDB. Personnel from the project executing units highlighted the IDB's role in facilitating knowledge as a distinctive element compared to other multilateral organizations. Furthermore, external counterparts appreciated the IDB's support in carrying out exchanges of knowledge and good practices with other countries in the region with similar development challenges. In general, government representatives considered that the Bank has been an important partner in the dissemination of knowledge for project execution, highlighting the country's inclusion in regional studies as relevant.

Despite its importance, the agenda presents challenges for managing and linking its contribution to the objectives of the CSs. On the one hand, the knowledge agenda was aligned with some challenges included in the CSs. According to the information available for 2022 and 2023, 18 products focused on productive development, and 13 on cross-cutting

52 Paraguay is one of the ten borrowing countries from the IDB whose reimbursable projects financed by multilaterals require legislative ratification. In addition to Paraguay, Bolivia, Chile, Costa Rica, El Salvador, Dominican Republic, Haiti, Honduras, Nicaragua, and Panama also require it.

53 Administrative budget resources assigned to VPC are intended to finance activities related to the preparation and execution of the program of operations financed by the Bank.

themes as gender, diversity, youth, and climate change. On the other hand, the knowledge agenda faces management challenges at the institutional level. Although there are efforts in the country office to collect information of knowledge products, there is currently no system at the Bank level that facilitates the registration of this type of activities. Therefore, there is no systematic information on their number, cost, purpose, or results, nor about their possible contribution to the CS objectives. These challenges are consistent with previous OVE findings (see Review of Knowledge Generation and Dissemination at the IDB, document [RE-517-2](#), and the Brazil ICPR 2019-2022 document [RE-589](#)).

Source: OVE, based on corporate databases and interviews.

¹ Although it had access to examples of products from previous years, OVE only had systematic and detailed information for these years.

2.14 Coordination with other development partners was carried out in an ad-hoc manner without a centralized platform. As anticipated in the CS, the Bank participated in infrastructure projects whose volume required the action of more than one development partner. However, coordination among co-financers was limited, as projects were generally segmented by the Ministry of Public Works and Communications (MOPC) which worked bilaterally with the different development partners.⁵⁴ In public management, the Bank worked with other development partners on diagnostics (see example in Annex VII), but, as in infrastructure, financing projects were primarily coordinated with the GoP.

C. Program alignment with Country Strategies

2.15 The CP included operations across all the GO, achieving strong alignment in 6 out of the 10. The CP alignment was strong⁵⁵ with 6 of the 10 GOs defined by OVE (highlighted in green in Table 2.2), but weak with the other 4 (marked in yellow). In general, for those GOs with which the program was strongly aligned, the program's dimension corresponded with the objectives of the CP (mainly through operations with significant amount that matched the ambition of the objectives, but also through smaller amount operations aimed at directly addressing specific EO).⁵⁶ The CP remained focused and had strong alignment in

⁵⁴ Based on interviews with counterparts in Paraguay.

⁵⁵ The degree of alignment shows the extent to which the program included operations that address the strategic objective and its associated expected outcomes, and the plausibility that these operations, if implemented as planned, achieve the expected results and contribute to the strategic objective.

⁵⁶ See detailed alignment analysis by group of objectives in Annex VI. Table VI.1.4. presents a detail of the level of alignment of the SOs defined in the CSs.

areas where there has historically been a higher execution capacity and a longstanding presence of the IDB: institutional capacity and transport infrastructure. This is observed both in the amount aligned to each GO⁵⁷ and in the distribution of projects among different executing agencies, with the MOPC and MEF being the main executors, accounting for 45% of the portfolio. At the same time, the Bank expanded and consolidated its presence in the infrastructure area, with a program strongly aligned with the objectives of W&S (Water and Sanitation) and telecommunications. It also dedicated PBL components to the development of the financial sector and the improvement of the country's fiscal sustainability.

2.16 The alignment weaknesses were due to the CP limited scale in some areas and coverage issues of certain EO. The weak alignment with the GOs related to productive development, social services, and citizen security was mainly due to the limited scale of the program compared to the ambition and scope of the SO, affecting the feasibility of contributing to those objectives. Although there were IDBG operations with the potential to contribute to some of the EO corresponding to these SOs,⁵⁸ in general, the portfolio was fragmented into a few operations of low amount and scope that did not match the breadth and ambition of the objectives. Another alignment weakness occurred when some elements of the EO were not covered by operations in the sector. For example, in *Energy*, one EO sought to improve both transmission and distribution, but the CP only covered the former aspect. Despite these deficiencies, both the legacy program and the one approved during the two CSs allowed for a relatively aligned deployment regarding the set of objectives.

57 Table 2.2 shows a high amount aligned with the GO for productive development. However, it should be noted that, of the 64 operations aligned with this group of objectives, only 25 are not aligned with other GO. The rest include transport operations and TFFP (for its components promoting international trade).

58 The expected outcomes of export diversification (I.6.5) and the provision of agricultural public goods (I.8.1).

Table 2.2. IDBG Country Program 2014-2023: Alignment with Groups of Objectives (GO)

Groups of Objectives	Legacy (Undisbursed balance)			Approvals 2014-2018			Approvals 2019-2023			Total	
	SG	NSG ^a	NR ^b	SG	NSG	NR ^b	CGS	NSG	NR ^b		
Strategic Area I. Public Management and Institutions											
GO1. Institutional capacity	#	3	-	9	6	-	17	11	-	22	68
	US\$M	12	-	6	865	-	5	1,355	-	5	2,245.5
GO 2. Fiscal sustainability	#	1	-	5	3	-	9	3	2	3	26
	US\$M	7	-	3	525	-	1	271	615	0,6	1,422.2
Strategic Area II. Integration and Diversification											
GO3. Financial services	#	4	9	2	6	14	5	1	12	5	58
	US\$M	21	90	0,5	310	346	2.6	0.3	558	0,4	1,328.9
GO4. Productive development	#	7	5	4	12	5	11	5	12	3	64
	US\$M	190	155	0,5	907	258	4	575	1,232	0,6	3,322.9
Strategic Area III. Productive and resilient Infrastructure											
GO5. Transport	#	5	-	4	5	-	6	2	2	6	30
	US\$M	285	-	0.7	517	-	2	450	615	1.6	1,872.2
GO6. Energy	#	2	-	-	2	-	5	3	1	6	19
	US\$M	63	-	-	145	-	4	330	100	3	644.9
GO7. Water & Sanitation	#	2	-	7	2	1	4	2	-	3	21
	US\$M	28	-	80	150	9.1	2.6	105	-	2	376.7
GO8. Telecommunications	#	-	-	1	1	3	1	1	-	2	9
	US\$M	-	-	0.5	130	128.9	0.5	90	-	0,4	350.4
Strategic Area IV. Human capital and Living Conditions											
GO9. Citizen security	#	-	-	1	1	-	4	-	-	-	6
	US\$M	-	-	0.5	20	-	1	-	-	-	21.7
GO10 Social services	#	1	-	-	3	-	3	3	-	5	15
	US\$M	27	-	-	50	-	3	135	-	11	226.2
Others											
Not aligned ^c	#	3	-	18	2	4	17	2	1	18	65
	US\$M	38	-	7	130	13	8	30	30	5	260.7
Total	#	23	12	47	28	23	68	25	18	65	309
	US\$M	459.5	148.1	96.1	2,007	490	27,5	2,418.6	1,460	26	7,169.2

Source: OVE, based on corporate databases.

Notes: The table assigns operation amounts according to their alignment with GOs, with amounts repeated when an operation was aligned with more than one group. The program totals do not consider repeated amounts. # indicates the number of operations and US\$M indicates the amount in millions of USD.^a: Includes six legacy NSG operations with XSR during the period, even if they had no disbursements. b: NR (Non-Reimbursable) includes IDB Invest ADV, and IDB's TC and IGR. c: Non-aligned operations include seven operations related to the cross-cutting themes of health and education from the CS1 for US\$31 million. Additionally, there were four TC for US\$0.8M that were developed to address emergency flood and fire. On the other hand, 24 operations also addressed issues of the COVID-19 crisis for US\$809.7M (Box 2.2).

- 2.17 A 3.1% of the Country Program amount was canceled, which did not have a significant effect on its alignment, except for the citizen security objective. On one hand, 2.5% of the SG CP amount was canceled (see Annex IV). However, except for the case of citizen security, where the cancellation of 85% of the only aligned INV had a disproportionate effect on the support for the objective (canceling 80% of the program aligned to the SO), the impact on the CP alignment was minor. In turn, the cancellation of the transport component of the Metrobús project (US\$64.3 million canceled) represented 5% of the total transport program. The cancellation of the citizen security and Metrobús INV was mainly due to delays in legislative ratification, lack of execution capacities, transparency issues (citizen security) and a process⁵⁹ before the MICI (Metrobús).⁶⁰ On the other hand, five NSG operations were canceled (2.7% of the approved NSG amount), without further affecting the CP alignment.
- 2.18 Cross-cutting themes (CT) were integrated into the program, although there was room for greater incorporation in certain areas. The program operations active during CS1 had limited integration of cross-cutting themes such as gender (16% of the operations active in the CS1), indigenous communities (8%), and support for the use of FONACIDE resources (7%) (see Annex VI, Section II). In contrast, certain CTs included in the CS2 had greater integration: innovation (32%), gender⁶¹ (31%), environmental sustainability (30%), although other themes such as urban development (11%), indigenous communities (11%), and diversity (5%) were less integrated. The theme of environmental sustainability showed variability in terms of its inclusion in various GOs, concentrating, as expected, in the strategic areas of productive development and infrastructure. The theme of indigenous communities was mainly integrated into infrastructure projects (primarily roads and rural water and sanitation), leaving a space of opportunity for its inclusion in the strategic area of human capital and living conditions. The operations that included urban development⁶² were concentrated mainly in the area of urban water and

59 PR-L1077 faced issues with the procurement of mobile police stations, with media allegations and an investigation by the Public Prosecutor's Office.

