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COUNTRY AND INTERCOUNTRY PROGRAMMES AND PROJECTS

Consideration and approval of country programmes

THIRD COUNTRY PROGRAMME FOR PARAGUAY

UNDP assistance requested by the Government of Paraguay
for the period 1982-1986

Illustrative IPF for 1982-1986: \$9,750,000

Note: In accordance with decision 81/15, adopted by the Governing Council on 27 June 1981 (E/1981/61/Rev.1, annex I), the fifth country programme for Paraguay is being submitted to the Council without an accompanying note by the Administrator.

The previous country programmes for Paraguay and the accompanying notes by the Administrator were issued under the document symbols DP/GC/PAR/R.1 and DP/GC/PAR/R.2 and DP/GC/PAR/R.1 RECOMMENDATION and DP/GC/PAR/R.2 RECOMMENDATION, respectively.

INTRODUCTION

1. Paraguay's third country programme covers the period 1982-1986. The Government decided that the substantive content and objectives of the third programme should come from the National Co-ordinating Committee for External Technical Assistance (CNCATE) and the Technical Planning Secretariat (STP), whose executive secretary is the chairman of CNCATE, the other members being the Ministries of Foreign Affairs and Finance. The Committee is the administrative body responsible for all technical co-operation received and provided by Paraguay. In preparing the programme it had the co-operation of other ministries and technical departments of Government and the support of the United Nations Development Programme (UNDP), which, in turn, co-ordinated the efforts and recommendations of the United Nations system and took part in the preparation of the final document.
2. Programming was done from April to September 1981 and was based on the results of the second country programme and the requirements arising out of recent economic and social development and the foreseeable medium-term future. The second country programme had three priority objectives: rural development, support for the financial infrastructure and human resources training and planning. The first two were adequately covered in the second programming cycle, with the strengthening of substantive and administrative support for the over-all development of the Chaco region, for national forestry development, for rural development in Itapúa and the Eastern Axis, for agricultural marketing and statistics, and for the national preinvestment system and financial programming, including accounts. The resources earmarked for the third objective, however, were not commensurate with national requirements. Some fundamental aspects of the approaching boom in industrial and agricultural development are still not receiving attention and their seriousness is of great concern to the national authorities. Accordingly, CNCATE believed that efforts under the third programme should be directed chiefly to specific programmes of human resources improvement in addition to specific aspects of foreign trade, natural resources, environment and energy development. That policy was communicated to the agencies of the United Nations system and their comments were duly incorporated into the present document.
3. In addition to deciding on the objectives of the third programme, CNCATE also stated that intensive use should be made of all the financing sources and funds of the United Nations system, including technical co-operation among developing countries (TCDC), with a view to supplementing the limited resources of the illustrative indicative planning figure (IPF). Moreover, the co-ordinating and planning system for technical assistance should be strengthened and more dialogue established with other sources of assistance outside the United Nations system.
4. Inasmuch as the preparation of the third programme precedes the new National Plan, CNCATE indicated that the development objectives identified in the present programme have such priority that they would retain their importance, regardless of the nature of the new Plan. Nevertheless, it was thought advisable to set aside 10 per cent of the IPF resources as a reserve for administrative support to the programme for the third cycle.

PROPOSED UNDP TECHNICAL CO-OPERATION IN SUPPORT OF
NATIONAL DEVELOPMENT PRIORITIES

5. Paraguay possesses abundant areas of unutilized land with good cultivation and livestock production potential and untapped hydroelectric potential. However, the prevailing level of economic and social development is such that these resources have not been fully utilized, largely on account of weaknesses in public institutions, inadequate infrastructure - especially transport - and remoteness from external markets. The rapid growth witnessed in recent years, attributable primarily to the construction of the Itapúa dam (14,799 mega-kilowatts (MKW)) and agricultural expansion, has led to rapid transformation of the national economy, accompanied by an increase in exports. The construction of the Itapúa and Yacyretá (4,700 MKW) dams, which is being carried out jointly with the Governments of, respectively, Brazil and Argentina, has promoted construction and related activities, given impetus to national investment and growth in services, and helped to bring about growth of over 10 per cent in the last three years. The benefits of this growth have been distributed evenly and the increase in income has produced an improvement in living conditions and life expectancy.

