



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 22-Dec-2020 | Report No: PIDC30592



BASIC INFORMATION

A. Basic Project Data

Country Paraguay	Project ID P175320	Parent Project ID (if any)	Project Name Asuncion Riverfront Urban Resilience Project (P175320)
Region LATIN AMERICA AND CARIBBEAN	Estimated Appraisal Date Apr 12, 2021	Estimated Board Date Jun 01, 2021	Practice Area (Lead) Urban, Resilience and Land
Financing Instrument Investment Project Financing	Borrower(s) Republic of Paraguay	Implementing Agency Ministry of Public Works and Communications (MOPC)	

Proposed Development Objective(s)

To improve livelihoods for targeted vulnerable households and upgrade sustainable living conditions along the riverfront of Asunción.

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	72.00
Total Financing	72.00
of which IBRD/IDA	72.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)	72.00
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Environmental and Social Risk Classification
Substantial

Concept Review Decision
Track II-The review did authorize the preparation to continue



Other Decision (as needed)

B. Introduction and Context

Country Context

1. **Paraguay has been characterized by relatively solid economic growth and poverty reduction in recent years, but the COVID-19 pandemic threatens to stall or even reverse this progress.** The current global recession is likely to lead to a GDP decline of 3.2% in 2020, after almost 15 years of an annual GDP growth rate of 4.5%.¹ The recovery is expected to start in 2021, with growth rates estimated to reach 4%.² Poverty and extreme poverty dropped respectively from 58% and 16% in 2002 to 24% and 4% in 2019, though poverty reduction in urban areas has slowed (17.8% in 2018 compared to 17.5% in 2019). Income inequality remains high at a Gini index of 45.3 in 2019,³ and due to COVID-19, poverty is expected to increase in 2020 to the levels of 2015 (27%).⁴ High-Frequency Surveys carried out by the Bank between June and August 2020 show that more than 60% of households had a drop in income by at least one member, 38% had a member who lost a job, and 28% had at least one member who was suspended from work without pay. In addition, data from the National Statistical Office shows that the employment rate fell by 5.7% in urban areas, compared to the same period in 2019.⁵ In July 2020, the Government of Paraguay Government presented an Economic Recovery Plan with three pillars – social protection, public investment, and development credits – supported by cross-cutting plans to strengthen public sector effectiveness and improve conditions for private-sector-led growth.

2. **Almost two-thirds of Paraguayans live in cities, and 47% of the total population is concentrated in the Metropolitan Area of Asunción (AMA).** The AMA's rapid growth – its population has multiplied by a factor of four over the last forty years from 774,000 in 1980 to 3.3 million in 2020⁶ – has been unmatched by a corresponding capacity to plan and provide services to an increasingly complex and vulnerable urban landscape.⁷ The AMA reflects the natural and anthropogenic risks that Paraguay faces today: COVID-19, lack of economic opportunity, poor urban planning, poor housing conditions, poor coverage of public services, lack of public spaces, natural ecosystems threatened by improper land use, and increasing climate-change-related hazards like flooding. The communities living in informal settlements – around 18% of the urban population in Paraguay – often lack access to formal work and/or other social safety nets, so they are disproportionately affected by these risks. Paraguay's national and municipal governments, marked by a low tax base and relatively low levels of efficiency and effectiveness in the state bureaucracy,⁸ have struggled to respond to the rapidly evolving needs of the AMA.

3. **Paraguay has recognized adaptation to climate change as pressing matter, and the AMA has been particularly affected by natural hazards in recent years.** The country ranks eighth in Latin America in terms of most vulnerability to climate change,⁹ which is projected to increase intensity of hazards such as flooding, drought, heat waves, forest fires, and

¹ World Bank (October 2020). "The Cost of Staying Healthy: Semiannual Report of the Latin America and the Caribbean Region.

² World Bank (December 2020). "Paraguay: Country Program Adjustment Responding to COVID-19."

³ World Bank (2020) "The World Bank in Paraguay: Overview" (website); Dirección General de Estadística, Encuestas y Censo, Government of Paraguay <https://www.dgeec.gov.py/>. Accessed on October 9, 2020.