60 Metrobus project in the Metropolitan Area of Asunción (PR-L1044/2010 and PR-L1056/2010, and their associated TCs: PR-T1107/2010, PR-T1109/2010, PR-T1263/2018). The main urban transport component (weakly aligned) of the Metrobus project was canceled following a process with the MICI (see: <https://mici.iadb.org/es/publications/Metrobus>).

61 For example, the CP included the Ciudad Mujer project (PR-T1179), which focused on specialized services for vulnerable women in one-stop-shop centers, and a PBL (PR-L1179) with conditions for the adoption of measures to strengthen the Gender and Diversity policy, including the approval of the proposed National Care Policy, a methodology to monitor budget execution in gender programs, and procedures for the Indigenous Census (Annex VI).

62 This issue and the support for FONACIDE were incorrectly termed as cross-cutting themes (see Section 2.B).

sanitation. Additionally, a distinctive feature of the CP was the prevalence of components or activities aimed at strengthening public capacities (regardless of their alignment with specific institutional strengthening SO).⁶³ Although not included as cross-cutting themes, two-thirds of the SG operations in all GOs incorporated them.

2.19 The depth of the policy conditions of the PBLs was consistent with the expected outcomes in the area of public management and institutions. The PBLs were primarily used in support of the GOs of institutional capacity and fiscal sustainability. On average, just over two-thirds of the policy conditions they promoted had a medium (37%) or high (31%) depth (see Annex VII), which increased the feasibility of contributing to ambitious objectives such as *increasing transparency in the public sector, improving the quality of the civil service, and increasing public investment*.⁶⁴ Furthermore, all loan series, both multi-tranche (PBL mode) and programmatic (PBP mode), were completed, and, except in the areas of digitalization and state transformation, the policy matrices of the second operations integrated conditions of greater depth, showing progressive and continuous support for reforms from their inception (see Annex VII).

D. Program implementation

2.20 The annual programming reflected a good dialogue with counterparts by adequately anticipating SG loans, although there were challenges in anticipating TC and NSG operations. Around 80% of the SG loan operations were planned in the CPDs (see Annex IV), and the vast majority of the anticipated amounts were approved, comparing favorably to the anticipation rates in other countries.⁶⁵ This high anticipation capacity reflects the active dialogue of the Bank with the GoP. Even so, 18 unplanned SG loans were approved in the sectors of transport, W&S, fiscal management, and financial services, in addition to a COVID-19 response PBL. Almost a third of them were approved in 2014, after the change of government affected the planning of 2013.⁶⁶

63 Not all operations with institutional strengthening components were aligned with the group of objectives for institutional capacity. Alignment with this group of objectives required operations to support systemic changes or changes of considerable scale, not just strengthening to execute a specific operation.

64 Policy conditions are considered high-depth when, by themselves, they can lead to lasting changes in the institutional or policy environment (for example, legislative changes); medium, when they can have an immediate effect, but to be lasting, they would require subsequent measures (for example, the submission of bill proposals to Congress); and low, if by themselves they do not lead to a significant change (such as announcements of intentions or roadmaps) (see Annex VII).

65 100% of the PBP and 79% of the INV for the period were approved, a ratio higher than the anticipation rates reported by OVE in other countries (around 50%).

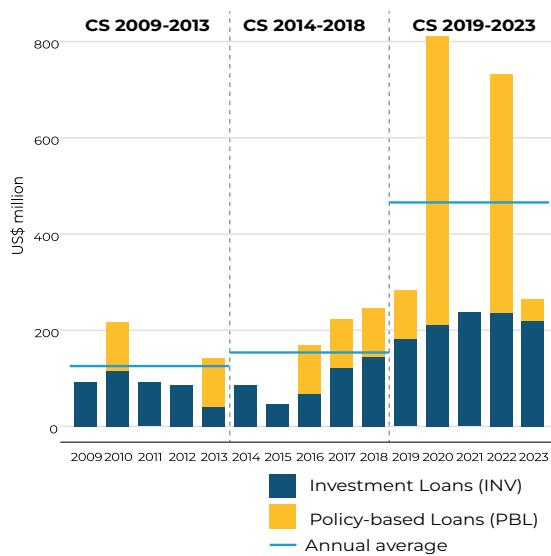
66 See the 2014 Paraguay Country Program Document.

Meanwhile, six anticipated loans that included support for the social protection system and animal health were not approved. In contrast to the high anticipation of SG loan operations, deficiencies in the predictability of TC and IGR were evident, with 43% of the anticipated TCs and 53% of the planned amounts not being approved. Unlike loans, there is no programming agreement between the IDB and the GoP for these operations.⁶⁷ Likewise, 9 of the 24 NSG operations listed were approved, and 56% of the amounts expected in the CPDs. In general, the majority of the work with the private sector was generated outside of the programmatic frameworks,⁶⁸ with the approval of 36 operations that had not been anticipated (see Annex IV).

**Figure 2.3
(Left)**

SG loans disbursements

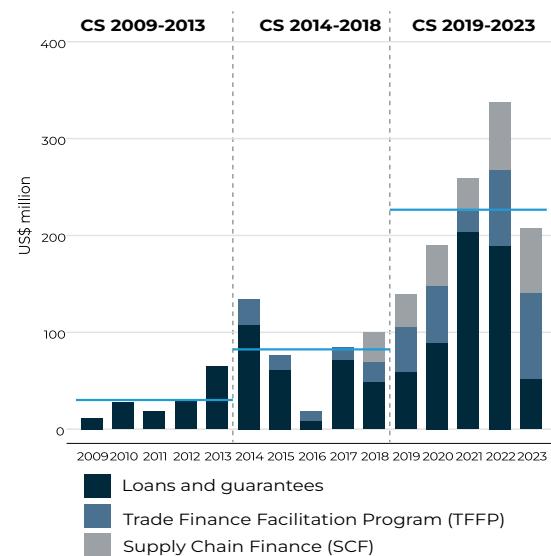
Source: OVE, with IDB data, 2024a.



**Figure 2.4
(Right)**

NSG disbursements

Source: OVE, with IDB Invest data, 2016b, 2024b.



2.21 SG loan disbursements increased, being almost equally distributed between INV and PBL, with INV corresponding to older operations. The increase in approvals since 2014 and the response to the pandemic through rapid disbursement operations (Box 2.3) contributed to exceeding the disbursement estimates of the CSs (see Annex VII). The average annual disbursements during 2014-2018 were US\$154 million (23% more than estimated in the CS1), while in 2019-2023, this average increased to US\$466 million, 66% more than anticipated in the CS2 (Figure 2.3). Regarding INV, there was an 83% increase in disbursements between 2014-2023 and 2009-2013. On the other hand, PBL disbursements grew even more, increasing their share within the total disbursements, moving from representing

67 This is despite the action plan to address the recommendation from the previous CPE on the strategic use of TC proposing this agreement (see Annex III).

68 Based on the Country Strategy Guidelines (document [GN-2468-9](#)) and Country Program Document (CPD, document [GN-2551](#)), the scope of the CPD includes the planned operations of NSG and SG loans, guarantees, non-refundable operations, and other products.

32% in the period 2009-2013 to 39% in 2014-2018, and reaching 53% in 2019-2023. Unlike PBLs (aligned with the area of public management and institutions), most of the INV execution (aligned with all GOs) corresponded to legacy operations and those approved during the term of the CS1.

Box 2.3. IDBG response to the COVID-19 pandemic in Paraguay

The IDB Group's program in response to the COVID-19 pandemic focused on budgetary support to the GoP from the IDB and direct support to the private sector from IDB Invest. SG and NSG disbursements more than doubled in 2020-2022 compared to the previous three years (+137% and +135% respectively) (Figures 2.3 and 2.4). Although not all this increase corresponds to the response to the COVID-19 crisis, in the case of the IDB, it resulted mainly from the approval of two fiscal prototype PBL operations totaling \$460 million for the strengthening of public policy and fiscal management focused on the pandemic's impact (PR-L1175 and PR-L1179). Both operations, consistent with the IDB Group's Governance response proposal to the pandemic (document [GN-2996](#)), were adapted to the situation by providing immediate liquidity to Paraguay in 2020 and 2022. The first sought to support health emergency and social protection measures. The second aimed at the gradual withdrawal of temporary supports and fiscal and economic recovery after the immediate response, including multisectoral reforms pending supported by previous PBLs and others that were being defined for the future (see Box 2.1 and Annex VI). The GoP's countercyclical response included intensifying the infrastructure investment program through the MOPC, which was not halted during the pandemic and benefited from part of this budgetary support. Indeed, the Government advanced the compliance with the conditions of the second tranche of the PBL (PR-L1151) approved in 2018 to increase funds available in 2020 (at the start of the pandemic, it was expected to disburse US\$150 million in 2021).

