

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

REGIONAL

STRENGTHENING READINESS AND EFFICIENCY IN PUBLIC INVESTMENT NATIONAL SYSTEMS

(RG-T4929)

PROJECT DOCUMENT

This document was prepared by the project team consisting of: Team Leader: Llampen Lopez, Zoila Cristina (IFD/FMM); Alternate Team Leader: N/A; Attorney: Tokarikova, Paulina Gabriella (LEG/SGO); Team Members: Astudillo, Karen (IFD/FMM); Jung Yuri (IFD/FMM); Kevish, Maria Lorena (IFD/FMM); Lee Juyoung (IFD/FMM).

REGIONAL
STRENGTHENING READINESS AND EFFICIENCY IN PUBLIC INVESTMENT NATIONAL SYSTEMS
RG-T4929

PROJECT SUMMARY

Operation Type:	Technical Cooperation
Sector:	REFORM / MODERNIZATION OF THE STATE
Subsector:	FISCAL POLICY FOR SUSTAINABILITY AND GROWTH
TC Taxonomy:	Client Support
Project Number under the Operational Support Taxonomy:	N/A
Technical Responsible Unit:	IFD/FMM-Fiscal Management Division
Unit with Disbursement Responsibility (UDR):	IFD/FMM-Fiscal Management Division
Executing Agency:	Inter-American Development Bank

PROJECT OBJECTIVE

The objective of this technical cooperation is to provide technical assistance to Paraguay and Honduras to enhance their public investment systems by strengthening governance and institutional arrangements for quality assurance and project appraisal and developing data-driven technological tools for monitoring to ensure efficient and timely project execution.

FINANCIAL INFORMATION

Financing Type	Fund	Amount in US\$
TCN - Nonreimbursable	KPC - Public Capacity Building Korea Fund for Economic Development	550,000
Total IDB Financing		550,000
Counterpart Financing		0
Total Project Budget		550,000
Donors:	N/A	
Disbursement Period:	36 months	
Execution Period:	36 months	

ADDITIONAL FINANCIAL INFORMATION

N/A

I. JUSTIFICATION AND OBJECTIVE

- 1.1 **Diagnostic.** Latin American and Caribbean (LAC) countries are facing significant economic challenges. Economic growth rates remain the lowest in the world, compounded by high fiscal deficits and elevated interest rates.¹ The slow economic growth makes poverty reduction difficult, and persistent inequality is undermining public confidence in democratic institutions, leading to increased social division.² The efficiency of public investment is essential for yielding greater economic growth and enhancing public well-being. Based on a recent Inter-American Development Bank (IDB) study of 12 LAC countries, efficient public investment management can generate multipliers greater than 2 within two years,³ while inefficient management may yield no impact. By improving the efficiency of public investments through the evaluation and selection of optimal projects and proper implementation monitoring, governments can achieve greater growth and productivity. In the LAC region, improving technical inefficiencies in public investment spending could enhance infrastructure quality by over 30% without increasing public spending.⁴
- 1.2 Despite progress in strengthening public investment systems across LAC, important structural gaps persist throughout the investment cycle — particularly in ex ante evaluation, monitoring, and ex post evaluation — that undermine the quality and efficiency of public spending. These gaps share common underlying causes: weak governance and institutional arrangements for independent project appraisal, limited use of data-driven technological tools for monitoring project execution, and insufficient capacity for systematic learning from implementation experience. Only 56% of countries in LAC have legal frameworks for independent review of project appraisals, just 56% have an integrated monitoring system, and a mere 25% conduct systematic ex post evaluations. These figures reflect systemic institutional weaknesses that limit governments' capacity to ensure the quality, efficiency, and effectiveness of public investment throughout the entire project cycle.
- 1.3 In Paraguay, the public investment system faces critical governance and information management gaps. The absence of a centralized oversight mechanism for the public investment portfolio — a direct consequence of insufficient independent appraisal structures — limits comprehensive supervision of the project cycle.⁵ Compounding this, underdeveloped project monitoring tools prevent optimal implementation, and the lack of instruments to capture lessons learned from execution restricts institutional learning and improvement of future investment decisions.

