



**Board of Executive Directors**  
**For consideration**  
On or after 23 September 2015

PR-4311  
8 September 2015  
Original: Spanish  
**Public**  
**Simultaneous Disclosure**

**To:** The Executive Directors  
**From:** The Secretary  
**Subject:** Paraguay. Proposal for a loan for the project "Improvement of Housing and Habitat"

**Basic Information:** Loan type ..... Specific Investment Operation (ESP)  
Borrower ..... Republic of Paraguay  
Amount ..... up to US\$30,000,000  
Source ..... Ordinary Capital

**Inquiries to:** Roberto Cambor (telephone Country Office in Paraguay 595-21616-2258) or  
Beatriz López (extension 2442)

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

**Reference:** GN-1838-1(7/94), DR-398-17(1/15), GN-2805(4/15), PR-4244(11/14), DE-206/14, DE-207/14, DE-208/14



DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**PARAGUAY**

**IMPROVEMENT OF HOUSING AND HABITAT**

**(PR-L1082)**

**LOAN PROPOSAL**

This document was prepared by the project team consisting of: Roberto Camblor (FMM/CPR), Project Team Leader; Beatriz López (IFD/FMM) , Project Team Coleader; Rodolfo Graham (LEG/SGO); Christopher Mays Johnson (VPS/ESG); Jorge Oyamada (WSA/CPR); Christian Schneider (OMJ/CPR); Ignacio Fernández Admetlla (MIF/MIF); Alberto De Egea (FMP/CPR); Mariano Perales (FMP/CPR); Marta Corvalan (CSC/CPR); Ida M. Fernández (IFD/FMM); Felipe Morris, Hugo Roche, Víctor Vidal, and Marc Pérez (consultants); and María Lorena Kevish (IFD/FMM).

This document is being released to the public and distributed to the Bank's Board of Executive Directors simultaneously. This document has not been approved by the Board. Should the Board approve the document with amendments, a revised version will be made available to the public, thus superseding and replacing the original version.

## CONTENTS

### PROJECT SUMMARY

I.	DESCRIPTION AND RESULTS MONITORING .....	1
	A. Background, problems to be addressed, and rationale .....	1
	B. Objectives, components, and cost .....	6
	C. Key results indicators .....	9
II.	FINANCING STRUCTURE AND MAIN RISKS .....	10
	A. Financing instruments .....	10
	B. Environmental and social safeguard risks .....	10
	C. Fiduciary risks .....	11
	D. Other risks .....	11
III.	IMPLEMENTATION AND MANAGEMENT PLAN .....	12
	A. Summary of implementation arrangements .....	12
	B. Summary of arrangements for monitoring results .....	14

<b>ANNEXES</b>	
Annex I	Development Effectiveness Matrix (DEM) – Summary
Annex II	Results Matrix
Annex III	Fiduciary Agreements and Requirements

<b>ELECTRONIC LINKS</b>	
<b>REQUIRED</b>	
1.	<a href="#">Multiyear execution plan (PEP)</a>
2.	<a href="#">Annual work plan (AWP)</a>
3.	<a href="#">Monitoring and evaluation plan</a>
4.	<a href="#">Environmental and social management report (ESMR)</a>
5.	<a href="#">Procurement plan</a>
<b>OPTIONAL</b>	
1.	<a href="#">Economic analysis</a>
2.	<a href="#">Diagnostic assessment of the housing sector</a>
3.	<a href="#">Environmental and social management plan (ESMP)</a>
4.	<a href="#">Draft Operating Regulations</a>
5.	<a href="#">Analysis of compliance with the Bank's Public Utilities Policy (document GN-2716-4)</a>
6.	<a href="#">Analysis of ability to pay for public utilities</a>
7.	<a href="#">Safeguard Screening Form (SSF) and Safeguard Policy Filter (SPF)</a>

## ABBREVIATIONS

AFD	Agencia Financiera de Desarrollo [Development Finance Agency]
ANDE	Administración Nacional de Electricidad [National Electricity Administration]
AWP	Annual work plan
CASA	Crédito + Ahorro + Subsidio + ATC [Credit + Savings + Subsidy + Construction-related Technical Assistance]
CCLIP	Conditional credit line for investment projects
DGEEC	Dirección General de Estadística, Encuestas y Censos [Bureau of Statistics, Surveys, and Censuses]
EDU	Empresa de Desarrollo Urbano de Medellín [Medellín Urban Development Company]
EETS	Entidad Especializada en Trabajo Social [specialized social work entity]
EIRR	Economic internal rate of return
EPH	Encuesta Permanente de Hogares [Ongoing Household Survey]
ESMP	Environmental and social management plan
ESMR	Environmental and social management report
ESSAP	Empresa de Servicios Sanitarios del Paraguay [Sanitation Services Company of Paraguay]
FONAVIS	Fondo Nacional de Vivienda Social [National Low-income Housing Fund]
ICAS	Institutional Capacity Assessment System
ICB	International competitive bidding
MIF	Multilateral Investment Fund
NPV	Net present value
PEU	Program execution unit
QCBS	Quality- and cost-based selection
SCSP	Sistema de Contrataciones del Sector Público del Paraguay [Public Sector Contracting System of Paraguay]
SENAVITAT	Secretaría Nacional de la Vivienda y el Hábitat [National Department of Housing and Habitat]
SIAF	Sistema Integrado de Administración Financiera [Integrated Financial Administration System]
SICO	Sistema Integrado de Contabilidad [Integrated Accounting System]
SNIP	Sistema Nacional de Inversión Pública [National Public Investment System]
SSS	Single-source selection
USM	Unidad de salario mínimo [Minimum wage unit]
WAL	Weighted average life



## I. DESCRIPTION AND RESULTS MONITORING

### A. Background, problems to be addressed, and rationale

- 1.1 **Population and housing deficits.** Paraguay's population stood at 6.6 million in 2014.<sup>1</sup> The country's Bureau of Statistics, Surveys, and Censuses (DGEEC) estimated the total number of housing units in the country at 1.6 million in 2012, 960,000 of which were in urban areas. Of the urban pool of housing, 490,000 units were in the Metropolitan Area of Asunción.<sup>2</sup> The DGEEC has not yet reported the most recent census figures on quantitative and qualitative deficits<sup>3</sup> at the national level or for metropolitan Asunción.<sup>4</sup> The last official estimates of these deficits were based on the 2002 census data presented in the report on Paraguay's housing deficit<sup>5</sup> and thus are out of date. For a more recent estimate of the magnitude of housing deficits in the country, absolute housing deficits were calculated in 2012 using the ratios from the 2002 census. Based on those general estimates, the qualitative deficit affects 1.4 million dwellings (88%) nationwide and 210,000 dwellings (43%) in metropolitan Asunción. These figures illustrate how important it is for housing policy to institute programs to reduce the qualitative deficit, which is the larger deficit in the country.
- 1.2 There is no information available on the housing deficit by income level, so the qualitative deficit cannot be calculated for the population earning less than the equivalent of two minimum wage units (USMs).<sup>6</sup> However, the classification of households by living conditions and poverty provided in the 2011 Ongoing Household Survey (EPH 2011) can be used to measure the magnitude of these deficits and their relevance among the poor. The survey reports the following data: 60% of dwellings have running water inside the home, but the percentage varies by poverty status, with piped water installed in 67% of nonpoor households but in just 55% and 31% of poor and extreme poor households, respectively. Likewise, 66% of dwellings have an indoor bathroom with sanitary plumbing, but the rate is 72% for nonpoor households compared with 58% and 41% for poor and extreme poor households, respectively.
- 1.3 The large qualitative deficit in housing among poor households can be attributed to several factors, notably the following: (i) these families have meager resources, with 22.6% of the country's population living in poverty (EPH 2014) and over half

---

<sup>1</sup> Preliminary estimates by the DGEEC.

<sup>2</sup> The Metropolitan Area of Asunción consists of the city of Asunción and the urban municipios of the Central Department: Capiatá, Luque, San Lorenzo, Limpio, Ñemby, Lambaré, San Antonio, Fernando de la Mora, Villa Elisa, Mariano Roque Alonso, and Itauguá.

<sup>3</sup> The qualitative deficit refers to housing units that are can be brought up to standard but have material, spatial, or service-related deficits. The quantitative deficit refers to housing units that cannot be salvaged due to poor conditions or unacceptable materials, plus the units needed to meet natural population growth.

<sup>4</sup> The 2012 Housing and Population Census experienced problems that resulted in inconsistencies in information that have yet to be resolved, so as of April 2015 the DGEEC had still not published findings.

<sup>5</sup> The report was prepared by the DGEEC, the National Housing Council (CONAVI), with technical assistance from Chile's Ministry of Housing and Urban Planning (MINVU).