The IDB also deployed new TC in response to the pandemic and adapted components of previously approved INV and TC. The former addressed sectoral needs generated by the pandemic, including the reactivation of domestic tourism (PR-T1327), labor placement of women in the post-pandemic context (PR-T1301), and the scaling up of remote tutoring programs (PR-T1350). The latter included reallocating funds from two transport projects (PR-L1075 and PR-L1080) to add more than 500 hospital beds, and from other projects to support financing for SMEs (PR-L1081) and tourism recovery (PR-T1288).

For its part, IDB Invest, as part of the “protect and alleviate” and “reignite” strategy (document CII/GN-419), approved three loans totaling US\$285 million during 2020 and 2021. The loans were made to an agricultural inputs company to ensure the supply and quality of its products, to a financial institution for SME financing, and for the refinancing of a previous loan to a PPP for routes through bond issuance. Additionally, six TFFP lines played a countercyclical role during the pandemic to maintain liquidity, with approvals of US\$350 million.

Source: OVE, based on internal documents and interviews with counterparts.

- 2.22 NSG disbursements also grew, more than doubling between the first and the second Country Strategies. NSG disbursements have been on an upward trend since 2017 (Figure 2.4). This increase reflects the growth in IDB Invest's origination capacities following the merge-out of the private sector windows.⁶⁹ In Paraguay, IDB Invest has expanded its traditional operations with financial institutions (FI) and corporate clients—mainly in agribusiness—as well as its TFFP program, offering local currency solutions.
- 2.23 The increase in disbursements in Paraguay occurred in a context of implementation challenges that were reflected in increasing execution times for INV, the second longest at the IDB. During the evaluation period, INVs in Paraguay took more than nine years on average from Board approval to total disbursement.⁷⁰ This duration was almost two years longer than both that of comparable countries⁷¹ and that of Paraguay's average for the 2009-2013 period (see Table IV.4.1 in Annex IV). Although there was an improvement in the preparation times (from registration to Board approval), the lapse between approval and the first disbursement lengthened, mainly due to an increase in the time required for legislative ratification.⁷² In terms of execution, there was a marginal reduction in the cumulative extension time of the INVs, which still remained high (almost three years on average),⁷³ exceeding the CSC country average by eight months.
- 2.24 At the same time, preparation and execution expenses decreased. The increase in approvals and a nearly threefold increase in the average size of INV⁷⁴ was linked to a 40% reduction in preparation expenses per million approved between 2009-2013 and 2014-2023.⁷⁵ As a result, during CS2, these costs ended up being similar to the CSC average and those observed in countries requiring legislative ratification, becoming almost half the IDB general

69 NSG disbursements in Paraguay increased by 86% between 2017 and 2023, less than in CSC countries (100%) and all IDB Invest clients (194%).

70 Projects that finished disbursing completely during 2014-2023 took an average of 110 months, only surpassed by those in Guatemala (129 months) and followed by Costa Rica (102).

71 INVs took an average of 110 months between approval and full disbursement in 2014-2023, longer than in countries requiring legislative ratification (86 months), CSC countries (89 months), and IDB (83 months).

72 The time between eligibility and the first disbursement decreased by seven months (it took an average of 11 months in 2009-2013), but increased by 12 months between signing and eligibility (average of 15 months in 2009-2013). This is mainly explained by an increase in the time for legislative ratification, which went from 14 months in 2009-2013 to 21 in 2014-2018 and 31 in 2019-2023 (Figure IV.4.1 in Annex IV).

73 Transportation INVs had a greater additional extension (27 months vs. 19 of the rest's average).

74 The size of INVs averaged US\$33M in 2009-2013, US\$54M in 2014-2018, and US\$86M in 2019-2023.

75 PBL preparation expenses decreased and were lower than those of comparable countries. Execution expenses grew in the CS1 and then decreased in the CS2, being similar to comparable countries.

average.⁷⁶ Meanwhile, execution expenses per million disbursed saw a reduction greater than the IDB average, albeit less than observed in the same period in CSC countries and countries with legislative ratification.⁷⁷

2.25 Almost all INVs presented at least one implementation challenge, mainly related to the capacities of executing agencies and budgetary issues. 93% of the INVs in execution presented at least one implementation challenge,⁷⁸ and about 30% were classified as “alert” or “problem” in the PMRs (see Annex IV, Section VI). 48% of the INVs experienced problems derived from the capacity deficit of the executing agencies (related to high personnel turnover and rigid, fragmented structures, or with little coordination).⁷⁹ Moreover, 42% of the INVs faced budgetary issues (mainly problems with procurement and acquisitions). Challenges related to environmental and social safeguards, integrity, and climate shocks were less prevalent, affecting 12%, 7%, and 3% of the INVs, respectively. These implementation challenges were observed in most of the GOs, with the impact of the capacity deficit being more relevant in the strategic area of public management and institutions, and the budgetary impact in infrastructure.

2.26 The Bank implemented some of the actions anticipated in both CS to mitigate the impact of implementation challenges. The main action established was active monitoring of projects classified as “problem” or “alert” due to their level of execution and those with difficulties identified in joint portfolio reviews with the GoP. A working group composed of IDB, MOPC, and MEF also expedited the operational closure of projects in this phase. Along with the increase in approvals, this active project monitoring contributed to the increased pace of disbursements observed during the period (Figure 2.3). Some projects also used management firms or executing units (EU) with some financial and procurement autonomy. However, the results of these measures were mixed according to anecdotal evidence.⁸⁰ In 2020, the Bank began organizing procurement clinics for EU with real case studies and visits to successful executors from other countries.

76 There was a generalized increase in the average size of INVs in countries requiring legislative ratification between 2004-2013 and 2014-2023. Paraguay's increase was the third largest (after Chile and Bolivia).

77 In 2019-2023, there was a 35% reduction in execution expenses compared to 2009-2013, while the reduction was 54% for countries requiring legislative ratification, 72% for CSC, and 19% for the IDB.

78 Based on the analysis of the PMR carried out by OVE.

79 The issues are not mutually exclusive, so the percentages do not add up to 100%.

80 However, the perception of the counterparts interviewed by OVE regarding the effectiveness of these measures varied, and their effect on execution is not clear. For example, in education and infrastructure, executing units with financial autonomy were used, which faced problems navigating review and approval processes and coordinating with the various instances involved in the processes.

2.27 Although there were improvements, legislative ratification persisted as one of the most significant challenges due to its implications for the subsequent execution of loans. During the analysis period, the Bank collaborated with the GoP to simplify the ratification processes and mitigate the impact of the increasing time this process entails on the execution timelines of operations. For example, some infrastructure operations conducted tenders *ad-referendum* of parliamentary ratification. Moreover, the active follow-up work of the COF, partly in response to recommendations from previous CPEs (see Box 2.4 and Annex III), contributed to reducing the number of loans pending ratification at the end of the period. Additionally, although this practice did not result from a regulatory or procedural change that guarantees its repetition in the future, two PBLs were ratified within the frameworks of the legislative approval of the annual budgets for 2022 and 2024,⁸¹ avoiding the need for a specific ratification process. Nevertheless, parliamentary ratification continued to affect execution times and represented a bottleneck for the execution of loans, leading to outdated diagnostics, technical obsolescence in the original designs, and the loss of political opportunity windows, among other issues.⁸² In this sense, recommendations from previous evaluations on the need to mitigate the effects of ratification on the portfolio and to continue working with the country to simplify ratification processes remain valid.

2.28 The COVID-19 pandemic posed additional execution challenges for INVs in Paraguay. Of the 46 INVs active during 2020-2021, 30% suffered challenges stemming from the pandemic. These were exacerbated by the lack of systems for remote work and adaptability in some executing agencies. However, not all projects experienced delays. Infrastructure projects, for example, generally had priority and did not suffer significant delays due to COVID-19 because the GoP's countercyclical response to the pandemic included a push for public works projects.⁸³ On the other hand, while climate shocks were identified as a problem in only 3% of the SG INVs, droughts and heavy rains affected the performance of some private clients in the agro-industrial sector and FI, given the country's economic cycle's dependence on the agricultural sector.

81 Article 87 of [Law 6873/2022 PGN 2022](#) and Article 89 of [Law 7228/2023 PGN 2024](#).

82 In the case of TCs, the need for ratification for those executed by the Government of Paraguay meant that almost all TCs during the period were executed by the IDB. While this accelerates their execution, it generates an additional cost for the Bank (see CPE 2014-2018).