¹ [Competition: The Missing Ingredient for Growth?](#). World Bank Group.

² [Connecting the Dots: Five Development Trends for 2025 in LAC](#).

³ [¿Cuánto impacta la eficiencia de la inversión pública en el crecimiento económico?: Evidencia de países de América Latina y el Caribe](#). IDB. Llampén, Z., Ardanaz, M., Valencia, O., & Puig, J, 2024.

⁴ Strengthening investment management in Latin America and the Caribbean: Lessons learned from IDB support the SNIP. IDB. Ardanaz, M., B. Briceño, and L. A. García Ferro, 2019.

⁵ Paraguay: Public Investment Management Assessment (PIMA) and Climate PIMA, High-Level Summary Technical Assistance Reports 2024. Ramon Hurtado Arcos, Juan Alberti, Eduardo Aldunate, Jorge Baldrich, Rui Monteiro, and Isabel Rial, 2024.

- 1.4 Honduras faces an efficiency gap of 32%, meaning that the same level of capital expenditure could yield almost one-third more economic benefits than it currently does. The root cause of this gap lies in a weak ex ante evaluation framework that allows resources to flow toward projects with design deficiencies, reflecting governance failures at the appraisal stage. This is compounded by the absence of robust monitoring mechanisms, which results in poor execution practices and limited capacity to correct course during implementation.⁶
- 1.5 Addressing these root causes requires targeted technical assistance focused on two interconnected areas: (i) strengthening governance and institutional arrangements for quality assurance and independent project appraisal, and (ii) developing data-driven technological tools for monitoring to ensure efficient and timely project execution. This Technical Cooperation (TC) responds directly to these needs, building on the IDB's accumulated experience in the region and the proven practices of Korea's Public Investment Management system, where independent appraisal bodies and integrated monitoring platforms have demonstrated measurable improvements in public investment efficiency.
- 1.6 **Request.** Paraguay and Honduras have requested to best practices in public investment management from countries with effective systems. Korea is an important reference, having developed robust instruments to guarantee public investment efficiency, including: Independent Prefeasibility Study (PFS) evaluations conducted by Public and Private Infrastructure Investment Management Center (PIMAC) of the Korea Development Institute (KDI); continuous monitoring through the Total Project Cost Management (TPCM) system; the Construction CALS Portal Information System (CALSpia) information-sharing platform for construction projects; and systematic ex post evaluations to incorporate lessons learned.
- 1.7 **Objective.** The objective of this technical cooperation is to provide technical assistance to Paraguay and Honduras to enhance their public investment systems by strengthening governance and institutional arrangements for quality assurance and project appraisal and developing data-driven technological tools for monitoring to ensure efficient and timely project execution.
- 1.8 **Complementarity.** This TC directly complements and builds upon two preceding IDB TCs in the public investment management: [ATN/KR-17821-RG](#) and [ATN/KR-20288-RG](#), which promoted knowledge exchange and documented good Korean and regional practices in public investment management. Drawing on those lessons, this operation will support their application in Paraguay and Honduras through country-specific technical assistance to strengthen project appraisal governance and monitoring systems. Overlap is avoided because the previous TCs focused on regional knowledge generation and dissemination, while this operation finances the design and implementation of country-level solutions tailored to identified institutional gaps. This TC also complements the IDB's ongoing analytical work on investment efficiency, including the InvescoreLAC index, which evaluates the institutional capacity of public investment systems

⁶ Honduras: Public Investment Management Assessment (PIMA) and Climate PIMA, High-Level Summary Technical Assistance Reports 2024. Ramon Hurtado Arcos, Juan Alberti, Eduardo Aldunate, Jorge Baldrich, Rui Monteiro, and Isabel Rial, 2024.

across LAC countries and provides the diagnostic baseline for targeted interventions.