<sup>6</sup> In 2014, one minimum wage unit (USM) equalled 1,824,055 guaraníes (about US\$370), so the poverty line for a four-person household was equivalent to 1.08 USMs at the national level and 1.38 USMs in metropolitan Asunción.

earning less than two USMs;<sup>7</sup> (ii) 21% of households have overcrowding problems, and 59% of this group are households with a high economic dependence index,<sup>8</sup> and (iii) low-income households have limited access to finance, especially if their income is from informal employment. Financial institutions, credit unions, and nongovernmental organizations support the poorest groups through medium-term microloans, but their coverage is very limited.<sup>9</sup>

- 1.4 **Urbanization and high informality in settlements.** From 1950 to 2012, Paraguay's urban population grew from 35% to 59%. Metropolitan Asunción was one of the main destinations in the country for rural migrants. The absence of legislation on territorial and land use planning, coupled with institutional weaknesses in urban planning among the municipal governments in the metropolitan region, has led to unchecked growth and the rise of informal settlements of poor households on the urban fringe and in hazard-prone areas. There is no detailed information available to quantify the magnitude of informal settlements or the degree of informality of tenure in Paraguay's cities. The information that is available indicates that 20% of the population lives in informal settlements,<sup>10</sup> of which there are 300 in Paraguay.<sup>11</sup> The National Department of Housing and Habitat (SENAVITAT), the municipal government of the City of Asunción, and other municipal governments in the metropolitan region have identified the main problems facing settlements on the north and south banks of the Paraguay River and on the urban fringe of metropolitan Asunción as lack of water, sanitary sewer, and stormwater drainage services. The institutions agree that the settlements located along the Paraguay River face greater challenges due to their geographic size, irregular urban footprint, environmental risks, and social vulnerabilities.
- 1.5 **La Chacarita Alta** is a consolidated settlement on the north bank of the Paraguay River that was established over six decades ago when squatters moved onto land owned by the City of Asunción. According to the housing and population census conducted in July 2014, La Chacarita Alta is home to 3,000 people living in 735 dwellings. Household income varies but averages US\$607 (equivalent to 1.5 USMs). A high percentage of women identify themselves as the head of

---

<sup>7</sup> DGEEC, Gender Series, 2011. Women heads of household are the most affected by poverty as they lack a family network and do not have supplemental income from a partner.

<sup>8</sup> In the absence of income data from the census, the National Department of Housing and Habitat (SENAVITAT), in its Housing Deficit Study (2010), constructed an economic dependence index that is defined as the ratio of those who earn an income to those who do not. Dependence is regarded as high when a household has more than 2.5 dependents per income earner, or no income earner.

<sup>9</sup> There is no available information on the volume of funding for housing improvement microloans. By way of reference, as of October 2013, the country's 24 type-A credit unions had placed 22% (US\$30 million) of their mortgage portfolios in two- to five-year microloans made at annual interest rates approaching 32%. A survey of the 12 most representative financial institutions (2010) calculated a microloan portfolio totaling US\$556 million and serving 309,351 clients who received an average loan of US\$1,800, with minimum and maximum nominal interest rates of 17% and 30%, respectively.

<sup>10</sup> This is the figure cited by the United Nations Human Settlements Programme (UN-Habitat) in its State of the World's Cities 2012 report, but no source is provided.

<sup>11</sup> In the publication *Problemática Habitacional de Paraguay* [Housing Problems in Paraguay] (2009), Ana Raquel Flores López Moreira of the Organización Latinoamericana y del Caribe de Centros Históricos [Latin American and Caribbean Organization of Historic Centers] mentions this figure but does not cite a source.

- household (52%). The neighborhood is strategically located on high ground on the north bank of the river near the historic downtown area of Asunción. It is one of the oldest and most densely populated informal settlements in the city. These are the main reasons for its selection, since addressing its needs for basic services and its environmental problems, urban decay, and informality will help improve quality of life in the neighborhood and adjacent areas, in a dense and consolidated area of the city that has a high historical and real estate value. The intervention will also contribute to the revitalization of Asunción's historic center and riverside districts.
- 1.6 There are certain problems in La Chacarita Alta that should be the starting point for neighborhood improvement, the main ones being the absence of sanitary sewer and stormwater drainage systems and the existence of gullies and streams that pose a risk to the community. The census found that 37% of dwellings in La Chacarita Alta are located in areas vulnerable to landslides. Gullies and streams are used as open dumps for garbage, and 59% of households report disposing of wastewater in them. The risks are even higher when considering the soil contamination that results from the improper disposal of garbage, and in general the health impacts associated with the accumulation of dozens of tons of waste in a densely populated environment (4.4 people per household) just a short distance from the city's historic center. A full 98% of homes in La Chacarita Alta have electricity and 46% have public water services, in both cases through a combination of formal and informal connections. The settlement is not structurally integrated with the city center, nor does it follow a regular grid pattern. Rather, it is a warren of dead-end streets and alley and walkways laid out on hilly terrain. There are few social amenities and no public spaces. Furthermore, there are security problems associated with illegal activities.
- 1.7 A high proportion of households in La Chacarita Alta are without employment or a steady source of income. Indeed, just 37% of survey respondents between the ages of 14 and 65 years report being employed. In addition, many households earn income from the recycling of solid waste, an informal activity performed in the home. Accordingly, in addition to actions to promote formalization and provide basic urban infrastructure, households without a steady income source need support and guidance to formalize their activities. Job creation in the neighborhood is essential if these households are to rise out of poverty and informality. Income generation in the settlement contributes directly to improved habitability conditions and to the sustainability of the interventions (e.g. payment for public services). In this regard, it is especially important to support households that will be resettled, households that are headed by a woman, and households that engage in solid waste recycling activities. Creating income-generating opportunities for households in La Chacarita Alta is a viable option given the neighborhood's location as a prime spot for businesses providing food and other services.
- 1.8 **Institutional weakness of SENAVITAT.** The National Department of Housing and Habitat (SENAVITAT) is the lead agency for the housing sector<sup>12</sup> and runs nine housing programs. For some of these programs, it performs functions other than

---

<sup>12</sup> SENAVITAT was created in 2010 by Law 3,909/10, replacing the Consejo Nacional de Vivienda [National Housing Council] (CONAVI).

those of a lead agency.<sup>13</sup> The largest program is the National Low-income Housing Fund (FONAVIS), which receives the most funding from the national budget (US\$52.5 million in 2013). The budget allocated to SENAVITAT grew from US\$28 million in 2009 to US\$135 million in 2013. Budget execution has fluctuated between 79% in 2010 and 49% in 2012. Although there is no consistent information, it is estimated that SENAVITAT builds between 3,000 and 5,000 dwellings per year. Its payroll costs are high (approximately US\$13 million per year) with a staff of over 600, most without professional training.<sup>14</sup> In addition to these factors, the institution program administration is weak since it has no integrated system for managing its housing projects or tools for monitoring and evaluation. Since late 2014 SENAVITAT has begun to address the shortcomings described through an integrated plan involving changes in the policy and program approach, the addition of qualified professional staff, and close monitoring of programs and projects. This plan is consistent with the program strategy.

- 1.9 **Program strategy.** The strategy is to help ensure that Paraguay's housing policy incorporates programs that are better at addressing housing and basic service deficits. At present, there is a strong emphasis in the country's housing policy and programs on the heavily subsidized construction of new housing with no focus on low-income households and limited participation by the private sector. This policy bias towards new and heavily subsidized construction does not have an impact in terms of reducing deficits in housing and basic services. Public funds are not being put to efficient use because the large subsidies benefit just a handful of households, leaving the vast majority without any assistance. The number of units built (between 3,000 and 5,000) is very small compared with the magnitude of the deficits and the growth in households, which numbered 50,000 per year between 2002 and 2012 (EPH 2012). Experience has shown that even programs benefitting households at the base of the pyramid, such as the Opportunities for the Majority program described in paragraph 1.14, are unable to reach households with income under 2 USM. To make a housing improvement microloan accessible to these households, a subsidy is required to bridge the gap between their income and ability to pay.
- 1.10 The proposed program will support SENAVITAT in its efforts to target its programs by introducing two new products: (i) housing improvement and expansion; and (ii) comprehensive improvement of informal settlements. Both products are consistent with the nature of the qualitative and basic services deficit and strengthen the facilitative role of SENAVITAT, which will delegate execution of the projects to local and private sector institutions while contributing financing and nonfinancial services. Upon program completion, SENAVITAT is expected to allocate resources from its current budget to scale up the products financed under this loan.

---

<sup>13</sup> As lead agency, it should not be directly involved in making housing loans, as it does under the Affordable Housing, Mortgage Lending, and Credit Fund for Cooperatives programs, performing functions for which it is unqualified. As of the end of the 2013, its portfolio consisted of 11,902 loans with an outstanding balance of US\$58.7 million, with 87.3% of the total in varying degrees of delinquency.

<sup>14</sup> Of its 342 staff employees, 58% do not have a university degree. In the case of contractors, 70% have not completed university.