83 These, in turn, were partially financed with budgetary resources from PBLs.

2.29 The CP included operations to strengthen national systems, directly related to achieving objectives in the area of public management and institutions and indirectly with the rest, but these did not achieve their expected outcomes. Both CS foresaw the strengthening of national systems and the increase in the use of national fiduciary systems (CS1), as well as improvements to the SIAF budget and treasury system, the development of the municipal SIARE, improvements in accounting systems, audit and external control, and support for the procurement system (CS2) (see Annex V). This aimed to improve the execution of the INVs. Moreover, it is directly associated with objectives in the strategic area of public management and institutions.⁸⁴ The CP included specific PBLs, INVs, and TCs to improve several national systems.⁸⁵ However, evidence of results is limited to certain advances in the strengthening of the General Comptroller of the Republic,⁸⁶ an increase—although below targets—in the use of fiduciary systems (mainly the public procurement information system), smaller-than-expected improvements in the coverage of the SIAF/SIARE,⁸⁷ and the approval of a new public procurement law supported by the Bank and effective since August 2023.⁸⁸ All eligible projects in the Bank's portfolio use Paraguay's Public Procurement portal (SICP) to publish information about their acquisitions. Nevertheless, except for the SICP, the use of national systems in projects remains very low.

Box 2.4. Implementation of the Recommendations of the 2009-2013 and 2014-2018 CPEs

The two previous CPEs (2009-2013 and 2014-2018) made recommendations that were expected to be implemented during the 2014-2023 period. The 2009-2013 CPE (document [RE-452-3](#)) issued five recommendations while the 2014-2018 CPE (document [RE-527-1](#)) made another three, reiterating two recommendations from the previous evaluation that had not been met. All were endorsed by the Board (see Annex III).

Of the five recommendations from 2009-2013, two were not fully met. The recommendation to strategically use concessional instruments to deepen dialogue in areas that tend to be relegated because of the

- 84 Including, for example, those for the modernization of SIARE and transparency, to which expected improvements in the public procurement system are related.
- 85 For instance, three operations from the CP aimed at the modernization and implementation of the central and municipal SIARE (PR-L1151, PR-L1150, PR-T1256).
- 86 The TC PR-T1130 trained officials and supported the development of computer systems, improved the control framework of the General Comptroller of the Republic through regulatory and methodological improvements.
- 87 Although the policy conditions of the PBL PR-L1151 were met, the implementation of the INV PR-L1150 was delayed and had only advanced in conceptual design (20% of disbursements as of October 2023).
- 88 The IDB plans a diagnostic using the MAPS methodology in 2025, following the implementation of the law.

dynamics of programming in Paraguay was only partially fulfilled because the use of TC was very much aimed at operational support. In addition, there was little progress in using experience from other countries with legislative ratification to mitigate impacts on the Bank's portfolio in Paraguay.

The recommendations of the 2014-2018 Paraguay CPE saw progress, although some aspects remain relevant. The recommendation to *Redefine the Bank's model of intervention in Paraguay, placing emphasis on a more comprehensive vision of institutional development and targeting sectors where the Bank has a comparative advantage*, was addressed by incorporating the institutional strengthening pillar and a cross-cutting theme of innovation and technology adoption in CS2. However, progress in terms of focalization was limited. Regarding the Bank *being more strategic in the use of technical cooperation, in order to support this new model of investment at the Bank*, the IDB promoted knowledge products, including studies related to Bank operations, and approved TCs to accompany operations in programming. However, it did not establish a strategic programming agreement with the country for TCs, as proposed in the action plan. Moreover, although it proposed establishing a mechanism for monitoring and evaluating TC results, only in 2020 did it report the achievements of the TCs as a whole. To *continue working with the country to simplify the ratification and budget processes*, continuous monitoring of the ratification process was conducted. A diagnosis of the MEF's legal borrowing framework was also made, but there is no evidence of its use. Finally, the ratification process for two operations was simplified by including them in the legislative approval frameworks of the annual budgets for 2022 and 2024. However, this practice did not result from a normative or procedural change that implies it is generalizable or sustainable.

Source: OVE, based on the Recommendation Tracking System (ReTS).

03

IDB Group Program Results 2014-2023

- 3.1 This chapter presents the contribution of the IDBG program to the Country Strategies' objectives and examines the sustainability of its outcomes. The analysis covers the CP operations and other types of support (such as the deployment of technical assistance and resource mobilization), to the extent that they have shown progress towards achieving the outcomes.⁸⁹ The evaluation is based on internal and external sources, including database analysis, internal documents (such as PMR, ASR, PCR, and XSR), interviews, and field visits.⁹⁰ Regarding the INV, the slow execution of the portfolio implies that the contribution to the objectives of this type of loans mainly comes from the older operations.⁹¹

A. Country Program contribution

- 3.2 The IDBG primarily contributed to five GOs where the scope of the CP aligned with the objectives' scope, and in areas where the IDBG has an established presence or could transfer its experience. In areas where the IDBG helped achieve significant progress towards the strategic objectives (see Table 3.1 and Annex VI), the CP had a consistent dimension with the objectives set in the country strategies. Moreover, its contribution was based on continuous and long-term support, as in the case of public management, the financial sector, and transportation. This support included PBLs that contributed to the consolidation of reforms already advanced by the country with technical support from the IDB (such as those on transparency) and the implementation of information systems (such as the SNIP). It also included INV and one NSG loan closely aligned with infrastructure objectives for the construction and improvement of roads. Furthermore, the IDB leveraged some of its experience in transportation, where it had an established presence, to venture into and contribute to the Water and Sanitation (W&S) sector (partly managed by the same ministry).
- 3.3 This contribution was enhanced by IDBB's technical support and operational processes. External counterparts highlighted several aspects of the IDBG as factors enhancing the projects' effectiveness: its regional experience, knowledge of best

89 OVE assesses the contribution of the PP as a whole and with respect to each of the SOs established in the CS through their contribution to the EO. Annex VI includes detailed information on how the degree of contribution is determined.

90 The analysis presented in this section constitutes a general summary of the detailed analysis contained in Annex VI. While the main document paragraphs present general conclusions and examples, the annex presents the detail of specific analyses for each operation. Table VI.1.5. includes details regarding the contribution level of the SOs defined in the EBPs.

91 The proportion of the legacy INV portfolio with more than 50% disbursement was at 98% at the end of 2023, while 75% of the operations approved under the first Country Strategy and only 48% of those approved under the second Country Strategy reached at least this level of disbursement.

practices, the proximity of its specialists, and the facilitation of experience exchange. This last aspect allowed project implementers to access lessons and strategies from countries with similar experiences with the potential to be replicated to increase their projects' success. For example, counterparts from the National Public Procurement Directorate noted that knowledge exchanges with their counterparts in Chile facilitated by the IDB informed some of the operational improvements, increasing the transparency of public purchases. Counterparts also mentioned specialists' advice and the support of technical assistance and knowledge products (from TCs and transactional resources) as valuable contributions towards achieving their objectives. In infrastructure, the assistance included, for example, pre-feasibility studies for the works. Additionally, the counterparts highlighted IDBG safeguard and environmental policies as a positive aspect that pushed to uphold and raise quality standards in complex infrastructure projects. Lastly, close operational support and requiring compliance with standards and audits were also identified as positive aspects that promoted better project planning.

- 3.4 The contribution was low in five GOs, mainly due to their low feasibility of contribution due to focus and scope issues, execution challenges, and a lack of evidence of results. Firstly, progress was limited when the CP was fragmented, only being able to contribute partially to broad objectives requiring the concurrent advancement of several elements (such as in the case of the *productive development* GO, especially in the CS1). Additionally, the low contribution to objectives of the *productive development* (mainly in the second Country Strategy), *energy, social services, and citizen security* GOs, occurred because the program's dimension did not match the challenges set by the SO. Secondly, there were execution problems that limited the Program's contribution, including significant delays and cancellations (*social services, telecommunications, and citizen security* GOs). Lastly, there were information gaps regarding the CP's contribution to all of the GOs due to a lack of evidence of results from some operations⁹² (gaps more prevalent in TCs than in INV).⁹³ The specific contribution to each GO is summarized in this section and detailed in Annex VI along with their corresponding classification criteria.

92 Operations with operational maturity (operations from which results are expected to be observed based on the execution time and the percentage of disbursements) for which no evidence was available regarding their contributions to the objectives. This does not include young operations for which it was not yet feasible to expect a contribution (see Annex VI for more details).

93 36 of the 38 operations with a lack of evidence of results were TC (they only presented some product reports, but no evidence of their use nor their contribution to the CS objectives). These operations, mostly inherited, were largely aligned with the of

Table 3.1. Contribution by Group of objectives (GO) and associated Expected Outcomes (EO)

Group of Objectives (GO)	Contribution	Expected Outcomes (EO)	
		CS1 2014-2018	CS2 2019-2023
Strategic Area I. Public Management and Institutions			
GO1. Institutional capacity	Medium	● ● ○	○ ○ ○
GO2. Fiscal Sustainability and Resource Mobilization	Medium	○ ○ ○	○ ○ ○
Strategic Area II. Integration and diversification			
GO3. Financial services	Medium	● ● ○ ○ ○	○
GO4. Productive Development and International Integration	Low	● ● ○ ○ ○ ○	○ ○
Strategic Area III. Productive infrastructure			
GDO5. Transporte	High	● ● ○	●
GDO6. Energía	Low	● ○ ○ ○	○
GDO7. Agua y saneamiento	Medium	○ ○ ○ ○ ○	○
GDO8. Telecomunicaciones	Low	●	●
Strategic Area IV. Human capital and living conditions			
GDO9. Seguridad ciudadana	Low	● ●	-
GDO10. Servicios Sociales	Low	-	● ●

Source: OVE, based on the detailed analysis of each operation included in Annex VI.