- 1.9 **Strategic alignment.** This TC is consistent with the IDB Group's Institutional Strategy: Transformation for Greater Scale and Impact (GN-3159-12) and is aligned with the objectives of: (i) reducing poverty and inequality, by enabling more efficient public investment spending that expands equitable access to public services and infrastructure; and (ii) bolstering sustainable and inclusive growth, by improving the quality, efficiency, and effectiveness of public investment throughout the project cycle, which are key drivers of long-term productivity and development. The TC also supports the Bank's operational focus area on institutional capacity, rule of law, and citizen security, by strengthening the governance frameworks and institutional arrangements of national public investment systems, fostering greater transparency and accountability in public spending decisions.
- 1.10 Additionally, the TC is aligned with the Sectoral Framework for Fiscal Management Sector Framework Document (GN-2831-13), which highlights the importance of promoting actions to strengthen fiscal sustainability in the medium term.
- 1.11 The TC is fully aligned with the priorities outlined in the IDB Group's Country Strategies with Paraguay 2025-2029 (GN-3261-3) and Honduras 2025-2026 (GN-2944-3), which highlight the need to strengthen the State's institutional capacity for public investment. In **Paraguay**, the TC directly supports the country strategy's cross-cutting theme of Institutional Strengthening to improve efficiency and transparency in the public sector, by addressing critical gaps in centralized oversight and project monitoring that limit the quality of public investment. In **Honduras**, the TC directly promotes the country strategy's focus area of strengthening of fiscal institutions and expenditure efficiency and its cross-cutting theme of innovation and use of new technologies to achieve greater relevance and efficiency in interventions, by introducing data-driven monitoring tools and strengthening the ex-ante evaluation framework to close the country's 32% efficiency gap. The TC's objective is also fully aligned with the funding objective of the Korea Fund for Public Capacity Building and Economic Development (KPC), which supports strengthening public-sector institutional capacity and promoting the use of technology and innovation in LAC countries — consistent with this TC's focus on institutional strengthening of public investment systems and the development of data-driven monitoring tools.

II. COMPONENTS

- 2.1 **Component 1. Enhancing independent project appraisal governance structure (US\$225,000).** The objective of this component is to support the beneficiary governments to improve their governance framework to carry out independent evaluations to prioritize potential investment projects. Resources from this component will finance individual consultants that will: (i) carry out a comparative analysis of the institutional frameworks for independent studies in participating countries, which will provide the evidence base for reform recommendations; and (ii) the development of methodologies for establishing an independent framework, drawing on South Korean best practices.
- 2.2 **Component 2. Integration of information management tools for effective monitoring and management of investment projects (US\$225,000).** The

objective of this component is to support beneficiaries' countries' efforts to streamline data collection for timely decision-making. These systems will allow governments to identify bottlenecks early on and implement prompt intervention to mitigate risks. Resources for this component will finance individual consultants to: (i) prepare diagnostics reports on the project monitoring systems to identify gaps and opportunities for improvement; and (ii) develop standardized monitoring tools and methodologies to enhance investment project delivery.

- 2.3 **Component 3. Fostering strategic partnerships, dissemination of knowledge and lessons learned (US\$100,000).** The objective of this component is to disseminate lessons learned and to create opportunities for sharing knowledge with public investment networks. Resources from this component will finance knowledge exchange activities to foster policy dialogues with practitioners, policymakers, and academic experts to promote best practices and evidence-based strategies.
- 2.4 **Expected Results.** The TC is aimed to strengthen public management in Paraguay and Honduras through the articulation of strategic plans for establishing independent review governance structures and promoting digital information management system for effective project monitoring. Component 3 will also produce a systematization of lessons learned from the TC's interventions, to inform the design of future operations.
- 2.5 **Beneficiaries.** The direct beneficiaries of this TC are the national public investment management authorities of Paraguay and Honduras. The indirect beneficiaries are the citizens of these countries, who will benefit from more efficient and higher-quality public investment, translating into improved infrastructure and public services.

III. BUDGET

- 3.1 The total budget of this TC is US\$550,000 to be financed by the Bank through resources from the Korea Fund for Public Capacity Building and Economic Development (KPC). No local counterpart contribution is expected.