- 1.11 **The Bank's country and sector strategy.** The program is aligned with the targets set in the Report on the Ninth General Increase in the Resources of the Inter-American Development Bank (document AB-2764), specifically poverty reduction and equity enhancement, as well as support for small and vulnerable countries, inasmuch as the various components will serve households in disadvantaged urban areas with income of up to 2 USMs. It will also contribute to the following Results Matrix outputs: (i) households with upgraded water supply and new or upgraded sanitary connections; (ii) kilometers of electricity transmission and distribution lines installed or upgraded; and (iii) number of households with new or upgraded dwellings. The operation is also consistent with the regional target for the proportion of the urban population living in dwellings with hard floors. The program is consistent with the guidelines set out in the Urban Development and Housing Sector Framework Document (document GN-2732-2), mainly those related to access to public and private financing for housing services for the poorest groups, and improvement of informal neighborhoods in areas with a large concentration of poor households. The program is also aligned with the Sector Strategy on Institutions for Growth and Social Welfare (document GN-2587-2), specifically with the component for access to financial services for the majority. Furthermore, it will contribute to the Bank's country strategy with Paraguay for 2014-2018 (document GN-2769) through interventions in three priority sectors—the financial sector, water and sanitation, and public management.
- 1.12 In the financial sector, the strategy calls for housing subsidies to supplement the financing provided by financial institutions for low-income families. In water and sanitation, the program will contribute to the goals of the strategy and will be complemented by the Comprehensive Sanitation Program for the Bay and Metropolitan Area of Asunción (loan 3393/OC-PR), which will finance construction of the trunk and secondary sewers for the sanitary system in La Chacarita Alta. Program activities to strengthen SENAVITAT will contribute to the objective of strengthening public management. The program also supports gender considerations, taking into account the diversity of family and household structures, which means paying special attention to domestic partnerships, women heads of household, households comprised of a single adult, and the presence of secondary families headed by single mothers or fathers in extended households.
- 1.13 **Alignment with Bank policies.** The program meets the financial sustainability and economic evaluation conditions set out in the Bank's Public Utilities Policy (document GN-2716-6). The Sanitation Services Company of Paraguay (ESSAP), which provides water and sewer services, will be able to generate enough revenue to cover operation and maintenance costs and a portion of the investment costs. The balance of the investment costs will be covered by State transfers that will be transparently allocated and used to expand capacity to provide greater access and improve the quality and management of existing services. The works to be financed are socioeconomically viable (see the [Analysis of Compliance with the Public Utilities Policy](#)). In addition, the operation is consistent with the following social and environmental policies: (i) B.1, Access to Information Policy (OP-102); (ii) Involuntary Resettlement Policy (OP-710); (iii) Disaster Risk Management Policy (OP-704); (iv) Policy B.5 on environmental assessment requirements, which includes the [environmental and social management plan \(ESMP\)](#); (v) Policy B.4 on

vulnerability to natural disasters; and (vi) Policy B.11 on pollution prevention and abatement.

- 1.14 **Lessons learned.** The program will draw on the lessons learned from housing improvement programs in Paraguay and Nicaragua. In particular, attention has been paid to good practices from the Juntos por tu Hogar / Improved Housing Program for Low-income Families in Paraguay (loan 2488/OC-PR) of the Opportunities for the Majority Sector (OMJ), a successful initiative that helped low-income families remedy qualitative housing deficits by arranging microloans from the financial institution Banco Visión and construction-related technical assistance from the nongovernmental organization Habitat for Humanity. Meanwhile, lessons learned from the Housing and Comprehensive Habitat Improvement Program (loan 2565/BL-NI) include the following: (i) there was evidence of operational problems in coordinating microloans from the private sector with State subsidies, because administration of the subsidies was not delegated to a financial entity; and (ii) the subsidy application and management processes were unsuited to the dynamics of the private sector, which resulted in a slow and tedious process. Both lessons were considered in the design of Component I of the proposed program, which calls for decentralizing administration of the funds through Agencia Financiera de Desarrollo (AFD) and basing the subsidy application and approval process on the practices of the financial institutions and credit unions.
- 1.15 Lessons learned have been incorporated from Bank-financed operations for the comprehensive improvement of informal settlements in the region.<sup>15</sup> Special consideration has been given to good practices for engaging the community and the importance of supporting physical works with assistance for production-oriented and violence prevention activities. Based on these lessons, the Medellín Urban Development Company (EDU)<sup>16</sup> will transfer its working methodology to Habitat for Humanity, which will carry out the social work in La Chacarita Alta to ensure that the intervention proceeds in close collaboration and consultation with the community, fostering participation, buy-in, and productive business development. These activities are expected to be financed under technical cooperation operation PR-M1032 for the comprehensive transformation of La Chacarita Alta, which is being processed by the Multilateral Investment Fund (MIF) parallel to this operation and is slated for approval in the second half of 2015. Likewise, the lessons learned and experience gained from loan 2565/BL-NI will be transferred to SENAVITAT through the development of an automated information, monitoring, and evaluation system that will substantially shorten processing times for housing projects and make the allocation of subsidies more transparent.

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

- 1.16 **Objectives.** The objective is to improve housing conditions for the low-income population in metropolitan Asunción through: (i) housing subsidies<sup>17</sup> to improve and

---

<sup>15</sup> Document GN-2732-2. The lessons are based on an in-depth analysis of 16 projects, including a document review and structured interviews with the team leaders of those projects, some executing agencies, and specialists in the Bank's Fiscal and Municipal Management Division.

<sup>16</sup> EDU is regarded as a leader of one of the world's best practices in the area of comprehensive transformation of informal neighborhoods and their integration into the formal city.

<sup>17</sup> For purposes of the National Public Investment System (SNIP), the term "subsidy" means "government contribution."

expand dwellings; (ii) comprehensive neighborhood improvement of La Chacarita Alta;<sup>18</sup> and (iii) improvement of the management, monitoring, and evaluation of SENAVITAT housing programs.

- 1.17 **Component I. Housing improvements and expansion (US\$14 million)** (for SNIP purposes: Housing improvements and expansion in the Metropolitan Area of Asunción). This component will benefit more than 4,600 households with direct housing subsidies. The beneficiary selection criteria include: (i) households with income of up to two USMs;<sup>19</sup> (ii) households located in metropolitan Asunción; (iii) favorable rating for a microloan from a financial institution or credit union; (iv) onsite verification that the dwelling has qualitative deficits; (v) demonstration that the household has savings or is able to make an in-kind contribution; (vi) onsite verification that the dwelling is not in a hazard area; and (vii) confirmation that the household has a valid document showing title to the property. This requirement is described in paragraph 6.1.1 of the program [Operating Regulations](#). The amount of the subsidy has been set to ensure that in combination with microloans and savings, sufficient funding will be available to cover the cost of typical home improvement projects: repairs to flooring, walls, and roofs, additional bathroom and bedroom, bathroom and septic tank, etc.
- 1.18 The savings contribution will correspond to the income level and possibilities of the households. Microloan amounts will be based on household ability to pay and will be made by financial institutions regulated by the Superintendency of Banks and by type-A credit unions regulated by the Instituto Nacional de Cooperativismo [National Institute of Credit Unions] (INCOOP). Beneficiary households will also receive construction-related technical assistance services.<sup>20</sup> The cost of that assistance will be covered with a percentage from the subsidy, microloan, and savings package. Construction-related technical assistance will initially be provided by an established firm with experience in Paraguay, which will train other private institutions to step into that role in the future. AFD will be hired as the subsidy administrator<sup>21</sup> for a fee equivalent to 1.5% of the total

---

<sup>18</sup> Comprehensive improvement includes: safe drinking water, electricity and public lighting, sanitary sewers, stormwater drainage, risk mitigation works on streams, road works, street furniture and social amenities, housing for resettled families, investments to improve solid waste management, regularization of property ownership, health and environmental education, productive activities, and additional works to ensure connectivity with adjacent neighborhoods.

<sup>19</sup> The program will also target women heads of household, with 50% of subsidies going to this group. In so doing, the program seeks to serve the most vulnerable population.

<sup>20</sup> The entities that provide construction-related technical assistance will deliver personal, individualized services to each family that receives a subsidy. This assistance will primarily take the form of a diagnostic assessment on the condition of the home, determination in collaboration with the family of the activities to be financed to improve and/or expand the home, the design of construction plans and technical specifications, the hiring of a contractor for the project, administration of the contract, and project supervision to ensure that designs and technical specifications have been met. Legal services will also be provided to help secure property titles, as will financial education services.

<sup>21</sup> AFD has experience with this type of administration inasmuch as it executes two housing programs run by financial institutions and credit unions and financed by the Bank through a conditional credit line for investment projects (CCLIP). For the contract with AFD, the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-9) will apply, in particular subparagraph (d), which states that the procedure is applicable “when only one firm is qualified or has experience of exceptional worth for the assignment.”

subsidy amount.<sup>22</sup> The activities eligible for financing are described in paragraph 5.1.1 of the draft [Operating Regulations](#) for the program.

- 1.19 **Component II. Comprehensive neighborhood improvement of La Chacarita Alta (US\$14 million)** (for SNIP purposes: Improvement of habitability conditions in Asunción's La Chacarita Alta neighborhood). This component will directly benefit 735 households. The following works and activities will be financed: (i) low-cost communal and individual residential connections to public utilities;<sup>23</sup> (ii) stormwater drainage systems; (iii) risk mitigation works on gullies and streams; (iv) new and improved roads; (v) construction of urban infrastructure (parks and other infrastructure); (vi) construction of social infrastructure (education, health, and daycare centers); (vii) relocation within the same neighborhood of homes in hazard areas; (viii) regularization and issuance of property titles; the regularization activities are described in Chapter 15 of the draft Operating Regulations for the program; (ix) training activities for the creation of jobs and productive activities;<sup>24</sup> (x) construction of a solid waste management facility; (xi) additional works to facilitate urban integration with adjacent neighborhoods; (xii) formulation of a comprehensive urban plan; (xiii) detailed designs for works; and (xiv) supervision of works. Social outreach in the community will be conducted with technical advisory support from an entity specializing in social work (EETS) in the context of urban development. The objectives of this work will be to: (i) keep the community informed about the scope and progress of works and activities; (ii) consult and prioritize with the community the types of investments that will be made; (iii) provide support to the families that will be resettled; (iv) provide training opportunities to promote productive and income-generating activities for the households;<sup>25</sup> and (v) carry out activities to, for example, offer health and environmental education and improve informal solid waste management. An analysis of the ability to pay of the population of La Chacarita Alta was conducted during program preparation. The finding was that, for 82% of households in the neighborhood, expenditure on water and water and sanitation represented less than 3% and 5%, respectively. For the 18% of households with the lowest income levels (US\$97), expenditure on water and water and sanitation represented 6.4% and 9.6%, respectively (see the [Analysis of Ability of Pay](#)). The activities eligible for

---

<sup>22</sup> The reason for having a financial entity handle administration of the funds has to do with the need to give the financial institutions and credit unions every confidence that subsidies will be disbursed quickly, an assurance that could not be made if the function were assigned to SENAVITAT.

