

Technical Cooperation Abstract

I. Basic Project Data

▪ Country/Region:	PARAGUAY/CSC - Southern Cone
▪ TC Name:	Support the development of an IDB CLIMA pilot project in Paraguay - Ypacaraí Lake
▪ TC Number:	PR-T1363
▪ Team Leader/Members:	VAUROF, FRANCINE (CSD/CCS) Team Leader; GONNELLI, GUSTAVO VICTOR (INE/WSA) Alternate Team Leader; BRUSA, FEDERICO (CSD/CCS) Alternate Team Leader; ETHEL ROJAS (CSD/CCS); PALACIOS ARGUELLO MARIA JOSE (INE/WSA); SEIGNEUR, JORGE MARIA (VPC/FMP); GOMEZ, JUAN CARLOS (CSD/CCS); CELESTE MARZO, CRISTINA (LEG/SGO); GRUNWALDT, ALFRED HANS (CSD/CCS); LEMOS ALVES DOS SANTOS HELDER (CSD/CCS); CARIAS FLORES SARA HILDA (CSD/CCS); SIERRA TABORA CLARA ROCIO (CSD/CCS); MEDEIROS, EDUARDO (CSD/CSD)
▪ Taxonomy:	Operational Support
▪ Number and name of operation supported by the TC:	IDB CLIMA - Lake Ypacaraí Basin Sanitation Program - PR-L1193
▪ Date of TC Abstract:	21 Feb 2024
▪ Beneficiary:	Paraguay
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$400,000.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	24 months
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	CSD/CCS - Climate Change
▪ Unit of Disbursement Responsibility:	CSC/CPR - Country Office Paraguay
▪ TC included in Country Strategy:	Yes
▪ TC included in CPD:	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Institutional capacity and rule of law; Environmental sustainability

II. Objective and Justification

- 2.1 This Technical Cooperation (TC) aims to support Paraguay in the design of its first project (PR-L1193) under the IDB CLIMA Pilot Program. The IDB CLIMA Pilot Program aims to incentivize sector-driven investments that will help accelerate the access of sovereign borrowers to thematic green capital markets. To attain this goal, IDB CLIMA offers a grant to borrowers that successfully reach results through sectoral investments measured through Key Performance Indicators that: (i) reduce development gaps while delivering impact in terms of biodiversity and climate; (ii) strengthen the sector's capabilities to develop sectoral project pipelines that include climate and/or biodiversity considerations; and (iii) strengthen sector-driven biodiversity and climate monitoring, reporting and verification systems to meet international climate, biodiversity and thematic green debt standards.
- 2.2 To define actions associated with investments (ii) and (iii), borrowers must first assess their existing capabilities in terms of the Green Transition Journey Framework (GTJF). The GTJF follows a three-stage sequential approach that allows borrowers to benefit

from IDB technical and financial support as they evolve from an incipient stage –in which they have limited capabilities to access thematic green debt markets– to a stage in which they are able to systematize green and thematic debt issuances. Therefore, to reach its objective, the TC will: (i) Assess the capabilities of the borrowing entity and the country as a whole, to place it in its appropriate GTJF stage; (ii) support the strengthening of said capabilities so that the borrower can progress in the GTJF; and (iii) conduct applied research activities to contribute to the strengthening of Paraguay’s first pilot project and at the same time feed the development of the GTJF, so that it can better serve future borrowers of the Pilot Program.

- 2.3 This TC is designed to support operation PR-L1193, “IDB Climate - Lake Ypacaraí Basin Sanitation Program”. Thus, the objective of the operation is to contribute to improving the quality of life of the population that lives in the cities of the Lake Ypacaraí basin, through the implementation of structural and non-structural measures with a focus on climate change and biodiversity, which allow environmental improvement of the Ypacaraí Lake as well as strengthening the borrower's capabilities to scale financing through access to thematic and green debt markets. The borrower is the Ministry of Public Works (MOPC), which has a long and successful relationship with the IDB, which has financed numerous development projects in Paraguay, in the transport, and water, sanitation and hygiene sectors. Regarding WASH operations, the IDB has financed the construction and expansion of drinking water and sewage systems in cities such as Asunción, Ciudad del Este, Encarnación, and others. It has also supported the development of watershed management and environmental protection programs. The MOPC is currently executing two loans in the WASH sector totalizing US\$365,000,000 in addition to regional and local technical cooperations. Nevertheless, the total active portfolio of the MOPC is US\$1,171,200,000 including transport, housing development, WASH and health (TSP, HUD, WSA, SPH), which illustrates the capacity of the ministry to implement public works across different sectors and regions of the country.