Table 1. Budget in US\$

Components	IDB /KPC	Total
Component 1: Enhancing independent project appraisal governance structure	225,000	225,000
Component 2: Integration of information management tools for effective monitoring and management of investment projects	225,000	225,000
Component 3: Fostering strategic partnerships and dissemination of knowledge and lessons learned	100,000	100,000
Total	550,000	550,000

IV. EXECUTION STRUCTURE

- 4.1 **Executing Agency.** The TC will be executed by the Bank will through the Fiscal Management Division (IFD/FMM), in line with the criteria established in Annex II of the Procedures for Processing TC Operations (OP-619-4), execution by the Bank is justified by the regional dimension of the TC. The technical and fiduciary responsibility of this TC will be led by the team leader, who will coordinate with: (i) Korean Development Institute (KDI) which will serve as a technical partner to validate methodologies, given that this TC draws on Korean best practices in independent project appraisal and public investment management; and (iii) FMM specialists in the Country Offices (COFs) in which technical or financial assistance will be granted. To facilitate the connection with the KDI and acquire Korean policy experience in a more effective way, the institutions and the consultants who have this expertise and capacity may be hired.
- 4.2 **Procurement.** All procurement to be executed under this Technical Cooperation has been included in the Procurement Plan (Annex IV) and will be hired in compliance with the applicable Bank policies and regulations as follows: (a) Hiring of individual consultants, as established in the regulation on Complementary Workforce (AM-650) and (b) Contracting of services provided by consulting firms in accordance with the Corporate procurement Policy (GN-2303-33) and its Guidelines.
- 4.3 **Execution and Disbursement Period.** The execution period of the TC is 36 months, and the disbursement period is also 36 months.
- 4.4 **Monitoring, Reporting and Oversight.** The project team leader from IFD/FMM will be responsible for the supervision of the Technical Cooperation (TC), including monitoring and evaluation of objectives, indicators, and targets, as well as financial execution in accordance with the TC's procurement plan (Anexo IV). IFD/FMM will also serve as the Unit with Disbursement Responsibility. The project will be monitored and evaluated based on the annual targets from the results matrix, following the document of the Technical Cooperation Monitoring and Reporting System (OP-1385-4).

V. POTENTIAL RISKS

- 5.1 One key risk is that participating countries may shift priorities or experience changes in leadership, which could slow the pace of progress. To mitigate this, continuous engagement will be maintained with technical teams as well as with the Red SNIP⁷, ensuring that ongoing initiatives and requests remain sustained despite potential changes in authorities. A second risk is potential delays in the delivery of consultancy products due to capacity constraints or coordination challenges with Korean counterparts. This will be mitigated through clear terms of reference, defined timelines, and regular monitoring by the project team.

⁷ Red SNIP refers to the regional network of National Public Investment System (SNIP) directors and technical officials across Latin American and Caribbean countries, which facilitates knowledge exchange, peer learning, and coordination on public investment management practices, including collaboration on Korea-LAC knowledge-sharing initiatives.

- 5.2 **Sustainability.** The methodological frameworks and tools developed under this TC are expected to be institutionalized through their formal adoption by the relevant public investment authorities in Paraguay and Honduras, ensuring their continued application beyond the TC's execution period. In addition, capacity-building activities will target permanent government staff — rather than external consultants alone — so that the technical know-how required to operate and update these frameworks remains within the institutions.
- 5.3 **Intellectual Property.** The knowledge products, other than Software and Databases and Datasets, generated within the framework of this TC will be the property of the Bank and may be made available to the public under a Creative Commons license, in accordance with the Procedures for the Publication of Knowledge Products (AM-331). However, at the beneficiary's request, the intellectual property of said products may also be licensed to the beneficiary through specific contractual commitments that will be prepared with the advice of the Bank's Legal Department.

VI. EXCEPTIONS TO BANK POLICIES

- 6.1 The TC does not foresee any exceptions to Bank policy.

VII. ENVIRONMENTAL AND SOCIAL ASPECTS

- 7.1 This Technical Cooperation is not intended to finance pre-feasibility or feasibility studies of specific investment projects or environmental and social studies associated with them; therefore, this TC does not have applicable requirements of the Bank's Environmental and Social Policy Framework (ESPF).

REQUIRED ANNEXES:

- Annex I: Request from Client
- Annex II: Results Matrix
- Annex III: Terms of Reference
- Annex IV: Procurement Plan