<sup>23</sup> This component will be executed in close coordination with the Comprehensive Sanitation Program for the Bay and Metropolitan Area of Asunción (loan 3393/OC-PR). The loan for that program will finance the main sewer lines for the bay area where La Chacarita Alta is situated. This component will finance the communal and individual residential connections in the neighborhood as well as their connection to those main sewer lines.

<sup>24</sup> Support will be provided on a priority basis to households at risk of sinking into poverty following resettlement, households whose businesses are temporarily affected by improvement works, and households that rely on informal solid waste recycling activities to get by.

<sup>25</sup> For these activities, the program will draw on good practices in the country. In the case of businesses, the experience of the San Gerónimo neighborhood is relevant. Initiatives to formalize solid waste recycling activities will look at the lessons that the Catholic Church has learned from supporting the establishment of a recycling facility on the south bank of the Paraguay River, which is providing stable employment for some households and increasing the income of many others that work in recycling. The specialized social work entity (EETS) will draw on contacts already made with microfinance institutions to help families in this area obtain microloans for productive activities.

financing and the estimated cost of the comprehensive improvement investments are itemized in Chapter 16 of the draft Operating Regulations for the program.

- 1.20 **Component III. Management improvement at SENAVITAT (US\$815,000).**<sup>26</sup> This component will finance consulting services to complete the development of an integrated system for managing housing programs, including the registration of applicants, and to purchase servers to host the system. The plan is to use resources from the technical cooperation operation to strengthen project management and evaluation at SENAVITAT (PR-T1169), which is still in preparation with an expected approval date of September 2015, to finance the conceptual designs and launch development of the system.
- 1.21 **Administration and evaluations/audits (US\$1.185 million).** Program administration resources (US\$890,000) will be used to finance the salaries of the personnel hired for the program execution unit to perform coordination, supervision, and evaluation of the activities planned under the three components. Evaluation resources (US\$295,000) will finance: (i) the annual technical verification and financial audits; (ii) the midterm and final evaluations of the program, the latter to include an ex post cost-benefit analysis of the investments made in La Chacarita Alta; and (iii) evaluations of environmental management and the resettlement of households relocated in La Chacarita Alta.
- 1.22 **Program cost.** The cost of the program will be US\$30 million, to be financed with Ordinary Capital resources. Table 1 presents a breakdown of the costs by component.

**Table 1. Program costs (US\$)**

Categories	Total
Component I. Housing improvements and expansion	<b>14,000,000</b>
Component II. Comprehensive neighborhood improvement of La Chacarita Alta	<b>14,000,000</b>
Component III. Management improvement at SENAVITAT	<b>815,000</b>
Program administration	<b>890,000</b>
Evaluations and audits	<b>295,000</b>
<b>TOTAL</b>	<b>30,000,000</b>

### C. Key results indicators

- 1.23 The outcome indicators include: (i) the percentage of dwellings with qualitative deficits in metropolitan Asunción; (ii) property value per square meter in La Chacarita Alta; and (iii) the reduction in the number of months needed for processing of housing projects. The output indicators include the number of beneficiaries of improved housing solutions. See the Results Matrix (Annex II).
- 1.24 **Economic analysis.** An ex ante economic analysis was conducted for the program, including a cost-efficiency analysis of the housing improvement and expansion component and a cost-benefit analysis of the component for the comprehensive neighborhood improvement of La Chacarita Alta. The findings indicate that program investments are viable from a socioeconomic standpoint.

<sup>26</sup> For SNIP purposes, this component is part of the project, "Housing improvements and expansion in the Metropolitan Area of Asunción."

The neighborhood improvement component has an economic net present value (NPV) of over US\$1.7 million and an economic internal rate of return (EIRR) of 26.2%). Component I has a cost-benefit ratio of greater than 1, with an intervention cost for housing improvement and expansion activities that is less than the implicit cost of the improvements. The sensitivity analysis included the variable of the incremental benefit of housing, an increase in investment and operating and maintenance costs, and modifications in the total number of dwellings benefited by the program impact. The economic viability (EIRR of 12%) of the neighborhood improvement component allows for an increase of up to 16% in the investment and operating and maintenance costs and a reduction of up to 14% in the economic benefit per dwelling.

## II. FINANCING STRUCTURE AND MAIN RISKS

### A. Financing instruments

- 2.1 The borrower will be the Republic of Paraguay, and the executing agency will be the National Department of Housing and Habitat (SENAVITAT). The financing instrument will be a sovereign guaranteed investment loan, under the terms of the Flexible Financing Facility, with a six-year disbursement period. The disbursement schedule is given in Table 2.

Table 2. Disbursement schedule (US\$ millions)

Financing	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
Total IDB	1.1	3.2	6.4	7.5	7.0	4.8	30

### B. Environmental and social safeguard risks

- 2.2 Based on a review of the project profile, the program was classified as a category "B" operation, which necessitated an environmental and social assessment, including the preparation of an environmental and social management plan (ESMP) with environmental and social procedures for works and the local resettlement of affected households. The results are summarized in the [environmental and social management report \(ESMR\)](#) (see paragraph 2.6). The environmental and social assessment was conducted in September 2014 and will be available to the public following negotiation of the loan.
- 2.3 During program execution, the environmental and social impacts are associated with the works planned in Components I and II, which by their nature do not produce significant environmental impacts but rather impacts that are more temporary, local, and low in magnitude. The direct environmental impacts anticipated under the program are those typical of neighborhood improvement activities, such as generation of debris, dust, and noise, and safety concerns related to the movement of heavy machinery. With effective implementation of the mitigation measures set out in the environmental management plans, these impacts will not be significant. No adverse direct impacts on protected areas are anticipated, inasmuch as the program does not call for actions in protected areas, nor are any such areas within the program's area of indirect impact, so no indirect impacts have been identified. The ESMP, which is attached to the Operating

Regulations as an annex, includes the environmental and social mitigation measures and plans.

- 2.4 The investments planned under Components I and II will have a strongly positive environmental impact by helping to improve housing conditions and access to basic and social services that are presently nonexistent or insufficient, directly improving the quality of life of the population. In Component I, participating households will identify and prioritize improvement and expansion projects with the support of the institutions providing construction-related technical assistance. During construction, households will be jointly responsible for taking care of materials and supervision. If they so decide, they may contribute their labor. In Component II, approximately 140 households are expected to be resettled, the majority of which now live in risk zones and are vulnerable to landslides. Resettlement will have a very positive impact on these households and on the neighborhood in general.
- 2.5 Environmental and social risks include: (i) resistance among the community of La Chacarita Alta to execution of the works due to lack of information on their scope; and (ii) a decline into poverty for some families during the resettlement process. These risks will be mitigated through implementation of an information plan designed to empower the population; support for families in the form of income-generating activities; transfer of responsibility for the maintenance of works to the Sanitation Services Company of Paraguay (ESSAP) and the National Electricity Administration (ANDE) and to the Asunción municipal government; and educational activities to encourage the local community to care for and preserve the works. For the resettlement of households, the guidelines of Bank Operational Policy OP-710 on Involuntary Resettlement will be followed. The resettlement plan will be delivered to the Bank for approval prior to any resettlement activities. Considerations related to environmental and social management have been incorporated into the ESMR and the ESMP, which includes the resettlement framework plan.

#### **C. Fiduciary risks**

- 2.6 The institutional assessment for fiduciary management of the program was based on: (i) the fiduciary context of the country; (ii) the findings of the fiduciary risk assessment and the project risk management workshop; (iii) an analysis of SENAVIDAT using the Institutional Capacity Assessment System (ICAS) methodology; and (iv) working meetings with the project team. With these inputs, Annex III containing the fiduciary agreements and requirements for execution of the loan was prepared. Based on the assessment, it was determined that there is a fiduciary risk stemming from the fact that SENAVIDAT does not have the technical capacity, proactive initiative, or facilitative attitude needed to manage the program. To mitigate these risks, an administrative and financial subunit and an contracting operations subunit will be created within the program execution unit to work exclusively on processing payments and contracts generated by the program.

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

- 2.7 Other risks include: (i) insufficient coordination among the institutions participating in the program; (ii) inadequate maintenance of the works; (iii) lack of credibility among people in the neighborhood with respect to the planned improvements due

to prior commitments that went unfulfilled; (iv) granting of subsidies by the financial institutions for households that do not meet the requirements established in the Operating Regulations; and (v) nonapproval of the MIF technical cooperation operation to finance social outreach. The mitigation measures include the following: (i) establish subexecution agreements and arrangements with the public and private institutions participating in the program; (ii) transfer responsibility for maintaining works to the ESSAP, ANDE, and the Asunción municipal government, and arrange educational activities to encourage the local community to care for and preserve the works; (iii) implement an information plan to publicize the types of works and activities planned and clarify the proactive role for the community; (iv) provide training for families with income-generating activities; (v) monitor SENAVITAT through audits to ensure application of the Operating Regulations; (vi) promote engagement between the project team for this program with the MIF team; and (vii) potentially provide financing for social outreach activities using funds from Component I.