⁴ World Bank (October 2020). "The Cost of Staying Healthy: Semiannual Report of the Latin America and the Caribbean Region.

⁵ World Bank (December 2020). "Paraguay: Country Program Adjustment Responding to COVID-19."

⁶ United Nations. (2018) "World Urbanization Prospects."

⁷ Inter-American Development Bank (2014). "Plan de Acción: Área Metropolitana de Asunción sostenible."

⁸ World Bank (2018). Paraguay Country Partnership Framework

⁹ CAF (2014). Índice de vulnerabilidad y adaptación al cambio climático en la región de América Latina y el Caribe. Caracas: CAF. Retrieved from <http://scioteca.caf.com/handle/123456789/517>



infectious diseases. In May 2019, for example, heavy rains caused the Paraguay River to overflow its banks, affecting 62,000 families across large swaths of the country.¹⁰ Paraguay included climate change as a priority in its 2030 National Development Plan, and the Government identified water resources, land management, infrastructure, health and sanitation, and disaster risk management as priorities in their 2015 Nationally Determined Contribution. A high prevalence of social vulnerability and exposure in Paraguay can increase the risk and potential damage of natural disasters, with disproportionate effects on already-vulnerable communities and women.¹¹ The AMA is predicted to experience double the number of extreme events by 2040 due to climate change.¹²

Sectoral and Institutional Context

4. **A historical process of unplanned and disorderly urbanization has contributed to environmental, social, and economic vulnerabilities in the AMA.** The population of the AMA represents 76% of the national urban population and it is expected to grow by another million in the next 15 years.¹³ The city has experienced carbon-intensive, low-density urban sprawl and an increase in informal settlements in high-risk areas, particularly along the floodplain of the Paraguay River, which runs along the city's northern and western borders. The AMA concentrates public services and is a prime attractor for rural-to-urban migration, and it represents about 47% of the national GDP.¹⁴ However, it struggles with a large informal economy and relatively slow growth,¹⁵ which has made the city even more vulnerable during the current COVID-19 economic downturn. Public services are often inadequate and housing quality is low: around 41% of the housing stock does not meet minimum standards for livability (lacking a bathroom and/or a kitchen).¹⁶ Only 4% of wastewater is treated in the AMA, and the rest is discharged directly into the Paraguay River with no treatment, putting at risk public health and the riverine ecosystem.¹⁷ Public, recreational, and green space is also deficient in the AMA: around half of the population thinks public spaces – like those in the Historic Center – are insufficient, poorly-maintained and/or unsafe.¹⁸ Nature reserves and other green public spaces along the riverfront have been affected by improper land use, informal settlements and illegal dumping grounds, impeding their use as public spaces for outdoor leisure and for natural drainage of stormwater flows from upstream catchments, exacerbating the risk of flooding.

5. **The risks for the families living in the coastal area of AMA are increasing.** Due to the lack of urban planning and enforcement, thousands of families have informally settled in high-risk areas in recent decades, including in the wetlands and natural floodplains of the Paraguay River, known as Bañados de Asunción, home to the poorest income percentile in the city. Despite the increasing risk, the population living in Bañados has grown steadily over time, swelling from around 40,000 inhabitants in 1993 to around 100,000 today. They live in poor housing with inadequate sanitation and hygiene conditions, exacerbating their vulnerability to natural hazards and health-related events like pandemics. In 2018, over 10,000 people sought emergency shelter due to riverine flooding.¹⁹ Some attempts have been made in recent years to partner with these riverfront communities to improve their living conditions, but to date, the results have been insufficient. There are few channels for effective public participation in urban planning or budgeting processes to respond

¹⁰ UNICEF (2019). Paraguay floods. <https://www.unicef.org/lac/en/node/3561>

¹¹ World Bank (2016). Toolkit for Mainstreaming Gender in Water Operations.

¹² World Bank Climate Change Knowledge Portal (2020). "Paraguay" <https://climateknowledgeportal.worldbank.org/country/paraguay>

¹³ United Nations (2018) "World Urbanization Prospects."

¹⁴ Inter-American Development Bank (2014). "Plan de Acción: Área Metropolitana de Asunción sostenible."

