

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	PARAGUAY/CSC - Southern Cone
▪ TC Name:	Preparation of a strategy to strengthen the sustainability and effectiveness of the management of Paraguay's natural and planted forests through the National Forestry Institute
▪ TC Number:	PR-T1346
▪ Team Leader/Members:	LEMA VELEZ, LUISA FERNANDA (CSD/RND) Team Leader; VALLE PORRUA, YOLANDA (CSD/RND); VERISSIMO DA SILVA, CAROLINA (LEG/SGO); CIBILS DORIA FERNANDO ISMAEL (CSC/CPR); INSFRAN CHENU TANIA CHENU (CSC/CPR); RESTREPO, LISA SOFIA (CSD/RND); SOSA, VICTOR (CSC/CPR)
▪ Taxonomy:	Client Support
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	23 Feb 2024
▪ Beneficiary:	INFONA
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$200,000.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	24 months
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	CSD/RND - Env, Rural Dev & Disaster Risk
▪ Unit of Disbursement Responsibility:	CSC/CPR - Country Office Paraguay
▪ TC included in Country Strategy (y/n):	Yes
▪ TC included in CPD (y/n):	Yes
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Productivity and innovation ; Institutional capacity and rule of law; Environmental sustainability

II. Objective and Justification

- 2.1 The general objective of this project is to contribute to the effectiveness and sustainability of Paraguay's natural and planted forest management by assessing governmental funding gaps, analyzing service coverage, addressing capacity and resource limitations, and developing a strategic investment plan.
- 2.2 Specific objectives are: 1. Identify gaps in capacity and resources that compromise INFONA's performance within the context of a growing forestry production sector and demanding international political and commercial environments. 2. Develop a range of strategies for the short and medium terms that can be effectively implemented across varying resource levels, including a government investment plan to tackle priority gaps that could hinder the effective management of forests and forest plantations in Paraguay.
- 2.3 Paraguay's natural forests encompass valuable ecosystems, including the Great Chaco, Atlantic Forest, and Pantanal. Despite significant conversion to agricultural land, the forest cover area by the end of 2022 represented 43.8% of the national territory (36.6% native forests and 7.2% palm groves). To safeguard natural forests, Paraguay has mandatory conservation on private lands, a National System of Protected Areas, and an early warning system for illegal land use changes.

- 2.4 While forest plantations currently occupy a modest 0.5% of the national territory, recent developments in the forestry industry have sparked renewed interest. Paraguay aims to be a global competitor in this sector, leveraging its vast land expanse, favorable conditions for forest cultivation, and ideal soil quality and climate for tree growth.
- 2.5 INFONA, established in 2008, is an autarkic state institution responsible for managing Paraguay's forest resources. Its objectives include sustainable forest development, modernizing state services, and monitoring forests. Despite challenges, INFONA responds to international commitments, reporting forest data to the UNFCCC, manages the Early Warning System for Illegal Land Use Changes in Native Forests, and promotes the forestry industry through "Paraguay Forestry for the World," an initiative to attract national and foreign capital.
- 2.6 Like other autarkic agencies in Paraguay, INFONA generates income and receives minimal funding from the national treasury. Between 2021 and 2023, it received 2.4-2.5 million USD and annually generated 2.6-3.4 million USD through services and goods; small amounts for the responsibility load. Internal estimates from 2022 revealed that the national budget covered only 50% of staff salaries.
- 2.7 However, significant international cooperation projects related to natural resources, sustainable agriculture, forests, and carbon have aligned, providing INFONA with consultants, goods, and services that yield high-quality deliverables. These projects are scheduled to conclude between 2025 and 2027, emphasizing the urgent need to secure sufficient national resources and establish sustainable processes for continued monitoring and control of both natural and planted forests, as well as facilitating forestry investments, in the absence of professional staff and technical equipment made available by cooperation projects.
- 2.8 Additionally, there's concern about the economic and political implications if INFONA would fail to deliver the information it generates. The main INFONA directorates benefiting from international cooperation include those in charge of forest monitoring, land use tracking, fire protection, and facilitating access to critical information for sustainable forest resource management and sector investment. Those processes should not be dependent on external resources.
- 2.9 These conditions compel the country to conduct thorough analyses of gaps in human resources, technical capacity, equipment, infrastructure, and financial capacity to ensure long-term forest cover monitoring, land use change tracking, fire protection, community-involved forest restoration promotion, and the facilitation of critical information for sustainable forest resource management and sector investment. Developing a sovereign strategy, independent of international cooperation, is essential to fully meet international and national mandates.

III. Description of Activities and Outputs

- 3.1 **Component I: Diagnoses of capacities, resources, and needs.** This component encompasses all the diagnoses and analyses required to assess gaps and inefficiencies in service coverage, management processes, human capacity, equipment, cash flow, and other resource limitations that may compromise the ability to monitor and control both natural and planted forest management, or the capacity to provide services to the forestry sector..
- 3.2 **Component II: Strategies to improve efficiency and increase financing.** This component will tackle the development of a set of strategies to improve the efficiency of governmental management of natural and planted forests, and services associated with the forestry sector in the short and medium terms that can be implemented under varying levels of funding. It will also include a government investment plan to be submitted to the legislative branch to address priority gaps.

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Diagnoses of capacities, resources, and needs	US\$85,000.00	US\$0.00	US\$85,000.00
Strategies to improve efficiency and increase financing	US\$115,000.00	US\$0.00	US\$115,000.00
Total	US\$200,000.00	US\$0.00	US\$200,000.00

V. Executing Agency and Execution Structure

- 5.1 The Bank will serve as the executing agency for this project. The monitoring and oversight of the project's execution will be carried out exclusively by the Bank. The terms of reference for consultancies to be contracted under this project will be jointly agreed upon with INFONA and other institutions involved in investment project design, as appropriate. The Bank will have the autonomy to approve these documents.
- 5.2 The Bank will hire individual consultants and consulting firms in accordance with the Bank's current procurement policies and procedures. For the selection of consulting firms, the consultant selection policies (GN-2765-4) and operational guidelines (OP-1155-4) will apply. When hiring individual consultants, human resources norms (AM-650) will be followed. Regarding expenses related to services other than consulting, corporate procurement policies (GN-2303-28) will be applied. All acquisitions must align with the provisions outlined in the Procurement Plan, which will be developed in coordination with INFONA.
- 5.3 The INFONA lacks the necessary operational capacity to execute the planned project activities adequately and promptly. Additionally, compliance with internal requirements (legislative approval) would delay the project's implementation, hindering the achievement of its objectives. Therefore, with the aim of expediting and ensuring the preparation of this loan operation, the Government, through the Ministry of Economy and Finance, has requested that the Bank serve as the executing agency for this project.

VI. Project Risks and Issues

- 6.1 Lack of Data Digitization: One of the main obstacles that consultants may encounter during their information search within the Institute is the lack of digitalization of data. " Inability to manage internal conflicts and interests: When dealing with human resources-related tasks in public institutions, complications often arise due to anxiety about potential impacts on staff income. Proper communication management at all levels (strategic, managerial, operational) needs to be properly managed. Temporal Relevance of Project Outputs: The usefulness of project outputs would vary over time, according to the political calendar. Even small delays can compromise the ability to use products for several months.

VII. Environmental and Social Aspects

- 7.1 This TC does not have applicable requirements of the Bank's Environmental and Social Policy Framework (ESPF).