

Infrastructure and Projects News

Congress Approves US\$ 220,000,000 Loan for the Improvement of Route PY17

a. General Aspects

On June 14, 2023, the Paraguayan Congress enacted the Bill to finance the improvement of 220 kilometers (from a total of 380) of road works on Route PY17; specifically, the road section that connects the towns of Pedro Juan Caballero and Ypehú ("Project").

The Project is considered by the government as a "High National Priority" work. According to the statement of purpose of the Bill, the Project will bring the following benefits: (i) improvement of connectivity and facilitating regional product distribution; (ii) reduction in travel time (approximately -3 hours); (iii) reduction in logistics costs; (iv) increase in property value; and (v) increased government presence in a remote area. It is estimated that the direct benefits of the Project could benefit around 185,000 people.

The execution of the Project will be carried out by the Ministry of Public Works and Communications (MOPC) as the Implementing Agency on behalf of the Executive Branch; the operational part of the Project will be handled by the Road Directorate (Dirección de Vialidad) of the MOPC.

b. Financing

Financing for the Project is provided by Fondo Financiero para el Desarrollo de la Cuenca del Plata (FONPLATA) for up to USD 220,000,000 ("Loan"), to be disbursed in 2 stages of USD 130,000,000 ("First Stage") and USD 90,000,000 ("Second Stage") over a period of 20 years with a grace period of 5 years. For the disbursement of the Second Stage, the Paraguayan government must provide FONPLATA with proof of expenses amounting to USD 52,000,000, within 36 months (extendable by 12 months) from the entry into force of the Contract, for the financing amount committed in the First Stage.

The Project already has the National Public Investment System code (SNIP) of the Technical Planning Office through which public investment projects are managed. The Project will result in a budget increase of PYG 3,000,000,000 (three billion guaraníes), which will directly affect the budget of the MOPC. The Bill provides for the possibility of local counterpart funding for additional resources beyond the Loan that may be necessary to complete the Project.



c. Project Structure and Contracting System

Regarding the structure of the Project, it is divided into the following works and services ("Works"):

- i. **Road Works:** Of the 220 km of the route, 193 km correspond to the main axis; 7 km to urban crossings, and 21 km to bypasses. The work includes toll and weighing stations. The contracting through international public bidding ("IPB"), will be done by sections.
- ii. **Oversight:** Oversight contracts will be contracted under the IPB modality. These contracts will be directed to consulting firms, with each firm being eligible for only one contract, meaning no more than one section.
- iii. **Environmental, Social, and Environmental Services Management:** This component of the Project includes the following programs: (i) Municipal and Departmental Strengthening of Environmental Management; (ii) Socio-Community Environmental Education; (iii) Road Safety Education in Educational Institutions; (iv) Information and Communication to the Population; (v) Support for Tourism; (vi) Support and Strengthening of Indigenous Communities; and (vii) Support for the Release of Domain Strip and Social Assistance to those affected.
- iv. **Release of the domain strip:** This component will finance economic compensation to those affected by the planned expropriations.

The Project foresees that the Loan will be allocated to the Works according to the following structure:

FONPLATA (*)

Components	1st. Stage	2nd. Stage	Total	%
1. Road Works	112.500.000	77.900.000	190.400.000	86,6
2. Oversight	7.600.000	5.200.000	12.800.000	5,8
3. Environmental, Social, and Environmental Services Management	1.400.000	890.000	2.290.000	1,0
4. Release of the domain strip	6.000.000	2.650.000	8.650.000	3,9
5. Project Management (**)	2.500.000	3.360.000	5.860.000	2,7
Total per Stage	130.000.000	90.000.000	220.000.000	100
Percentage of Financing per Stage (%)	59,1	40,9	100	
TOTAL	220.000.000		100	

(*) The Project's budget incorporates the financing of national taxes

(**) Includes the cost of the Administration Commission, as described in Article 3.05 of the Special Stipulations of this Contract.



Regarding the contracting method of the Project, the Bill establishes that the contracts for the execution of the work will be carried out using the IPB system in accordance with the current regulations on public bidding and the "Policies for the Acquisition of Goods, Works, and Services in Operations Financed by FONPLATA of July 2017".

According to the Contract's Annex, the contracts resulting from the bidding process may be subdivided into up to five construction contracts, as established in the Terms of Reference, which must be clear of objections from FONPLATA. The contracting of Oversight must also be done through IPB, and the bidding processes can be subdivided into the same number as the contracts planned for the execution of the road works. In this case, consulting firms can only be awarded only one oversight contract.

d. Final Comments

On July 6, 2023, the Executive Branch promulgated the Bill, which was published in the July 7, 2023, edition of the Official Gazette as Law No. 7119/2023. On the other hand, the MOPC has not yet issued the call for IPB; considering that the new government will take office on August 15, we believe that the Project will be tendered during the third quarter of this year or the first quarter of 2024.

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