### III. IMPLEMENTATION AND MANAGEMENT PLAN

#### A. Summary of implementation arrangements

- 3.1 As noted, the borrower will be the Republic of Paraguay, and the executing agency will be the National Department of Housing and Habitat (SENAVITAT). A program execution unit (PEU) will be created, reporting to the highest authority at SENAVITAT. The PEU will handle general coordination and monitoring and evaluation of the program components, as well as monitoring of the planning instruments: the [multiyear execution plan](#), the [annual work plan](#), and the [procurement plan](#). It will also be responsible for procurements and financial management under Components II and III, as well as for ensuring compliance with the Operating Regulations. **The no objection by SENAVITAT and the Bank to the program Operating Regulations will be a special contractual condition precedent to the first disbursement of the loan proceeds.**
- 3.2 **Execution of Component I.** In their role as subexecuting agencies, the participating financial institutions and credit unions will be responsible for identifying and evaluating the members and customers that qualify for the credit + savings + subsidy + construction-related technical assistance (CASA) product. The financial institutions and credit unions will be selected in accordance with the criteria established in the program Operating Regulations. They will also contract for the construction-related technical assistance services, for the purpose of identifying onsite the works that will be undertaken to address qualitative deficits and comply with environmental and legal criteria. In the case of a favorable evaluation, the financial institutions and credit unions will request disbursement of the subsidy by Agencia Financiera de Desarrollo (AFD). Upon release of the subsidy, the financial institutions and credit unions will transfer the funds to the entity providing the construction-related technical assistance, which will be responsible for contracting and supervision of the works. SENAVITAT will have the following responsibilities: (i) ensure that AFD disburses the funds in a timely manner; (ii) verify that the participating financial institutions and credit unions meet the eligibility criteria for delivery of the subsidy; and (iii) conduct supervision of the works and the construction-related technical assistance on a random basis and as

it deems appropriate.<sup>27</sup> Compliance with eligibility criteria will be verified on an ex post basis through a technical verification audit financed with the loan proceeds. The duties and responsibilities of the participating institutions are described in detail in the draft Operating Regulations. Special contractual conditions precedent to the execution of Component I will be: (i) signed subexecution agreements with the participating financial institutions and credit unions; and (ii) a signed service contract with AFD for administration of the subsidy funds.

- 3.3 Execution of Component II.** SENAVITAT will be responsible for setting up two levels of institutional coordination. A core level will consist of SENAVITAT, the Asunción municipal government, and the specialized social work entity (EETS). A second level will additionally consist of ESSAP, ANDE, and other public and private institutions that provide services and support to the community of La Chacarita Alta. SENAVITAT will also have the following responsibilities: (i) commission preparation of the comprehensive urban plan and detailed technical designs for each work, and conduct bidding for execution of the works; (ii) supervise execution of the works; (iii) guarantee compliance with environmental and resettlement policies; (iv) supervise the social outreach work with the community; and (v) coordinate the execution of works with other initiatives for the urban renewal of the historic center. The Asunción municipal government will have the following responsibilities: (i) approve the comprehensive urban plan and detailed technical designs (with the exception of water, sanitation, and electricity/lighting work, which will be approved by ESSAP and ANDE, respectively); (ii) perform legal regularization and property registration activities; and (iii) assist with the supervision of works. The EETS will initiate social outreach work with the community in advance of the design of the comprehensive urban plan and continue it for the duration of the works and activities execution period and up to six months after completion. A special contractual condition precedent to the execution of Component II will be signed collaboration agreements between SENAVITAT, the Asunción municipal government, the EETS, and ANDE.
- 3.4 Execution of Component III.** The PEU will be responsible for hiring a consulting firm to develop the integrated housing project management system, including the registration of applicants and purchase of the necessary computer hardware to host the integrated system.
- 3.5 Procurement and audit.** The policies that will apply to this loan are: (i) the Policies for the Procurement of Goods and Works Financed by the IDB (document GN-2349-9) and the Policies for the Selection and Contracting of Consultants Financed by the IDB (document GN-2350-9). In addition, the electronic reverse auction and competitive bidding subsystems of the National Public Contracting System (Law 2051/03) will be used. The use of other country systems approved

---

<sup>27</sup> The items eligible for financing under this component will be: (i) improvement of housing: for structurally sound units that meet minimum habitability conditions but are in need of improvements to roofs, walls, floors, separation of rooms, bathrooms, water and/or sewer work, or electrical work; (ii) expansion of housing: for structurally sound units that meet minimum habitability conditions but due to overcrowding are in need of expansion in the form of new or larger rooms, kitchens, bathrooms and/or water and/or sewer work or electrical work; (iii) regularization of property ownership: families that need resources to regularize their property, including specialized services for activities such as registering property and obtaining title; and (iv) technical assistance: contracting construction-related technical assistance services, which includes technical, legal, and financial services.

subsequent to approval of the program will be applicable automatically, and so indicated in the procurement plan. Contracts for consulting services will be procured using the standard request for proposals issued by or agreed upon with the Bank. The sector specialist will be responsible for reviewing the terms of reference for consulting services. All procurements and/or contracting processes governed by Bank policies will be subject to ex ante review by the Bank, taking into account the government's position on the matter. The Bank will require the borrower and/or executing agency to prepare and deliver audited financial reports, one to be delivered annually within 120 days after the end of the fiscal year, and one to be delivered on 30 August of each year. Single-source selection of Agencia Financiera de Desarrollo (AFD) as the agency to transfer the subsidies to the financial institutions and credit unions is envisaged, in accordance with paragraph 3.10(d) of document GN-2350-9. AFD is a Paraguayan government agency that operates in the financial market as a second-tier entity and is executing several Bank operations.<sup>28</sup> For these reasons, AFD is deemed to have experience of exceptional value for carrying out these services.

**B. Summary of arrangements for monitoring results**

- 3.6 Monitoring activities include: (i) program monitoring using the Results Matrix, the multiyear execution plan, the annual work plan, and the procurement plan; (ii) the preparation of six-monthly and annual progress reports; and (iii) technical verification and financial management audits. Evaluation activities include: (i) a midterm evaluation and a final evaluation; and (ii) an ex ante cost-benefit analysis that will compare the costs and benefits generated by the works in La Chacarita Alta (see [monitoring and evaluation plan](#)).

---

<sup>28</sup> These projects are the second operation under the CCLIP to provide financing to AFD (2150/BL-PR) and the third operation under the CCLIP to provide financing to AFD (2369/BL-PR).

Development Effectiveness Matrix			
Summary			
<b>I. Strategic Alignment</b>			
<b>1. IDB Strategic Development Objectives</b>		Aligned	
Lending Program		-Lending to small and vulnerable countries -Lending for poverty reduction and equity enhancement	
Regional Development Goals		-Paved road coverage (Km/Km2) -Proportion of urban population living in dwellings with hard floor	
Bank Output Contribution (as defined in Results Framework of IDB-9)		-Households with new or upgraded water supply -Households with new or upgraded sanitary connections -Km of electricity transmission and distribution lines installed or upgraded -Number of households with new or upgraded dwellings	
<b>2. Country Strategy Development Objectives</b>		Aligned	
Country Strategy Results Matrix	GN- 2769	- Increase the coverage of water and sewage (including wastewater treatment) services in the AMA. - Foster greater financial inclusion. - Improve the effectiveness, transparency, and integrity of public entities.	
Country Program Results Matrix	GN-2805	The intervention is included in the 2015 Operational Program.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)			
<b>II. Development Outcomes - Evaluability</b>		Evaluable	Weight
		8.1	Maximum Score
			10
<b>3. Evidence-based Assessment &amp; Solution</b>		7.6	33.33%
3.1 Program Diagnosis		2.4	
3.2 Proposed Interventions or Solutions		2.4	
3.3 Results Matrix Quality		2.8	
<b>4. Ex ante Economic Analysis</b>		10.0	33.33%
4.1 The program has an ERR/NPV, a Cost-Effectiveness Analysis or a General Economic Analysis		4.0	
4.2 Identified and Quantified Benefits		1.5	
4.3 Identified and Quantified Costs		1.5	
4.4 Reasonable Assumptions		1.5	
4.5 Sensitivity Analysis		1.5	
<b>5. Monitoring and Evaluation</b>		6.8	33.33%
5.1 Monitoring Mechanisms		2.5	
5.2 Evaluation Plan		4.3	
<b>III. Risks &amp; Mitigation Monitoring Matrix</b>			
Overall risks rate = magnitude of risks*likelihood		Low	
Identified risks have been rated for magnitude and likelihood		Yes	
Mitigation measures have been identified for major risks		Yes	
Mitigation measures have indicators for tracking their implementation		Yes	
Environmental & social risk classification		B	
<b>IV. IDB's Role - Additionality</b>			
The project relies on the use of country systems			
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, Accounting and Reporting, External control, Internal Audit. Procurement: Information System, Shopping Method, Contracting individual consultant, National Public Bidding.	
Non-Fiduciary	Yes	Strategic Planning National System, Monitoring and Evaluation National System.	
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:			
Gender Equality			
Labor			
Environment			
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	Technical assistance activities included: (i) A workshop for the counterpart undertaken to disseminate good practices from housing and slum upgrading programs, as well as to share experiences and lessons learned from programs in other countries; and (ii) participation by a team of the Urban Development Enterprise in Medellin in a meeting held in Asuncion with the national and local authorities regarding methodologies to promote community participation in the slum upgrading process.	
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan			

The objective of the project is to improve the housing conditions of low income households in Asuncion. To obtain this objective the project will: provide subsidies to low income families to improve their dwellings; and upgrade the neighborhood of La Chacarita Alta by providing and upgrading basic services, drainage, roads and public spaces, among others.