6. The present development strategy is centred on traditional economic sectors such as agriculture and agro-industry, seeking to raise the added value of local production, especially in the sectors which use electricity more intensively. It is the Government's hope that this strategy will produce an expansion in private investment, accompanied by public investment in infrastructure, education, health and other related services, together with a sustained increase in exports. The real rates of development that are achieved will depend to a large extent on the technical and administrative capacity of the public sector to prepare and implement priority projects and on the availability of adequate manpower and entrepreneurial capacity.

7. CNCATE indicated that the objectives of the third programme should be: (a) to secure a quantitative and qualitative improvement in the country's human resources and prepare them to respond to the demands of national development; (b) to encourage research and development with regard to natural resources and the environment, and scientific and technical research and to promote activities in the field of energy development; (c) to increase the operational capacity and effectiveness of the administrative apparatus and of the national planning and financial system; and (d) to develop exports.

8. CNCATE likewise indicated that in the third programming cycle projects should stress horizontal co-operation (TCDC), encourage the carrying out of multidisciplinary projects requiring maximum interagency co-ordination and co-operation, improve the utilization of resources from regional and interregional programmes and from the regular programme funds of the United Nations agencies, promote co-ordination with other bilateral and multilateral sources, and ensure that in projects receiving financial assistance provision should be made, as an integral part of the credit requested or to be requested, for the necessary funds to cover the needs of technical co-operation.

9. The comments by the agencies of the United Nations system enabled CNCATE to define the objectives referred to in the previous paragraph more clearly with a view to later facilitating the prompt identification of the projects of the third country programme. CNCATE thus associated itself with the UNDP recommendation on orienting country programming towards very definite and specific development goals. The detailed objectives of the third country programme are:

(a) Human resources: (i) human resources studies with emphasis on productive employment and training of the public sector; recommendations for other studies and decision-making (the public sector will include subsectors not covered by other financing sources); (ii) strengthening of the country's institutions in accordance with (i) and recommendations for improving, creating and co-ordinating institutions; and (iii) acceleration, introduction or improvement of training at all levels with emphasis on ongoing programmes and on the most dynamic subsectors/activities not covered by other sources of financing;

(b) Exports: (i) study of the export capacity of the country with emphasis on non-traditional sectors and determination of priority subsectors; (ii) implementation of integrated market development exercises; and (iii) improvement of logistic support services to exports;

(c) Energy, natural resources and environment: (i) energy: (a) determination of sectors and areas of the country to be covered by non-conventional energy; (b) study of possibilities for the adaptation of available technology in the area of new and renewable energy sources with emphasis on solar energy, biomass conversion, wind energy, firewood and charcoal in pursuance of (a); (ii) natural resources: (a) general survey of the country's natural resources with major emphasis on mining and wooded areas with a view to exports, together with pre-feasibility studies; and (b) feasibility of specific projects and recommendations; (iii) environment: determination of the most important environmental aspects with institutional and substantive recommendations;

(d) Administrative support to the programme for the third cycle (including reserve): (i) emphasis on TCDC; (ii) reserve for adjustment of priorities.

10. CNCATE also reported that the allocation of available resources, including those relating to cost sharing, should be governed by, in addition to the objectives stated above, the following percentages: human resources, 50 per cent; exports, 20 per cent; energy, natural resources and environment, 20 per cent; administrative support to the programme for the third cycle, 10 per cent.

11. The Government asked that it should be expressly recorded in the country programme that, despite the existence of 28 pipeline projects at the time of preparation of the first draft of the programme, the final document would refer solely to the new profiles contained in annex II. All other requests for 1983 and subsequent years will be subjected to rigorous examination to ensure its consistency with the objectives and percentages described above, a task which the Government will embark on immediately. During the process of selecting pipeline requests or any other request submitted later, the Government will do its utmost to

support the Governing Council of UNDP by giving high priority to new projects directly related to pre-investment.

12. In designing the projects which are to make up the third country programme, due account will be taken of the global priorities established in intergovernmental forums in connexion with matters of great concern to the United Nations, such as the participation of women in development, concentration on the most needy, improvement of literacy levels, conservation and improvement of the environment, and, especially, co-operation among developing countries, as indicated in paragraph 8 of this document.

13. Earmarkings for the third cycle for ongoing projects, including cost sharing (\$510,000), amount to \$1,623,000. The areas covered are:

(a) General development policy and planning: second pre-investment project - Central Pre-investment System Unit (PAR/80/001); strengthening of integrated accounts systems (PAR/80/003); second pre-investment project - Financial Programming Unit (PAR/80/004); second pre-investment project - industry, agro-industry and tourism sector (PAR/80/007).

