

Infrastructure and Projects News

Congress Approves US\$ 52,292,000 Loan for the Intermediate Cities Sanitation Program

a. General Aspects

On June 21, the National Congress enacted the Bill to finance the Intermediate Cities Sanitation Program ("Project"). The Project is aligned with the United Nations Sustainable Development Goals (SDGs). [SDG 6](#) commits member countries to achieve 100% access to clean drinking water, equitable access to sanitation and hygiene services, and improve water quality by reducing pollution and harmful discharges by 2030.

Currently, Paraguay has a sanitary sewerage network coverage of 15.4% and only 7.5% in wastewater treatment. Due to the country's population growth, without urgent measures, these numbers are likely to worsen. Therefore, the implementation of this Project is strategic for improving the overall health of the population.

The cities beneficiated by the Project are: (i) Santa Rita, Alto Paraná Department; (ii) Carapeguá, Paraguari Department; (iii) San Ignacio, Misiones Department; and (iv) Santa Rosa del Aguaray, San Pedro Department ("Beneficiary Cities").

The execution of the Project will be carried out by the Ministry of Public Works and Communications (MOPC) as the implementing body on behalf of the Paraguayan government. Initially, the operational part of the Project was under the responsibility of the Water and Sanitation Directorate of the MOPC (DAPSAN); however, according to the latest information we have obtained, the Project will likely be transferred to the Coordination of Drinking Water, Sanitation, and Hydraulic Works of the MOPC (CAPSOH).

The Project is primarily based on the construction of a sanitary sewerage system, wastewater treatment plant, and improvement of the drinking water system in the Beneficiary Cities. It is estimated that the Project will benefit around 110,000 people.

b. Financing

Financing for the Project is provided by Corporación Andina de Fomento (CAF) for up to USD 52,292,000 ("Loan") over a period of 16 years from the entry into force of the Loan Agreement, with a grace period of 5 years.



The Project will result in a budget increase of PYG 400,000,000 in the General Budget of National Expenditures, to be borne by the MOPC.

c. Project Structure and Contracting System

According to the general conditions of the loan agreement ("Loan Agreement"), the procurement processes for goods, works, and services related to the Project must comply with the following principles:

- i. Wide dissemination
- ii. Equality
- iii. Transparency
- iv. Free competition

According to the terms of the Loan Agreement, International Public Bidding ("IPB") shall be used for the following cases:

- When the procurement of goods exceeds USD 1,500,000
- When the contracting of works has a value exceeding USD 6,000,000
- When the contracting of consultants has a value exceeding USD 750,000

IPB may be waived only in special cases that are technically justified and duly supported by the Borrower, and expressly authorized by CAF. Additionally, the terms of reference must be previously approved by CAF and comply with the principles.

Regarding the structure, the Project includes the following components: (a) Water and Sanitation Projects, (b) Program Administration and Management, and (c) Evaluation and Financing Expenses.

- a. The Water and Sanitation Projects component considers the financing of the comprehensive program, including the necessary infrastructure and equipment for the proper provision of water and sanitation services, which includes the following items:
 - **Civil works and equipment**, including infrastructure works and required equipment, such as networks, treatment plants, pumping lines, and pumping stations.
 - **Contingencies**, which allocate resources from the loan to cover eventualities regarding the component of works and equipment.
 - **Land acquisition**, which allocates resources for the acquisition of land where treatment plants and pumping stations will be located



b. The Program Administration and Management component includes the following items:

- **Oversight:** includes resources for external oversight of the works.
- **Program management, oversight, and monitoring:** includes resources to support project management and administration, as well as technical, environmental, and social oversight of the works to be financed by CAF.
- **Socio-environmental management:** includes resources to ensure the overall environmental and social sustainability of the Project.
- **Institutional management:** includes resources for the institutional strengthening of the operators of the Project's works.
- **Studies and consulting services:** involves the hiring of specialized consulting services to support the Project's implementation, covering topics related to drinking water, sewage, wastewater treatment, sludge management, circular economy, incentives for connection, commercial management, development of strategies to promote health, nutrition, hygiene, and sanitation practices, and tariff studies, among other relevant topics.
- **External auditing:** includes costs for conducting external audits of the Project.
- **Contingencies:** which allocate resources from the loan to cover eventualities regarding the Project management component.

c. The Evaluation and Financing Commission Expenses component includes the evaluation expenses and financing commission of CAF.

The execution and allocation of the Loan will follow the following tentative schedule:

Components	Total	%
1. Water and Sanitation Projects	43.762	83,7
(i) Civil Works and Equipment	40.270	77,0
(ii) Contingencies	1.200	2,3
(iii) Land Acquisition	2.292	4,4
2. Program Administration and Management	8.036	15,4
(i) Oversight	2.039	3,9
(ii) Program Management, Oversight, and Monitoring	1.019	1,9
(iii) Socio-environmental Management	815	1,6
(iv) Institutional Management	1.927	3,7
(v) Studies and Consulting Services	1.750	3,3
(vi) External Auditing	204	0,4
(vii) Contingencies	282	0,5
3. Evaluation and Financing Expenses	494	0,9
(i) CAF Evaluation Expenses	50	0,1
(ii) CAF Financing Commission	444	0,8
Total	52.292	100,0

The Loan disbursements will follow the following tentative schedule:

Year	1	2	3	4	5	Total
CAF loan	5,0	11,0	15,0	16,0	5,3	52,3
%	9,6	21,0	28,7	30,6	10,1	100,0

d. Final Comments

On July 6, 2023, the Executive Branch enacted the Bill, which was published in the July 7, 2023 edition of the [Official Gazette](#) as Law No. 7124/2023. On the other hand, the MOPC has not yet issued the call for International Public Bidding (IPB); considering that the new government will take office on August 15, we believe that the Project will likely be tendered during the third quarter of this year or the first quarter of 2024.

It is important to mention that this Project complements another project financed by the Inter-American Development Bank (IDB) and the Japan International Cooperation Agency (JICA) worth over USD 150,000,000 for the drinking water and sanitation project in the Metropolitan Area of Ciudad del Este (the country's second-largest city). The loan for this project was approved by [Law No. 7088/2023](#) and enacted on May 11, 2023. For more information about this project, you can find it on [our website](#).

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