The document presents the problems to be addressed through the project as well as the factors that cause them. It also identifies the project's beneficiaries. The magnitudes of the problems faced by the neighborhood of La Characita Alta are presented. However, the magnitudes of the supply of subsidies directed to families with less than 2 minimum salaries for housing improvements and the qualitative housing deficit for these families is not specified due to lack of data. The proposed interventions are linked to the problems identified in the diagnosis.

The results matrix has vertical logic. All the outcome indicators are SMART, have baselines, targets and sources of information. All output indicators are SMART, have baselines and sources of information. One of the indicators does not have a target.

The project was analyzed using a cost-benefit analysis. The economic benefits were quantified using the increase in property values due to the improvements financed by the project. The costs reflect real resource costs to the economy. The assumptions used were presented and a sensitivity analysis was performed.

The project has a monitoring and evaluation plan which follows the DEM guidelines. The operation will be evaluated using a reflexive methodology and an ex post cost-benefit analysis.

## RESULTS MATRIX

<b>Objective:</b>	The objective is to improve housing conditions for the low-income population in metropolitan Asunción through: (i) housing subsidies to improve and expand dwellings; (ii) comprehensive neighborhood improvement of La Chacarita Alta; and (iii) strengthening of the National Department of Housing and Habitat (SENAVITAT) to improve the management and evaluation of housing programs.
-------------------	---

### OUTCOMES

Indicators	Unit of measure	Baseline (2015)	Final target		Source / Means of verification	Observations
			Value	Year		
<b>Expected outcomes of Component I. Improve the dwellings of low-income families living in metropolitan Asunción</b>						
Percentage of dwellings with qualitative deficits in metropolitan Asunción	% dwellings with qualitative deficits / housing stock	43.2 <sup>1</sup>	42.1	2021	Midterm evaluation and final evaluation of program (information to be taken from the 2014 census and household surveys).	During the startup workshop, the percentage of dwellings with qualitative deficits in metropolitan Asunción will be updated, using information transmitted by the Bureau of Statistics, Surveys, and Censuses (DGEEC), which will be published in the second half of 2015.
Percentage of subsidies for housing improvements and expansion made to households with income levels up to two minimum wage units (USMs).	% households / total available subsidies	0	100	2021	Midterm evaluation and final evaluation of program (information to be taken from the 2014 census and household surveys).	A total of 4,600 subsidies are available. This indicator will help measure the targeting of the program.
Percentage of households receiving program subsidies that improved and expanded their dwellings	% households / total available subsidies	0	100	2021	<i>Idem</i>	A total of 4,600 subsidies are available. This indicator will help measure the contribution to improvements in the quality of existing housing.
Percentage of dwellings improved and/or expanded with program subsidies, belonging to woman-headed households with income of up to 2 USMs	% woman-headed households of up to 2 USMs / total improved dwellings	0	50	2021	<i>Idem</i>	There are 2,300 subsidies available for woman-headed households with income of up to 2 USMs. This indicator will help measure the program's contribution to gender equity.

<sup>1</sup> According to data from the 2002 census, the qualitative deficit affects 31,213 dwellings in the Department of Asunción, or 27.1% of the housing stock, and 145,528 dwellings in Central Department, or 49.5% of the housing stock. Accordingly, for the metropolitan area of Asunción, the deficit totals 176,741 units, or 43.2% of the housing stock.

Indicators	Unit of measure	Baseline (2015)	Final target		Source / Means of verification	Observations
			Value	Year		
<b>Expected outcomes of Component II. Raise private property values and improve housing conditions for the population in La Chacarita Alta</b>						
Property values in La Chacarita Alta	Average value per square meter	US\$87	US\$127	2021	Household survey and final program evaluation	The baseline and target values for the indicator were established based on the results of a property value survey conducted during program preparation by appraisal experts.
Percentage of households with 24-hour water service	% of households	0	100	2021	<i>Idem</i>	According to preliminary findings of the 2014 census, 46% of the population is connected to utilities provided by ESSAP, although 24-hour service is not guaranteed. The indicator will be updated with the baseline data to be prepared by Habitat for Humanity as part of its initial social outreach work with the community.
Percentage of households with indoor connections to the sewer system via lines in good working order <sup>2</sup>	% of households	0	100	2021	<i>Idem</i>	According to preliminary findings of the 2014 census, 3% of the population is connected to the sanitary sewer system, although the legality and condition of the connections are unknown. The indicator will be updated with the baseline data to be prepared by Habitat for Humanity.
Percentage of households with indoor connections to the reinforced electricity grid <sup>3</sup>	% of dwellings	0	100	2021	<i>Idem</i>	According to preliminary findings of the 2014 census, 98% of dwellings have electricity connections, both formal and informal. The indicator will be updated with the baseline data to be prepared by Habitat for Humanity.
<b>Expected outcomes of Component III. Make the delivery of housing subsidies for housing projects by SENAVITAT more efficient and transparent</b>						
Reduction in processing times for subsidies from the National Low-income Housing Fund (FONAVIS) and housing construction under other SENAVITAT programs.	Number of months	48	24	2018	Integrated and automated management system. Reports by external consultants and technical verification audit reports.	Using program preparation resources, activities have been initiated to streamline and standardize processes, requirements, and regulations for SENAVITAT housing programs, which will be systematized in the new integrated and automated project management system.
Percentage of housing projects in which SENAVITAT operating regulations are applied	% of projects	0	100	2018	<i>Idem</i>	<i>Idem</i>

<sup>2</sup> A system in good working order is defined as a system with no overflows or residual water losses in the streets, leaks into the ground, or discharges into bodies of water.

<sup>3</sup> A reinforced system is defined as upgraded medium- and low-voltage power lines.

OUTPUTS											
Indicators	Unit of measure	Baseline 2015	Intermediate measurements					Final target 2021	Source / Means of verification	Observations	
		Value	2016	2017	2018	2019	2020	2021			Value
<b>Component I. Housing improvements and expansion</b>											
Subsidies to expand and improve housing	Number of subsidies	0	100	400	800	1,200	1,200	900	4,600	Annual and six-monthly program monitoring reports, prepared by the PEU, and technical verification audit reports.	Subsidies will be approved for households that meet the requirements established in the program Operating Regulations.
Workshops on do-it-yourself construction and legal guidance offered by the entities providing construction-related technical assistance	Number of workshops	0	10	20	30	40	40	10	150	Report by entities providing construction-related technical assistance and midterm and final reports.	Equitable participation by men and women heads of household in the workshops will be verified.
<b>Component II. Comprehensive neighborhood improvement of La Chacarita Alta</b>											
Meters of 50-150 mm water lines installed	Number of meters	0				7,600			7,600	Final works report and annual and six-monthly program monitoring reports, prepared by the PEU, and technical verification audit reports.	The target value comes from an estimate made by ESSAP during program preparation.
Residential connections to the water system installed	Number of connections	0				735			735	<i>Idem</i>	The baseline will be prepared by Habitat for Humanity at program start.
Meters of sewer lines installed	Number of meters	0				8,700			8,700	<i>Idem</i>	The target value comes from an estimate made by ESSAP during program preparation.
Residential connections to the sewer system installed	Number of connections	0				735			735	<i>Idem</i>	The baseline will be prepared by Habitat for Humanity at program start.
Residential connections to the electricity grid	Number of connections	0				735			735	<i>Idem</i>	<i>Idem</i>
Meters of transmission lines improved.	Number of meters	0				9,000			9,000	<i>Idem</i>	<i>Idem</i>

Indicators	Unit of measure	Baseline 2015	Intermediate measurements					Final target 2021	Source / Means of verification	Observations	
		Value	2016	2017	2018	2019	2020	2021			Value
Public lighting structures erected	Number of structures	0				352			352	<i>Idem</i>	The target value comes from an estimate made by ANDE during program preparation.
Alleys and walkways expanded and paved	Number of square meters	0				5,000		20,000	25,000	<i>Idem</i>	The target value comes from a consulting estimate made during program preparation.
Channel works completed on the three streams running through the neighborhood: México, Antequera, and Tacuary	Number of linear meters of channel	0				200		800	1,000	<i>Idem</i>	<i>Idem</i>
Works for urban and social amenities built/improved	Number of works	0				2		2	4	<i>Idem</i>	Works may include parks, schools, daycare centers, etc.
Dwellings built to resettle families living in hazard areas	Number of dwellings	0					70	70	140	<i>Idem</i>	The target value comes from a consulting estimate made during program preparation.
Solid waste management facility built	Number of facilities	0				1			1	<i>Idem</i>	The need for the facility was identified during a consulting engagement conducted during program preparation.
Property titles entered in the property register: <ul style="list-style-type: none"> <li>In the names of both partners in the case of married couples;</li> <li>In the names of both partners in the case of couples cohabitating for more than 5 years;</li> <li>In the name of woman heads of household.</li> </ul>	Number of property titles	0				200	200	335	735	<i>Idem</i>	The baseline value will be calculated by Habitat for Humanity as part of its initial social outreach work with the community. That same value will be disaggregated prior to program start for the three groups of beneficiaries. This indicator reflects the incorporation of the gender policy into the program indicators.
Educational workshops on environmental and sanitation topics held for the community	Number of workshops	0		20	40	40	40	20	160	<i>Idem</i>	The baseline value will be determined when the comprehensive urban plan is designed.