B. Program's contribution to the objectives

1. Public management and institutions area

GO1. Institutional Capacity

- 3.5 The IDB made a medium contribution to the institutional capacity GO, anchored in PBLs whose outcomes show varying levels of progress, and in some INV that faced significant execution challenges. This GO included two general SOs: *to improve the effectiveness, transparency, and integrity of public entities, and to strengthen public management capacities*. Each of these SO had three expected outcomes. Progress towards achieving these objectives was primarily sought through PBLs supporting reforms related to the EO, and in some cases through complementary INV and TC. The fulfillment of the PBL policy commitments resulted in outcomes regarding improving transparency, investment and public debt management, and the capacity for gathering and processing statistical information (all EOs of both strategic objectives). The advancements that stand out include: the implementation of an early warning system to prevent corruption through the detection of fraud indicators in

institutional capacity and productive development GOs.

public procurement; the consolidation of the National Public Investment System (SNIP), with the enactment of the Public Investment Law, and a reform law modernizing public debt management;⁹⁴ the creation of the National Institute of Statistics (which previously had the status of a general directorate), and the successful development of the National Census of Population and Housing 2022. However, not all reforms or institutional changes have progressed in the same way, limiting the Program's contribution to other expected outcomes of the group of objectives. Specifically, the INV aligned with the EO of implementing the Integrated Resource Administration System (SIARE) and the digital agenda have only been partially executed, hence not achieving the expected contributions.⁹⁵ Additionally, the achievement of the EO to advance the quality of the civil service is limited, as the bill supported by the PBL is stalled in Congress. Moreover, the available evidence on the progress of the TCs is limited to the delivery of products, although their counterparts have a positive perception of their effectiveness.

- 3.6 The main risks for sustainability are linked to the political continuity of the initiated agendas. The need for constant political support to follow up on the actions started in all areas of this group of objectives—especially in agendas with less progress such as state restructuring, professionalization of the civil service, implementation of the SIARE, and digitalization—implies a sustainability risk for the results of this portfolio. However, although all of the PBL series from the evaluation period have been completed, and there are no operations currently in the Bank's pipeline to follow up on the structural reforms of the period, the Government has recently turned to the IMF to support and continue several of these initiatives, using the Policy Coordination Instrument and the Resilience and Sustainability Facility (see Annex VII). With these IMF instruments, the Government has committed to continue working on most of the institutional capacity GO's objectives, including the submission of the bill to reorder the structure of the State and the implementation of the SIARE. The objective that is not covered, however, is the continuation of the digital agenda implementation. Regarding areas in which there has been more progress such as transparency, public investment, and statistical capacity, despite the structural changes introduced in their corresponding dependencies, there

94 This law anticipated, among other things, the design of an investment plan and the establishment of a pre-investment fund to formulate projects according to the methodology of the National Public Investment System (SNIP).

95 Although the result indicator linked to the SIAF showed progress between 2011 and 2016, these reflect only partial achievements of the portfolio associated with this system. The IDB continued working on the SIARE with an operation approved in 2018 after the system was immersed in a process of redesign and integration with other systems. To date, there are advances, but there are significant aspects to complete, such as interoperability with other external systems managed by public entities.

is a risk of loss of institutional capacity due to the rotation of technical staff and consultants. This is something that has already been observed in the past.

GO2. Fiscal sustainability and resources mobilization

3.7 The contribution to the fiscal sustainability and resource mobilization GO was moderate, with greater achievements in the public investment EO, but facing implementation challenges and impacts from external shocks. The objectives of this GO included EO related to *public investment*, tax administration, public expenditure management, and strengthening the framework for Public-Private Partnerships (PPPs). In public investment, the CP's contribution was significant through the support of operations to strengthen the National Public Investment System (SNIP). In the area of *tax administration*, progress was observed, although it was less than expected, partly due to the reformulation of the main loan intended to support its strengthening. The resources allocated to this EO were reassigned to public expenditure management. The COVID-19 pandemic also affected tax collection (one of the EO). Progress was made in implementing electronic billing, which began with the mandatory incorporation of taxpayers' phase. Regarding *public expenditure management*, the implementation problems regarding the aforementioned Integrated Administration of Resources System (SIARE) limited the CP's contribution during the period. Furthermore, operations (both INV and PBL) linked to the pension system and the law reforming the Fiscal Till had limited progress, though the IDB supported this agenda through TCs and systematization of international experiences (PR-T1144, PR-T1265).⁹⁶ The execution of an important INV (PR-L1158) aimed at strengthening the pension management capacity administered by the MEF was delayed due to COVID-19. While policy actions supported by the PBLs were of medium depth, as they needed to be complemented by other actions to be effective, which did not occur.⁹⁷ Finally, the IDB Group had a significant contribution to strengthening the PPP framework, including the formalization of the methodological framework

96 Law 7235, which regulates the state's supervisory role over retirement and pension entities, in compliance with article 95 of the Constitution, was promulgated on 12/14/2023.

97 The main policy action of PR-L1179 required sending a bill to Congress to improve the sustainability and equity of the pension system. To effect significant change, this would require the subsequent approval of the bill, which had not occurred by the end of 2023.

and training for officials. This facilitated the implementation of the first two PPP infrastructure projects in Paraguay, one of which was financed by IDB Invest.⁹⁸

- 3.8 Similar to the institutional capacity GO, the sustainability of the outcomes depends on continuous institutional support and attention to the implementation and management capacities of some products. While the political continuity of the reforms is not guaranteed, the Government has set out to expand its structural reform agenda until mid-2025, within the framework of its collaboration with the IMF.⁹⁹ The continuity in the implementation of SIARE faces the already-mentioned risks. To mitigate them, the Government and the Bank have revised their implementation strategy, moving to a logic of progress by modules and minimum viable products. Although this new strategy will allow each functional module to be operated in an independent way, a risk of achieving only partial advances is still present.

2. Integration and Diversification Area

GO3. Financial Services

- 3.9 The IDB had a moderate contribution to the financial services GO, resulting from the increase in credit through the strengthening of the Development Finance Agency (AFD) and operations with Financial Institutions (FI) carried out by IDB Invest. Historically, the IDB has been a key player in the country's financial sector, involved in the creation of the Development Finance Agency (AFD) in 2006. The CP's contribution to the objectives of *promoting greater financial inclusion and enhancing financing for investment* was manifested in the increase in longer-tenor loans, mainly through private FI and second-tier banking. Additionally, the IDBG contributed to creating more favorable financing conditions by: strengthening the sector's regulatory framework and expanding the institutional capacities of key entities such as the BCP and the AFD (through IDB operations);¹⁰⁰ and by promoting the development of financial markets through bonds issuance in the local market.¹⁰¹ IDB Invest, in turn,

98 The project for the design and construction of Routes 2 and 7, partially financed by IDB Invest, was the first PPP (Public-Private Partnership) contract signed under Paraguay's PPP Law.

99 Includes, among others, the analysis of tax expenditures, actions in public finance management, the promotion of PPPs for public works (IMF, 2023b).

100 For example, the PBL (PR-L1144/2017) succeeded in enacting the Organic Charter of the BCP (Central Bank of Paraguay) in 2018 and the Securities Market Law (Ley del Mercado de Valores) in 2017. It also achieved the goal of increasing bank credit to the private sector and reports an increase in primary issuances in the Stock Exchange.

101 In 2018, IDB Invest was the first multilateral organization to issue a local currency bond in the country, contributing to the creation of a regulatory framework for multilaterals and diversifying the offer of low-risk investment assets for institutional investors in Paraguay (IDB Invest, 2018 and 2023).

supported the structuring of a project bond in the US market.¹⁰² Regarding the objective related to *promoting greater financial inclusion*, IDB Invest supported SME financing through loans to FI aligned with the expected outcomes of *population access to financial services, increasing the volume of resources lent by the financial system, and increasing credit to the private sector*. The 26 aligned NSG operations had, as a whole, a medium contribution,¹⁰³ achieving an increase in the FI's target portfolio's credit volume, although 12 loans fell short of portfolio targets (see Annex VIII).

- 3.10 The CP had a low contribution to the EO^s of *establishing a regulatory framework for the pension system and establishing greater access to credit for rural women*. The low contribution to establishing a regulatory framework for the pension system was due to a lack of evidence of results from the aligned TC (PR-T1144).¹⁰⁴ On the other hand, the expected outcome of *greater access to credit for rural women* had a low feasibility of contribution from its inception, given the CP's limited scope towards that EO. The only aligned NSG operation failed to meet the proposed targets.
- 3.11 The sustainability risks of these outcomes are low, due to the high diversification of the AFD's financing sources. Since the AFD has diversified its funding sources with various banks, its funding does not depend solely on the IDB. Therefore, no substantive risks to this GO's SG results are anticipated. Conversely, the CS2 identified a potential sustainability risk linked to the management capacities of the NSG clients and sought to mitigate it partly through ADVs, though these had limited scope.