¹⁵ UN Habitat (2019). "Recomendaciones de Acciones para la Resiliencia y la Sostenibilidad: Asunción. Resumen Ejecutivo"

¹⁶ Inter-American Development Bank (2014). "Plan de Acción: Área Metropolitana de Asunción sostenible."

¹⁷ Inter-American Development Bank (2014). "Plan de Acción: Área Metropolitana de Asunción sostenible."

¹⁸ According to a 2014 survey, 47% of AMA habitants said there were insufficient public spaces, 44% said the public spaces were in bad states or poorly maintained, and 51% said public spaces were unsafe or very unsafe. Inter-American Development Bank (2014). "Plan de Acción: Área Metropolitana de Asunción sostenible."

¹⁹ IDB. (2018) "Strengthening Urban Resilience in Riverside Asunción." Available at: <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=EZSHARE-518808585-6>



to their needs,²⁰ highlighting an opportunity to improve citizen engagement with a focus on elevating the voice and agency of women, whose political participation is limited nationwide.²¹ Along these lines, despite strong legal frameworks that guarantee formal gender equality,²² Paraguay continues to face a large and persistent gender gap in the labor market.²³

6. The Government of Paraguay has been planning to address the socio-environmental degradation of the urban riverfront of the AMA for the past thirty years. In 1993, the government released the first version of the Master Plan of the Coastline of Asuncion (MPCA), which has been partially implemented in a fragmented manner due to financial and coordination challenges. In 2018, with support from the Bank, the government developed *AsuParticipa*, an online platform to facilitate public participation that consolidated information from several urban projects from the MPCA, which are currently in different stages of development. In 2019, the President of Paraguay, the Mayor of Asunción and the Archbishop of Asunción signed a Memorandum of Understanding to operationalize the MPCA through improved coordination, project planning and prioritization, and public participation. This process is being carried out through an inter-institutional working group (*Mesa Interinstitucional*) with representatives from the Municipality of the City of Asunción (MCA) and five national government authorities: the Ministry of Finance (MH), the Ministry of Public Works and Communications (MOPC), the Ministry of Urban Development and Housing (MUVH), the Technical Secretariat for Economic and Social Development Planning (STP), and the Social Cabinet (UTGS). The World Bank has been coordinating this effort to improve the governance model, in partnership with the IADB, CAF, UNDP, as well as civil society organizations. In 2020, the World Bank financed a Technical Assistance (TA) project to support the Government in prioritizing and consolidating existing MPCA projects into an implementable urban action plan. The TA included collaboration with the *Mesa Interinstitucional* to produce conceptual designs and initial cost estimates for prioritized MPCA projects, as well as a proposal for the design of a public management entity to oversee the medium-term implementation of the MPCA along the riverfront.

7. The Government has requested support for a multipurpose, integral program to jumpstart the regeneration of the riverfront of the AMA through improving public spaces, revitalizing the Historic Center, and ensuring that communities affected by the development of the riverfront areas fully benefit from its development. Lessons learned from riverfront development all over the world demonstrate that maximizing the benefits of the authorities' interventions to develop the riverfront of AMA requires an integrated approach that provides opportunities for cross-sector dividends: resilience to natural disasters should increase social resilience and resilience to other shocks, like the pandemic. This operation will both address urgent needs that respond to the Government's recent Economic Recovery Plan as well as set the foundation for a medium-term investment program to support the greening of the AMA, build urban resilience,²⁴ and target and engage vulnerable populations by promoting their socioeconomic development. The Project, which includes four strategic infrastructure investments aligned with the MPCA and prioritized by the Government during the recent TA, will create the physical, social, economic and institutional enabling environment for medium-term riverfront regeneration.

²⁰ Inter-American Development Bank (2014). "Plan de Acción: Área Metropolitana de Asunción sostenible."

²¹ Nationally, as of 2018, women only make up 15% of the national parliament and hold 21% of the ministerial positions. World Bank (2020). Gender Data Portal: Paraguay. <https://datatopics.worldbank.org/gender/country/paraguay>

²² World Bank. (2020). Women, Business and the Law: Paraguay.