Indicators	Unit of measure	Baseline 2015	Intermediate measurements					Final target 2021	Source / Means of verification	Observations	
		Value	2016	2017	2018	2019	2020	2021			Value
Activities to help households develop productive strategies	Number of activities	0			10	10	10	10	40	<i>Idem</i>	The households to receive this support will be identified by Habitat for Humanity as part of its initial social outreach work with the community.
Additional works completed, such as: road and other connections that facilitate La Chacarita Alta's integration with the rest of the city	Number of works	0							TBD	<i>Idem</i>	The baseline and target values for this indicator will be determined when the comprehensive urban plan is designed.
<b>Component III. Management improvement at SENAVITAT</b>											
Computerized system installed for information and monitoring of subsidies and projects	Number of systems	0		1					1	<i>Idem</i>	This will be considered completed when monitoring is automated for the full cycle of housing program management.

## **FIDUCIARY AGREEMENTS AND REQUIREMENTS**

<b>Country:</b>	Paraguay
<b>Project number:</b>	PR-L1082
<b>Name:</b>	Improvement of Housing and Habitat
<b>Executing agency:</b>	Secretaría Nacional de la Vivienda y el Hábitat [National Department of Housing and Habitat] (SENAVITAT)
<b>Prepared by:</b>	Alberto de Egea (FMP/CPR) and Mariano Perales (FMP/CPR)

### **I. EXECUTIVE SUMMARY**

- 1.1 The institutional assessment for fiduciary management of the project was based on: (i) the fiduciary context of the country; (ii) the findings of the fiduciary risk assessment and the project risk management workshop; (iii) an analysis of the National Department of Housing and Habitat (SENAVITAT) using the Institutional Capacity Assessment System (ICAS) methodology; and (iv) working meetings with the project team. The fiduciary agreements for procurement and financial management applicable to program execution have been prepared as a result of this assessment.

### **II. FIDUCIARY CONTEXT OF THE COUNTRY**

- 2.1 In general, the country financial management systems have a medium level of development. They need to be supplemented for execution of Bank-financed programs in the areas of external control and specific financial reports, by auxiliary accounting systems and the intervention of the Office of the Comptroller General of the Republic (CGR) for project audits, or the contracting of private audit firms considered eligible by the Bank. Financial control tools, such as the Integrated Financial Administration System (SIAF), the Integrated Accounting System (SICO), and other subsystems enable executing agencies to transfer payments through the Central Bank to suppliers of goods and services. Integrating these systems will make it possible in the near future to produce audited financial statements for a program or project through the SIAF. In the meantime, parallel systems are used.
- 2.2 In terms of country public procurement systems, in addition to the Public Contracting Information System already in full use for Bank operations, there are country subsystems for electronic reverse auction and competitive bidding for the amounts and categories established in the agreement on the use of country systems signed by the country and the Bank on 17 June 2014.

### **III. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY**

- 3.1 The executing agency for the program will be SENAVITAT, acting through a program execution unit (PEU), to be created and financed with program resources. SENAVITAT is a central government agency in Paraguay that reports to the Office of the President of the Republic. It employs approximately 677 people, 52% of whom are permanent staff and 48% of whom are contractors. SENAVITAT, as currently configured, was established on 7 June 2010. Its organizational structure and functions are governed by Law 3909/2010.
- 3.2 The institutional assessment returned a score of 50.44%, which is equivalent to an initial level of institutional capacity development and a substantial associated risk level. This indicates that priority measures should be taken prior to program startup or early in the execution phase. The ICAS report gives a detailed account of the institutional weaknesses and possible mitigation measures to be negotiated with SENAVITAT.
- 3.3 Based on the ICAS findings, the plan for the execution mechanism is to use the structure of a PEU created and financed with program resources. However, this unit will require core staff in technical and fiduciary areas, since the time it takes within the current structure of SENAVITAT to select and contract for works, goods, and consulting services is regarded as a crosscutting factor with a high likelihood of generating risks with a substantial adverse impact on meeting the program objectives within the originally projected scopes, time frames, and costs (quality). This problem will be mitigated in part as described in paragraph 4.7 and also through other mitigation measures indicated in the ICAS report.

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

#### **A. Financial management**

- 4.1 In the area of institutional capacity for control, the ICAS returned a score of 40.52%, the lowest in the matrix, which involves the internal control system and the external control system.
- 4.2 In terms of the program Risk Matrix, a risk of possible delays in financial processes has been identified, primarily due to the fact that: (i) the execution of Component I is tied to a market demand factor; and (ii) Component II depends on a factor tied to negotiations with a complex social sector. For these risks, the following mitigation measures have been identified:
- 4.3 For Component I, a management agreement will be entered into between SENAVITAT and the Asociación Financiera de Desarrollo (AFD), to include Operating Regulations that will facilitate effective processes between the Bank, AFD, and the credit unions and financial institutions, with their beneficiaries. The agreement will also contain a supervision and control modality.
- 4.4 For Components II and III, a manual of procedures for supervision and control of advances and other payment modalities will be established, as well as for future reporting of such transactions.

## **B. Procurement management**

- 4.5 For the Goods and Services Administration System, the ICAS returned a score of 68.97%, equivalent to a medium level of development and a medium level of risk. In addition, the program Risk Matrix identifies potential delays in procurement processes as a medium risk. The mitigation measures are specified in the ICAS report and partially described in paragraph 4.7.
- 4.6 The state of affairs mentioned in paragraph 3.3 constitutes a problem that requires mitigation. The proposal is to equip, in due time and manner, the PEU to be created with the right human resources for executing the program and achieving the proposed objectives.
- 4.7 The executing agency has agreed to create an operational contracting subunit and an administrative and financial subunit within the PEU to work directly on processing contracts and payments generated by the operation. The divisions will report to the highest authority of the PEU. SENAVITAT, using own resources, will seek to expedite activities to establish and staff the PEU in the first quarter of 2015. Staff will be hired competitively for the unit and will initially be funded from the local contribution. They may be hired directly with program financing once declared eligible by the Bank.

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

- 5.1 To streamline negotiation of the contract by the project team and, principally, the Legal Department, the agreements and requirements to be considered in the Special Provisions are included below.
- 5.2 Program implementation will require, as a special contractual condition precedent to the disbursement of the loan proceeds, the no objection by SENAVITAT and the Bank to the Operating Regulations, which will include the fiduciary manual for the loan. Special contractual conditions precedent to the execution of Component I will be: (i) signed subexecution agreements with the participating financial institutions and credit unions; and (ii) a signed service contract with AFD for administration of the subsidies. Special contractual conditions precedent to the execution of Component II will be: signed collaboration agreements between SENAVITAT, the municipal government of the City of Asunción, the specialized social work entity (EETS), the Sanitation Services Company of Paraguay (ESSAP), and the National Electricity Administration (ANDE).

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

- 6.1 The policies that will apply to this loan are the Policies for the Procurement of Goods and Works Financed by the IDB (document GN-2349-9) and the Policies for the Selection and Contracting of Consultants Financed by the IDB (document GN-2350-9). In addition, the Bank's Board of Executive Directors has approved (document GN-2538-11) the use of the electronic reverse auction and competitive bidding subsystems of the National Public Contracting System (Law 2051/03). The use of other country systems approved subsequent to approval of the program will be applicable automatically and so indicated in the procurement plan.

## A. Procurement execution

- 6.2 **Procurement of works, goods, and nonconsulting services.** Contracts for works, goods, and nonconsulting services<sup>1</sup> subject to international competitive bidding (ICB) will be procured using the Bank's standard bidding documents. Bidding processes subject to national competitive bidding (NCB) will be conducted using national bidding documents agreed upon with the Bank. The project's sector specialist will be responsible for reviewing the technical specifications for procurement during preparation of the selection processes. Single-source selection of AFD for administration of the subsidies to be transferred to the financial institutions and credit unions is planned, in accordance with paragraph 3.10(d) of document GN-2350-9.<sup>2</sup> AFD is a Paraguayan government agency that operates in the financial market as a second-tier entity and is executing several Bank operations.<sup>3</sup> For these reasons, AFD is deemed to have experience of exceptional value for carrying out these services.
- 6.3 **Selection and contracting of consultants.** Contracts for consulting services generated under the project will be procured using the standard request for proposals issued by or agreed upon with the Bank. The project's sector specialist will be responsible for reviewing the terms of reference for consulting services. Initially, there are no plans for direct contracting of consulting firms.
- 6.4 **Selection of individual consultants.** In accordance with the procurement policies set out in document GN-2350-9. There are no plans for direct contracting of individual consultants.
- 6.5 **Use of country systems.** In accordance with document GN-2538 of October 2013, the use of the electronic reverse auction and competitive bidding subsystems of the Public Sector Contracting System (SCSP) in Bank-financed operations will apply to:
- a. All contracts for goods and nonconsulting services eligible for use of the electronic reverse auction under the SCSP, for amounts below the threshold set by the Bank for use of the shopping method for off-the-shelf goods (for reference, US\$250,000).
  - b. All works contracts for amounts below the threshold set by the Bank for use of the shopping method for complex works (for reference, US\$250,000) and contracts for goods and nonconsulting services up to the threshold set by the Bank for use of the shopping method for complex goods and services (for reference, US\$50,000).
  - c. Contracts for amounts equal to or above the aforementioned thresholds will be governed by Bank policies (document GN-2349-9).
- 6.6 Section 1 of the Bank's policies (document GN-2349-9) will remain applicable to all executed contracts, regardless of the amount or procurement method. Any

---

<sup>1</sup> See document GN-2349-9, paragraph 1.1: Nonconsulting services are treated as goods.