GO4. Productive Development and International Integration

- 3.12 The contribution of the CP to productive development and international integration GO was low due to the low feasibility of the Program contributing to overly broad objectives. The main progress in this GO was in *increased exports* and, to a lesser extent, in *opening new markets*. This was achieved through SG and NSG operations aimed at exporting companies (mainly in agriculture). NSG operations had a high contribution

¹⁰² IDB Invest supported the structuring and purchased this issuance designed to provide financing for the Routes 2 and 7 Project, taking on part of the construction risk.

¹⁰³ 27% of NSG operations aligned with the *access to financial services, increasing the volume of resources provided by the financial system and increasing credit to the private sector* EO^s had a high contribution, 23% medium contribution, 15% low contribution, 8% without contribution, and 27% had no information. Regarding the NSG operations aligned to the *improving access to financing for long-term investments* EO, 22% had a high contribution increasing average loan tenors, 44% had a medium contribution, 22% had no contribution, and 11% had no information. (Table VI.1.1, Annex VI).

¹⁰⁴ The PBL PR-L1179 (which supported the bill to improve the sustainability and equity of the pension system) is not aligned with this objective as it was approved during the second Country Strategy.

to increasing the participation of Paraguayan companies in international markets, exceeding the proposed targets regarding grain exports. Additionally, six TFFP lines facilitated access to short-term credits for international trade. Furthermore, several operations contributed to improving the competitiveness and productivity of companies without being directly in line with the logic of the CS. This was done by increasing the installed capacity in exporting industries and improving and expanding the road network (facilitating production and trade).¹⁰⁵ On the other hand, although the operations aligned with the attracting Foreign Direct Investment, investment in R&D, formalization of the workforce, economic participation of women, and legal security SOs achieved some results, their contribution to the objectives was low due to the limited scope and scale of the CP compared to the ambitious objectives envisioned.¹⁰⁶ Moreover, some projects were not implemented as expected¹⁰⁷ or no evidence of results was found (increasing exports of services). These SOs were discontinued in CS2.

- 3.13 The main risks for sustainability of the achieved outcomes are related to budgetary issues, high personnel turnover in the Government, and external shocks. In terms of export and investment promotion, the sustainability of the SG portfolio outcomes is contingent on financing from multilateral entities, given that the supported programs do not have stable financing from the Ministry of Finance. So far, the continuity of support in this group of objectives has been possible due to new IDB loans, although there has been a start in transferring some of the costs of these services to the participating companies. Additionally, the loss of institutional capacity in the executing units (due to the public sector wage cap and the receipt of more competitive offers in the private sector) poses a risk to the continuity of these programs. On the NSG side, the concentration of operations on agro-industrial clients renders them particularly vulnerable to external shocks.

105 Some operations in the corporate segment of IDB Invest had a medium contribution to the objective of improving the productivity and competitiveness of companies (OE I.6) through improving agricultural value chains, enhancing the installed capacity and operational efficiency of cement and soy producers, and expanding (though less than expected) the offer of telecommunications services for SMEs. Furthermore, as detailed in the next section, the transportation program in Paraguay was able to improve connectivity in the country, promoting productive development and international trade.

106 No operations aligned with the strategic objective of reducing the property overlap index were identified. In the case of the strategic objective of improving public agricultural services, the contribution was marginal due to the weak alignment of the related operations, although the goals of one of its main loans (PR-L1001) were met. (See Annex VI).

107 For example, the only SG project that was strongly aligned with the outcome I.6.1 (PR-L1070/2015) encountered difficulties in its execution, which has diminished the achievement of results beyond some progress at the product level described in Annex VI.

3. Productive and Resilient Infrastructure Area

GO5. Transport

3.14 The CP had a high contribution to transportation, including the implementation of the first PPP project, although there were implementation delays and extensions in project timelines. With a long-standing presence of the IDB Group, the transportation sector has been one of the most significant in the Group's relationship with Paraguay. In recent years, though, the relative importance of the sector in the total portfolio has decreased. In the last decade, more than 40% of the increase in Paraguay's paved road network was carried out through IDBG operations. The CP deployed operations that sought to improve and maintain 1,600 km of the road network.¹⁰⁸ The Program included the first PPP, through which 140km were expanded and/or doubled on route 2/7. The CP contributed to the reduction of *transportation infrastructure gaps*, *increasing the coverage of the road network and improving its quality and trafficability*,¹⁰⁹ despite the fact that the INVs presented significant delays, over the median of the rest of the INV.¹¹⁰ To a lesser extent, the CP also contributed to the *reduction of traffic accident victims*, mainly through improvements in road safety included in the road network improvement and maintenance operations, rather than specific operations focused on this objective. The CP also included a legacy operation from the Metrobus project, weakly aligned to the GO and cancelled after facing a MICI process and other implementation challenges that halted its progress, which also generated reputational problems for the Bank.¹¹¹ Finally, transportation operations aligned with the EO of improving public capacity to execute investment projects in infrastructure¹¹² had a

¹⁰⁸ Of these, 851 km were national routes (PY8, PY9, PY10, PY12, PY13, PY18, PY22) and 748 km were local roads. Routes 2/7 were carried out through IDB Invest operations via PPP.

¹⁰⁹ Related to the expected outcomes I.I.1, I.I.2, and II.5.1, which had a high contribution.

¹¹⁰ See Implementation Section. The main implementation challenges in the sector were related to the expropriations of the right-of-way and personnel turnover.

¹¹¹ See "Paraguay deberá devolver US\$50 millones por un metrobús que no existe", ABC, available at: www.abc.com.py/edicion-impresa/economia/paraguay-debera-devolver-us-50-millones-por-metrobus-que-no-existe-1771794.html, and "Piden que tren de cercanía no sea como el metrobus", ABC, available at: www.abc.com.py/politica/2023/12/20/piden-que-tren-de-cercania-no-sea-como-el-metrobu/

¹¹² Mostly, the operations aligned with the EO of *improving the capacity to execute infrastructure projects focused on the transport sector* (three INVs and five TCs) and W&S (two INVs and one TC), although they also related to urban and housing infrastructure (one INV and one TC), and energy (one INV), as well as general aspects of the MOPC (two TCs). The conclusions regarding their contribution are similar across these topics, so they are not repeated in the following GOs.

low contribution due to their limited scope and lack of evidence on results that demonstrate progress beyond certain products and activities.¹¹³

- 3.15 The main sustainability risks of these outcomes are related to the availability of resources for road network maintenance, although mechanisms to mitigate them have been foreseen. For the latest SG operations, maintenance contracts were executed for four years after construction.¹¹⁴ However, the long-term sustainability of the program's contributions will depend on the availability of resources for road network maintenance. The most recent operations contemplate tolls on the improved sections,¹¹⁵ directly managed by the MOPC, with revenues allocated to the general budget. The IDB supported the development of a financing strategy for network maintenance through a study for the creation of a trust fund. This study proposes allocating toll revenues to road maintenance, the construction of new tolls, and the increase in collection, via a reduction in evasion and tariff adjustments.¹¹⁶

GO6. Energy

- 3.16 The contribution to the energy GO was low, with advances in *electrical transmission* and institutional strengthening, but not in *electrical distribution*, *biofuel production*, and *electrical access for the indigenous population*. The Bank contributed to the energy GO by *improving the quality of the electrical service* and reinforcing the transmission infrastructure, constructing over 500 km of transmission lines, including 220 kV (PR-L1010) and 500 kV (PR-L1058) lines, which facilitated the connection between electrical generation and urban centers. However, it did not participate in the distribution segment as originally planned. Additionally, the IDB contributed to the institutional strengthening of the National Electricity Administration (ANDE), improving its commercial management and assisting in the reduction of electrical losses.¹¹⁷ Through TCs, the IDB also supported the preparation of pilots to *increase the use of non-conventional/renewable energy*, although there is no information

¹¹³ OVE only analyzed the contribution of operations active between 2019 and 2023 (CS2) to the EO of *improving public capacity to execute investment projects in infrastructure*.

¹¹⁴ Through CREMA contracts (Rehabilitation and Maintenance Contracts) and COMA contracts (Construction and Maintenance Contracts).

¹¹⁵ On routes PY09 (PR-L1145), PY13 and PY18 (PR-L1105), PY12 (PR-L1174), and PY22 and D090 (PR-L1164).

¹¹⁶ Through PR-L1084 (study) and PR-T1290 (includes the drafting of a bill).

¹¹⁷ By reducing non-technical losses in ANDE's distribution, where the IDB supported the acquisition of meters and institutional strengthening. To a lesser extent, via the construction of transmission lines to reduce technical losses (PR-L1010/2006 and PR-L1058/2012).

about their results.¹¹⁸ The CP contribution to the EO of *increasing biofuel production and increasing access to electric energy for the indigenous population* was low, due to the limited scope of the CP and the lack of evidence of the results achieved. The CP included only one TC related to the biofuel EO (PR-T1257) and one TC aligned with the EO of providing electric energy access for the indigenous population (PR-T1223). In both cases, only information about the progress of their products is available.