(b) Agriculture, forestry and fishing: forestry development (PAR/76/005); rural development, Itapúa (PAR/77/004); technical assistance to the National Development Bank (PAR/77/005); agricultural development of the Eastern Axis settlements (PAR/79/001); development of livestock production (PAR/79/002); improvement of Paraguay's agricultural and livestock statistics (PAR/ -/ -); establishment and development of the Asunción provision market (PAR/79/007); second pre-investment project - agricultural and forestry sector (PAR/80/005).

(c) Transport and communications: second pre-investment project - transport sector (PAR/80/006).

(d) Employment: curriculum assistance in connexion with production administration (PAR/81/001).

14. See annex II for new profiles for the third cycle.

15. As shown in the annex, the Government hopes to increase its contribution in the form of cost sharing which, in the third cycle, may amount to an additional \$2.5 million. This input will take the form of specific projects to be included at a later date in the country programme in accordance with the objectives referred to earlier. The Government also hopes to continue benefiting from and participating in the execution of regional, interregional and global projects; however, both in the case of these projects and of the projects financed from the regular funds of agencies of the United Nations system, this document provides no financial estimate, chiefly because of the difficulty of formulating such estimates.



Annex I
 FINANCIAL SUMMARY

| | <u>\$US</u> |
|--|-------------|
| A. <u>Resources</u> | |
| (a) IPF and other resources | |
| (i) Illustrative IPF for programme period | 7 800 000 |
| (ii) Carry-over from previous IPF cycles | - |
| (iii) Other resources (Government cost sharing) <u>a/</u> | 3 010 000 |
| (b) Provision for adequate programming | - |
| TOTAL | 10 810 000 |
| B. <u>Use of resources</u> | |
| (a) Programmed | |
| (i) Ongoing projects | 1 623 000 |
| (ii) New projects and new phases included in the country programme | - |
| (iii) Earmarked for specific objectives and activities for which projects are to be worked out (continuous programming at a later stage) | 8 268 000 |
| Subtotal | 9 891 000 |
| (b) Reserve | 919 000 |
| (c) Unprogrammed balance <u>b/</u> | - |
| TOTAL | 10 810 000 |

a/ The Government expects to increase its cost-sharing contribution by \$2.5 million during the third cycle on the basis of specific projects to be included in the country programme. The balance of \$510,000 is the amount of cost sharing already committed to ongoing projects.

b/ Representing 20 per cent of the illustrative IPF which has not been taken into account for programming in accordance with the Administrator's instructions contained in UNDP/PROG/FIELD/111; UNDP/PROG/HQTRS/126.

C. Financial distribution of programme by sector

| <u>Sector c/</u> | <u>Ongoing projects</u> \$US | <u>New projects</u> \$US | <u>Sectoral earmarkings</u> \$US | <u>TOTAL</u> \$US |
|--|---------------------------------|-----------------------------|-------------------------------------|----------------------|
| 02 General development planning, etc. | 818 000 | - | - | 818 000 |
| 03 Natural resources | - | - | 1 837 000 | 1 837 000 |
| 04 Agriculture, forestry and fishing | 684 000 | - | - | 684 000 |
| 06 Transport and communications | 97 000 | - | - | 97 000 |
| 07 International trade and financial development | - | - | 1 837 000 | 1 837 000 |
| 12 Employment | 24 000 | - | 4 594 000 | 4 618 000 |
| Subtotal | 1 623 000 | - | 8 258 000 | 9 891 000 |
| Reserve | - | - | 919 000 d/ | 919 000 |
| TOTAL | 1 623 000 | - | 9 187 000 | 10 810 000 |

c/ According to the ACC classification. The wording of this classification is not identical with the titles of sectors identified in paragraph 9 of this document as having priority. Paragraph 9 contains a more detailed explanation of the definition used by the Government.

d/ Including 10 per cent of the new cost sharing.

Annex II

Concurrently with the formulation of the third country programme the Government embarked on identifying specific projects satisfying the objectives described in paragraph 9 of the document. The following projects have been selected for formulation and implementation in 1982:

- (a) Project in the area of technological assistance for the improvement and expansion of small industry;
- (b) Project in the area of development of exports;
- (c) Project in the area of human resources, training and employment;
- (d) Project to support professional forestry service;
- (e) Extension of the project on navigability of the Paraguay River (PAR/80/002).

The total costs of these projects are being determined by the relevant government agencies in co-operation with the UNDP field office, and they have accordingly not been reflected in the text of this document.