<sup>2</sup> See document GN-2349-9, paragraph 3.6: Direct contracting must be duly justified. See document GN-2350-9, paragraph 3.9 et seq.: Single-source selection must be duly justified.

<sup>3</sup> These projects are the second operation under the CCLIP to provide financing to AFD (2150/BL-PR) and the third operation under the CCLIP to provide financing to AFD (2369/BL-PR).

system or subsystem subsequently approved will be applicable to the operation. The procurement plan for the operation and updates thereto will indicate which contracts will be executed using the approved country systems.<sup>4</sup>

6.7 **Recurrent expenditures.** To ensure that the necessary conditions are in place for the PEU to perform its functions, loan proceeds will be used to finance expenditures related to leasing of office space, the purchase of an automobile for coordination and supervision activities, public utilities and communications, translations, bank fees, office supplies, advertising or announcements, photocopies, mail, etc. However, these overhead costs do not include wages and salaries for government officials.<sup>5</sup>

6.8 **Advance procurement/Retroactive financing.** Not planned under this operation.

**Thresholds: International competitive bidding and international short list (US\$)**

Method	ICB Works	ICB Goods and nonconsulting services	International short list for consulting services
Threshold	3,000,000	250,000	200,000

6.9 **Domestic preference.** Not planned for this operation.

**Main procurements**

Activity	Selection method <sup>6</sup>	Estimated date of call/invitation	Estimated amount US\$000
<b>Goods</b>			
Procurement of computer equipment, servers, and tablets	ICB	Q4 2016	298
<b>Works</b>			
Works to be executed in La Chacarita Alta	ICB	Q1 2017	13,270
<b>Nonconsulting services</b>			
<b>Firms<sup>7</sup></b>			
For software development for the information and monitoring system	QCBS	Q3 2016	502
For detailed designs of works to be executed in La Chacarita Alta	QCBS	Q3 2016	350
For inspection of works to be executed in La Chacarita Alta	QCBS	Q1 2017	230
For services to transfer subsidies to financial institutions and credit unions and AFD	SSS	Q2 2016	210
<b>Individuals</b>			
PEU staff	3CV	Q3 2016	890

<sup>4</sup> In the event that the Bank validates another system or subsystem, it will be applicable to the operation in accordance with the provisions of the loan contract.

<sup>5</sup> On an exceptional basis, financing is provided to cover incremental staffing costs incurred by the executing agency that are specifically related to program execution (see document GN-2331-5, Annex I, 1.7(C)(c)(1.22)).

<sup>6</sup> In the case of a procurement carried out using the country system, it should be so indicated in the "Selection method" column.

<sup>7</sup> In the case of consulting services, the short list should comprise firms of diverse nationalities. See paragraph 2.6 of document GN-2350-9.

- 6.10 **Procurement supervision.** All procurement and/or contracting processes governed by the policies set out in documents GN-2349-9 and GN-2350-9 will be subject to ex ante review by the Bank, taking into account the government's position on the matter. Supervision of procurements and/or contracting processes governed by the electronic reverse auction and competitive bidding subsystems of Paraguay's Public Procurement System (document GN-2538-11) will be performed using the country system.<sup>8</sup>
- 6.11 **Special provisions.** No special provisions are anticipated other than those indicated in paragraph 5.1.
- 6.12 **Records and files.** Program reports will be prepared and filed using the formats and procedures that have been agreed upon and will be described in the Fiduciary Manual of Functions and Procedures.

## VII. FIDUCIARY AGREEMENTS AND REQUIREMENTS FOR FINANCIAL MANAGEMENT

- 7.1 **Programming and budget.** SENAVITAT will centralize the management of program execution through the PEU, which will have a general coordinator and administrative and operations staff, as well as technical support from the other divisions and units at SENAVITAT. For administration and budgeting activities, it will have the support of the Administration and Finances Division.
- 7.2 **Accounting and information systems.** The accrual principle of accounting is used, but transactions for projects partly financed by the Bank will be recorded on a cash basis. The SIAF is the main tool used for budget and accounting transactions and is connected to the SICO as an accounting subsystem. The executing agency should also have an accounting system set up to record program transactions, which will allow it to prepare reports that are accessible to the Bank and other financing sources. Monthly bank reconciliations between the two systems will be performed.
- 7.3 **Disbursements and cash flow.** The system used to process disbursement requests will be e-Disbursements, the Bank's online system that makes it possible to electronically prepare and send disbursement requests to the Bank. The system offers a faster and more effective channel of communication than the manual option. For the life of the project, the applicable financial procedures will be those set out in the Guidelines for the Financial Management of Bank-financed Projects and its supplements.
- a. **For Component I.** Disbursements will be made under the reimbursement or direct payment modality, as requested by the executing agency. For reporting to the financial institutions and credit unions on these reimbursement or direct payment transactions, the requirements will be established in the Operating Regulations that are approved as well as in the service contract with AFD. The regulations established on this matter with the financial institutions and the credit unions will establish, at a minimum, the reporting periods, reports to deliver, and controls on subsidies.

---

<sup>8</sup> In accordance with the scope of use of the system, supervision may be supplemented by project audits, in which case that fact should be mentioned in this annex.

- b. **For the other components.** Disbursements will be made through direct payments, reimbursements, and/or advances of funds.
- 7.4 In the case of advances of funds, the amount to be disbursed will be corroborated with the submission of a detailed monthly financial plan covering a period of six months or a longer period not to exceed twelve months, in order to determine the program's actual needs as reflected in the multiyear execution plan, the annual work plan, and the procurement plan. The second and subsequent disbursements of advances of funds will be subject to justification of 80% of the total cumulative balance pending justification from the previous advances. This percentage may be changed on a one-time basis or permanently, subject to Bank approval, should the financial plan and management documents set a lower percentage, which in no case should be reduced to less than 50%.
- 7.5 The exchange rate agreed upon with the executing agency for accounting purposes under Component I will be specified in the management agreement with the financial institutions. The exchange rate for Component II will be the rate in effect on the date of conversion or the date of payment, as published by the Central Bank of Paraguay.
- 7.6 **Internal control and internal audit.** In the area of internal control, Paraguay's Standard Model of Internal Control will be implemented. As an improvement plan, all manuals on functions should be implemented, updated, and disseminated throughout the life of the project, and procedural manuals should be available in the area of administration and finances. The internal audit team should include all execution activities related to the program in its annual work plan.
- 7.7 **External control and reports.** Program financial statements will be prepared annually at the close of each fiscal year and delivered within 120 days after the end of that period. The Bank may also request midterm reports. The annual financial audits and assurances will be prepared by independent auditing firms considered eligible by the Bank and whose scope of work will be subject to terms of reference approved by the Bank. At the borrower's request, the annual program audits may be conducted by the CGR in accordance with procedures agreed upon with the Bank. The external audit reports will be subject to publication (Access to Information Policy).
- 7.8 **Financial supervision plan.** Financial supervision will be provided in four ways: (i) control of the disbursement reports and review visits; (ii) onsite supervision visits scheduled by the Bank at SENAVITAT, AFD, the credit unions, and the financial institutions; (iii) the financial information from the financial statements and execution reports; and (iv) an official who will be responsible for monitoring program execution.
- 7.9 **Execution mechanism.** Component I will be executed by AFD and the credit unions and financial institutions, with supervision and monitoring by SENAVITAT as the program executing agency. Execution of the other components will be handled by the PEU, which will have the following responsibilities: (i) coordinate all activities related to the program; (ii) prepare physical and financial status reports; (iii) submit requests for no objection and disbursement of loan proceeds, and keep accounting records for use as the primary source of information for preparing those requests and any financial reporting; (iv) establish and maintain a control system that guarantees proper use and safeguarding of resources, and

maintain supporting documentation for transactions; and (v) prepare and update the initial project report, the annual work plans, the six-monthly monitoring reports, the evaluation reports, and the project completion report, in preparation for their delivery to the Bank. The PEU will be responsible for timely compliance with the clauses and agreements set out in the loan contract and performance of program-related activities.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/15

Paraguay. Loan \_\_\_/OC-PR to the Republic of Paraguay  
Improvement of Housing and Habitat

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Paraguay, as Borrower, for the purpose of granting it a financing to cooperate in the execution of a program for Improvement of Housing and Habitat. Such financing will be for an amount of up to US\$30,000,000 from the Ordinary Capital resources of the Bank, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on \_\_\_ \_\_\_\_\_ 2015)

LEG/SGO/CSC/IDBDOCS: 39641374  
Pipeline No. PR-L1082