- 3.17 The main sustainability risks are related to the sector's tariff structure, the growth of domestic demand, and dependence on water sources vulnerable to climate shocks. ANDE lacks budgetary autonomy, which conditions and delays spending and investment decisions necessary to ensure the sustainability of the results. Moreover, the current tariff scheme is not based on a public, objective, or predictable mechanism (WB, 2023a), and does not reflect the technical operating costs, partially financed by hydroelectric surpluses, which, although significant, are decreasing. The electric service also faces risks from high electrical losses in distribution (21.3% in 2022) and, to a lesser extent, in transmission (5.1% in 2022, ANDE 2022). Finally, future risks are anticipated due to the sector's dependence on hydroelectric generation, which is vulnerable to climate shocks.

GO7. Water and Sanitation (W&S)

- 3.18 The IDB Group had a medium contribution to Water and Sanitation (W&S), increasing service coverage, though below the targets in both urban and rural areas. The IDB Group's support helped reduce coverage gaps in *water and sanitation services*,¹¹⁹ in both rural areas and the Metropolitan Area of Asunción (AMA), having a pioneering role in the sector as it had in transportation decades earlier. The CP included the construction or expansion of the first modern wastewater treatment plants (WWTP) in the AMA,¹²⁰ while reducing the access gap in rural communities¹²¹

118 Through the support of TCs (PR-T1223, PR-T1257, PR-T1272, and PR-T1319), the country has made progress on relevant products such as the National Biomass Certification Plan and in the tender for the first photovoltaic generation plant in the Paraguayan Chaco to act as an example.

119 Related to the EO for *sewage services and effluent treatment in the AMA* (EO I.5.1, EO I.5.2), *potable water and basic sanitation services in rural areas* (EO I.5.4, RE I.5.5), and *access to water and sanitation services* (EO II.5.4), which had a medium contribution.

120 PR-L1029/2014 included the construction and/or expansion of the Varadero, Bella Vista and San Lorenzo WWTPs. In total, connected 60,179 homes (85% of the targets), with disparities between areas.

121 The PAySRI Program (PR-L1022 and PR-X1003) increased the coverage of basic sanitation by 2.1 percentage points (79% of the goals) and potable water coverage by 1.4 percentage points (72% of the goals). The project in small cities (PR-L1094) presents significant delays, with 2023 results between 30% (sanitation) and 50% (water) of its goals for rural household access to water and sanitation.

and small towns¹²² through sanitary solutions (such as the construction or expansion of septic tanks and small wastewater treatment plants) and the expansion of potable water service. However, the contribution to the *operational improvement of ESSAP* was low since the CP had limited scope, and the aligned components did not manage to materialize products or results.¹²³

3.19 The main risks for sustainability are related to operation and maintenance due to the low capacity of providers and problems in the sector's institutional framework. The sector's institutional framework creates planning and coordination challenges between the governing body and the regulatory entity. This challenge, together with the fragmentation of providers, affects the financial sustainability and quality of services.¹²⁴ The low contribution to *improving the operational efficiency* of ESSAP is particularly relevant for the sustainability of the W&S program, which is reduced in both urban and rural areas. In the urban area, ESSAP will be responsible for continuing the operation and maintenance of the WWTPs once the initial period ends, planned until 2024, during which these tasks are overseen by the constructor. However, ESSAP has little experience in managing modern WWTPs, and the operation could be impacted during the transfer of operation. On the other hand, in rural communities, the sustainability of the results will depend on the capacity and strength of the sanitation community boards, which are fragmented providers, and, in many cases, their rates do not cover the costs necessary for proper operation and maintenance of the service.¹²⁵

GO8. Telecommunications

3.20 The IDBG had a low contribution to the objectives of **increasing broadband penetration and internet connectivity** due to significant delays and cancellations. The CP aimed for the construction of new last-mile networks and a Digital District in Asunción to house a data center through an ambitious project (PR-L1153). However, this project experienced major execution difficulties, limiting its contribution.¹²⁶ Additionally, a PBL (PR-L1163) sought to improve Paraguay's national and international connectivity,

122 The program for the Chaco and Intermediate Cities (PR-L1060 and PR-G1001) faced significant delays and did not meet the proposed goals. The main aqueduct (built without support from the IDB Group) presents various problems, preventing its normal operation for water provision.

123 The 2024 operation pipeline includes the TC PR-T1307, aimed at strengthening ESSAP.

124 See paragraph 3.23 of the second Country Strategy (document [GN-2958](#)).

125 A TC not aligned with the Country Program (PR-T1224) aimed to generate behavioral changes in the rural areas, promoting awareness about paying fees for the use of services, among others.

126 The INV had disbursements of less than 20% by September 2023.

though with low-to-medium policy depth conditions,¹²⁷ including the design and implementation of a roadmap for this purpose. Lastly, contributions from the NSG operations were not evidenced as no results were documented.

4. Human capital and living conditions

GO9. Citizen Security

- 3.21 The Country Program was not able to contribute to the objective of reducing violence and crime due to its limited scope, the cancellation of 85% of the only aligned loan, and the lack of information on the results. The Country Program had a low feasibility of contributing to *reducing levels of violence and crime*, as it was limited in scale compared to the ambition of the objective. The CP included one INV (PR-L1077) and two TCs aligned with the EOs of reducing theft and domestic violence. In addition, three other TCs were more broadly aligned with the objective of reducing levels of violence and crime through the institutional strengthening of the Ministry of the Interior. The only INV aligned with this objective cancelled 85% of its original amount, due to issues with a procurement process for mobile police stations that faced media allegations over transparency issues. This project only made progress in some products, with no evidence of results demonstrating its contribution. Additionally, although the TCs completed some products, there is no evidence of their results.

GO10. Social Services

- 3.22 Although there was progress increasing high-level professionalization, the CP's contribution to the social services GO was low given the limited scope of the Program in relation to the objectives' ambition, delays in implementation, and lack of evidence of results. One of the two EOs of the broad objective to *improve coverage and quality of social services sought both high-level professionalization and improvement in student learning*. Significant progress in professionalization was observed through the BECAL program, which provided postgraduate scholarships leveraging resources from FONACIDE and met its goal of increasing the number of researchers with doctorate-level degrees and professionals with master's degrees in science and technology areas. On the other hand, the Program had a limited scale regarding the ambition to *improve student learning*. During CS2, there was only one INV (PR-L1097/2016) that focused on extending the school day in basic education. This loan implementation challenges and pandemic-induced implementation delays as schools remained closed for a

¹²⁷ Although by 2023 Paraguay had already met the financing conditions for both tranches, more than 90% of the policy conditions of the PBL were of low or medium depth, limiting the possibility that they could lead to significant change on their own.

prolonged period. During the evaluation period, there were three TCs aimed at scaling up remote tutoring programs and pilots on interactive radio lessons and coding skills. Although there was progress in relevant products,¹²⁸ implementation delays (due to low execution capacity, a change in priorities, and school closures during the pandemic) implied that results were not yet able to be measured. This fact plus the lack of an assessment of learning outcomes have not allowed to determine the contribution of these operations. The CP also had a limited scope regarding the broad EO of *improving the population's health*. Of the two INVs aligned with this expected outcome, one of them (PR-L1167) faced delays in legislative ratification, and by the end of 2023 had not yet achieved eligibility. The other aligned INV (PR-L1051), a legacy operation, focused on early childhood development (ECD) and ended in 2023. It achieved its outcome targets regarding staff trained in ECD providing care for more than 64,000 children under 5 years old in 275 strengthened health units. However, there was no evidence of results demonstrating a contribution to improving the health of the children served or in reducing maternal and neonatal mortality (EO indicators). CS1 did not establish education and health objectives, but rather a cross-cutting theme supporting the use of FONACIDE resources in these sectors. In that period, there was also low progress in improving student learning and population health (Box VI.1.2 in Annex VI).

¹²⁸ PR-L1097, approved and 60% executed by June 2023, has delivered some products. These include materials for pedagogical innovations already developed, the implementation of pedagogical innovations, and the design of Escuelas del Siglo XXI (21st Century Schools). On the other hand, an impact evaluation of the preschool science pilot from TC PR-T1182 showed positive effects on learning. However, the pilot was limited to approximately 300 local schools in Caaguazú. Moreover, preliminary results from PR-T1350 showed that there is a positive impact on math learning.

04

Conclusions and Recommendations

- 4.1 Paraguay experienced solid economic growth that allowed it to reduce development gaps during the evaluation period, but challenges remain. Favorable trade terms for its export products and solid macroeconomic policies allowed the country to achieve robust economic growth that enabled it to tackle significant development challenges. However, with low productivity and high economic informality, the country still faces challenges in public management capacity and transparency, infrastructure gaps, education quality, and access to health. With one of the lowest tax burdens in Latin America and the Caribbean and rising (though moderate) levels of public debt, Paraguay has limited fiscal space to address these challenges, opening the space to enhance IDB Invest's role in the country. Additionally, the country remains vulnerable to external and climatic shocks. While the IDB Group remained a strategic partner for Paraguay in technical assistance and financial terms, its financial relevance has been reduced by the consolidation of Paraguay's sovereign bond issuance strategy and the greater presence of other multilaterals such as CAF. In this sense, there is room for the IDBG to focus more on areas where it has greater comparative advantages.
- 4.2 The country strategies addressed the main development challenges, although their relevance as a guide for the Country Program was affected by their lack of selectivity, as well as issues regarding vertical logic and evaluability. The IDBG formulated 19 strategic objectives for the 2014-2023 period that sought to support the institutional and productive transformation of Paraguay. Except for the objectives in the human capital area, these maintained relative continuity across four strategic areas. Although both CS were aligned with the country's development challenges, the Government of Paraguay's priorities, and the IDB Group's institutional strategies, they covered too broad a spectrum of needs. CS2 reduced the number of objectives and was more focused in some areas. Yet, the breadth of the country strategies dispersed their focus and reduced the IDBG's ability to foresee a sufficient program to achieve the proposed scope in all areas of intervention. Additionally, the CS's relevance was affected by deficiencies in their vertical logic and by significant limitations in the evaluability of their expected results, which did not measure progress for more than a third of the proposed indicators.