III. Description of Activities and Outputs

- 3.1 **Component 1. Assessment of Paraguay’s and MOPC’s capabilities (US\$75,000).** Activities under this component will contribute to gathering of evidence and conducting an analysis that will provide an accurate picture of Paraguay’s and MOPC’s capabilities in terms of the GTJF stages.
- 3.2 **Component 2. Strengthening of sectoral and/or national capabilities (US\$50,000).** Activities under this component will help bolster sectoral and/or national capabilities to develop and implement the IDB CLIMA pilot project, and in this way progress along the GTJF stages.
- 3.3 **Component 3. Other studies needed to achieve the operation’s general objective (US\$275,000).** Activities under this component will finance the other needed studies to achieve the intervention’s General Objective. This will include but not limited to: (i) Environmental Impact Assessment Studies; (ii) Technical Studies, including hydrological analyses considering climate change scenarios sewerage system configuration, sewage treatment plant process design, nature base solutions, etc.; (iii) socio economic studies; and (iv) financial and institutional studies.

IV. Budget

Indicative Budget (US\$)

Activity/Component	IDB Funding	Total
Component 1. Assessment of Paraguay’s and MOPC’s capabilities	75,000	75,000
Component 2. Strengthening of sectoral and/or national capabilities	50,000	50,000
Component 3. Other studies needed to achieve the operation’s general objective	275,000	275,000
Total	400,000	400,000

V. Executing Agency and Execution Structure

- 5.1 Given the Bank's proven track record in developing operational and institutional capacity-building activities, the Bank will execute this TC and carry out all contract-related activities. The Bank is considered to have the adequate systems to guarantee the proper execution of the operation and ensure the sustainability of the implementation of the project in line with the "Operational Guidelines for Technical Cooperation Products" (GN-2629-1). Additionally, CCS will coordinate with other IDB Group departments and liaise with other key initiatives and stakeholders involved in the design, implementation, and financing of IDB-CLIMA pilot projects. Supervision will be carried out by the CSD/CCS Team Leader.
- 5.2 The Climate Change Division of the Inter-American Development Bank (CSD/CCS) has substantial experience with the development of Research and Dissemination activities tied to climate change and integration of results within the IDBG project origination and execution activities.
- 5.3 The Bank will follow its procurement policies and guidelines related to contracting processes: (i) individual consultants will be hired according to the guidelines established in policy AM-650; (ii) consulting firms of an intellectual nature will be hired according to the "Policy for the selection and contracting of consulting firms for operational work carried out by the Bank" (GN-2765-4) and its Operational Guides (OP 1155 4); and (iii) other non-consulting services will be hired in accordance with the "IDB Institutional Procurement Policy" (GN-2303-28).

VI. Project Risks and Issues

- 6.1 The complexity of IDB CLIMA Pilot Program's objectives might hinder the accurate assessment of capabilities and the corresponding strengthening in the designated timeframe and budget. In addition, the strengthening of sectoral and national capabilities might face resistance from public administration officials, slowing down progress along the stages of the GTJF. CSD/CCS experience in different national contexts, as well as IDB Group experience will prove instrumental in mitigating these risks. The knowledge products developed through this TC will also help address GTJF knowledge gaps in a timely approach that contributes to the successful completion of the pilot project.

VII. Environmental and Social Aspects

- 7.1 This Technical Cooperation is intended to finance pre-feasibility or feasibility studies of specific investment projects and the environmental and social studies associated with them; therefore, the terms of reference and products of this TC will be consistent with the applicable requirements of the Bank's Environmental and Social Policy Framework (ESPF).