- 4.3 The IDB Group deployed a broad Country Program across most sectors, though it had alignment weaknesses related to its lack of focus in 4 out of the 10 GOs. The IDB achieved effective dialogue with the Government, reflected in a remarkable capacity for programming SG loans, though not for TCs. There was no programming agreement for TCs with the Government of Paraguay. On the other hand, with a considerable growth in approvals, the IDB Group approved operations covering all strategic objectives, but achieved strong alignment only in 6 out of the 10 GOs. This strong alignment was observed in those GOs where the Country Program's dimension corresponded with the dimension of the objectives. Moreover, strong alignment occurred in areas where the IDBG has a historical presence and where executors have accumulated capacity and experience (transport, public management, and financial services), and where it leveraged part of its experience to venture into related areas (W&S and telecommunications). In contrast, alignment weaknesses were manifested when the IDBG set objectives that were too broad (productive development, citizen security, social services, and energy). In these areas, the CP fragmented into operations of either low amount and scope, or that did not cover some aspects of the broad objectives established.
- 4.4 In response to the pandemic, the IDBG adapted the Country Program to provide budgetary support to the Government and to expand credit to the private sector. The IDB's response included the approval of two fiscal prototype PBLs in 2020 and 2022 for a total of \$460 million. The first provided immediate liquidity supporting health emergency and social protection measures, while the second supported the gradual withdrawal of temporary support, and post-pandemic fiscal and economic recovery. These funds also supported the Government's countercyclical response, financing the intensification of the infrastructure investment program, which did not halt during the pandemic. Moreover, IDB Invest approved three loans under the "protect and alleviate" strategy. Additionally, six TFFP lines played a countercyclical role during the pandemic.
- 4.5 IDBG disbursements more than doubled during the period due to an increase in approvals and an active monitoring of execution to respond to persistent INV challenges. Disbursements increased significantly, thanks to the increase in SG and NSG approvals, and active execution monitoring by the IDBG, especially for operations with difficulties. However, a significant increase in legislative ratification times offset improvements in disbursement rates and resulted in INV execution times lasting on average more than nine years. The lengthy legislative ratification process led to issues such as outdated diagnostics and lost opportunities.

Therefore, recommendations to continue working with the country to simplify the ratification process and seek ways to mitigate its effects on the portfolio execution are still relevant. These challenges were compounded by issues related to low institutional capacity. As it has done in the past to address these challenges, the IDB allocated TC and transactional resources for operational support and institutional strengthening.

- 4.6 In this context, technical assistance resources have progressively concentrated on facilitating the operation execution, but their planning and the evidence of their results had limitations. The Country Program included technical assistance through TCs and transactional resources in all areas. This assistance was used for knowledge generation and operational support (including strengthening of execution capacities), with a progressive concentration on the latter. Although external counterparts highlighted their value in enhancing the IDB's contribution to objectives, there are information limitations regarding how these resources, individually and collectively, have improved execution and contributed to the achievement of CS objectives. The current monitoring of TCs is carried out only at the operation level, and the available information within corporate systems focuses on their level of execution and products. TCs were the type of operation with the most challenges regarding the lack of evidence on their results and on their contribution to CS objectives. In this sense, certain aspects of the previous CPE recommendation regarding the strategic use of TCs remain relevant, as do the actions proposed (and only partially implemented) by the IDB to address them. These specifically include aspects related to result monitoring and establishing a TC strategic programming agreement with the country.
- 4.7 The IDBG made significant progress in public management, infrastructure, and the financial sector. In public management, the Country Program included PBLs focused on transparency and investment and public debt management areas. Achievements include the implementation of an early warning system to prevent corruption by detecting fraud indicators in public purchases and consolidating the National Public Investment System (SNIP). In transportation, IDBG operations contributed to more than 40% of the increase in the country's paved road network and included the first operational PPP in Paraguay. In water and sanitation (W&S), the Group supported the construction of modern Wastewater Treatment Plants and the expansion of service in rural areas, contributing to extending the coverage of these services. Lastly, IDB Invest promoted the

development of the local capital market by issuing bonds in Guaraníes to fund loans to financial institutions. These initiatives showed synergy spaces between the IDB and IDB Invest.

- 4.8 Three factors were associated with higher contributions: correspondence, persistence, and transfer of sectoral experience. The IDBG Group achieved higher contributions when: (i) there was a correspondence between the scope of the objectives set in the Country Strategy and the dimension of the Country Program that supported them; (ii) there was continuous and long-term support from the Bank in the sector, also taking advantage of the existence of greater capacities; or (iii) the Bank managed to leverage part of its experience to venture into a new sector (as it did by transferring some of its expertise in transportation infrastructure to venture into W&S infrastructure). Counterparts highlighted that the IDBG's contribution was enhanced by its specialized technical support, the exchange of experiences, and the generation of knowledge about the country.
- 4.9 On the other hand, the low contribution was mainly due to three factors: low feasibility of contribution due to focus and scope issues, execution challenges, and lack of evidence of results. Progress was limited when the Country Program became fragmented, only partially contributing to broad objectives that required the advancement of several elements concurrently (as in the case of *productive development*, especially in the first Country Strategy). The Country Program did not have a dimension in line with the challenges set by the strategic objectives for *productive development*, *energy*, *social services*, and *citizen security*. In these areas and in telecommunications, the contribution was also limited by execution problems and cancellations. These were especially prevalent in the more complex projects and where execution capacities were limited — cases like the Metrobus and the procurement process of the citizen security project even generated reputational risks for the Bank. The last factor for low contribution was the lack of evidence of results of mature operations, especially prevalent for TCs.
- 4.10 The sustainability of the results represents a widespread challenge, closely linked to low institutional capacity. Despite institutional strengthening being included as a GO and as a component of individual operations, progress towards the consolidation of arrangements and institutional mechanisms for the sustainability of the results has been limited. There are specific sustainability risks in all of the strategic areas with results. In *public management*, sustainability depends on the continuity of political support for reform agendas, although this risk is mitigated by the Government's commitment to the IMF to continue working on most of the objectives in the

area. Moreover, the risk of losing institutional capacity due to high turnover among technical staff and consultants persists. In *infrastructure and productive development*, the main risks are related to institutional weaknesses, insufficient capacities, and the availability of financial resources. These limitations thereby negatively affect the ability to conduct proper operation and maintenance of the works and programs carried out. In the *energy sector*, the sustainability of the results is especially sensitive to the risk of climatic shocks, given its dependence on water sources.

- 4.11 Based on the findings resulting from this XCPE, OVE formulates the following recommendations:

- 1. Consider the IDB Group's capacity to contribute when focusing future country strategies on key country challenges.** The Country Strategies have defined relevant objectives in several areas of intervention without explicitly stating in which of them it would seek to concentrate resources given the IDBG's feasibility of contribution. The breadth of both CS dispersed their focus and reduced their capacity to guide the deployment of a program that was sufficient to achieve objectives in all areas of intervention. Therefore, OVE recommends that future CS specify how the IDBG plans to concentrate its efforts in each priority area based on an analysis of its comparative advantages and its capacity to contribute to the different objectives, while also considering coordination spaces and synergies between IDB and IDB Invest. Additionally, Country Strategies must define objectives according to this analysis and establish expected outcomes that help to focus them. These objectives should be evaluable to allow the measurement of their progress.
- 2. Incorporate the institutional characteristics of Paraguay in the design and planning of operations in a more comprehensive way.** Two aspects of the Paraguayan context have implied widespread difficulties for the implementation of the CP, as well as for its effectiveness and the sustainability of its results: (i) long execution times, which include delays due to legislative ratification, and (ii) institutional weaknesses that have affected sustainability, among other aspects. Therefore, OVE recommends: (i) ensuring that timelines for new operations consider the historical legislative ratification times and institutional capacities, so that they reflect country realities; (ii) foreseeing mechanisms to mitigate the risks associated

with long ratification periods; and (iii) strengthening the arrangements and institutional mechanisms related to the sustainability of operational results.

3. Strengthen technical assistance planning regarding its use and the measurement of its effectiveness.

During the period, there were deficiencies in the strategic programming for TC resources and information issues on the extent to which their use for several purposes (including support for execution and knowledge generation) contributed to the objectives. These deficiencies in TC planning and in the evidence of their results affected the possibility to determine if they were used in the most effective way to enhance their contribution. Therefore, OVE recommends developing and implementing a strategy for the programming and prioritization of TC and transactional resources, as well as monitoring their outcomes.

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