²³ Women in Paraguay have a weaker attachment to the labor force and are more likely to be neither in employment nor in education or training. Women are significantly more likely to work informally, whether in self-employment, as informal wage workers or as unpaid family workers. Gender gaps in earnings are very high. Relevant to this Project's investments, the paid workforce of construction sector is less than 8% female. Early evidence from the impact of COVID-19 suggests that the crisis may have long-lasting effects on these gender gaps, as women have been more likely to leave the labor force in response. (Ruppert Bulmer et al, Stubborn Gender Gaps in Paraguay, Jobs Group, World Bank, June 2018),

²⁴ UN Habitat (2020). Urban resilience has conventionally been defined as the "measurable ability of any urban system, with its inhabitants, to maintain continuity through all shocks and stresses, while positively adapting and transforming towards sustainability". Available at: <https://urbanresiliencehub.org/what-is-urban-resilience/>



Relationship to CPF

8. **The Project is aligned with the current Paraguay Country Partnership Framework (CPF) with the World Bank for the Period FY19-FY23.** The proposed investments directly address Objective 6 of the CPF, which is to “Strengthen environmental governance for Nationally Determined Contribution (NDC) implementation and natural capital preservation.” One of the three key indicators for this objective is “vulnerable families in the Bañados of Asuncion mapped and consulted in the development of the Disaster Risk Management Strategy.” This Project will also contribute to two main pillars under the NDC submitted by Paraguay: sustainable land management and preparedness for extreme weather events. This Project is directly relevant for the WBG COVID-19 Crisis Response Approach on Pillar 2: Protecting Poor and Vulnerable People and Pillar 3: Ensuring Sustainable Business Growth and Job Creation. It will support the Economic Recovery Plan deployed by the Government to overcome the recent challenges posed by COVID-19. The Project includes workforce development and job creation for poverty reduction, which will contribute to CPF Focus Area Three: Building Human Capital. The Government has also recently indicated interest in green economies and in reconsidering the sustainability of the national development model, and this Project can leverage the World Bank’s experience to guide current and future discussions about national and urban growth. Furthermore, this Project will build the capacity of the public sector, in line with the current institutional reform agenda highlighted in the CPF.

C. Proposed Development Objective(s)

9. To improve livelihoods for targeted vulnerable households and upgrade sustainable living conditions along the riverfront of Asunción.²⁵

Key Results (From PCN)

10. The PDO-level indicators are:

- Number of people benefitting from improved urban living conditions,²⁶ percentage of whom are female and percentage of whom are bottom 40% (corporate results indicator).
- Number of average daily visitors to improved public spaces, percentage of whom are female.
- Number of beneficiaries of job-focused interventions, percentage of whom are female and percentage of whom are people with disabilities.

D. Concept Description

11. **The Project aims to revitalize public spaces and key corridors of the historic center and help put in place the infrastructure and urban planning to allow for the medium-term development of the area.** Doing so will help to build a greener, more climate-friendly city, help to protect Asunción’s main natural assets, promote socioeconomic development, and strengthen institutional capacity as the first step in a medium-term effort to build urban resilience. The complex needs of the riverfront of the AMA cannot be addressed in one fell swoop: the MPCA includes a wide range of necessary interventions, of which the Government has prioritized four timely, achievable, and transformational activities as part of this Project. In addition to the four areas of immediate intervention, the operation has been designed to set the stage for the Government’s investment program laid out in the MPCA and to develop the institutional landscape for managing complex urban regeneration. The operation will be accompanied by a communications campaign to engage with key stakeholders, local communities and private sector actors. The proposed Project includes three components: (i) Component 1 will support the implementation of four keystone projects along the waterfront and in the historic center;

²⁵ For the purposes of this Project, “sustainable living conditions” refers to increased access to formal housing, public services and public spaces, as well as reduced exposure to flood risk. The “riverfront” refers to the *Franja Costera*, or the area of land that is along the coastline of the Paraguay River and is included within the MPCA. This includes the Historic Center area.

²⁶ Measured by increased access to formal resettlement housing and by increased access to improved public services.



(ii) Component 2 will support economic development activities and participatory strategies for improving the quality of life and livelihoods of vulnerable communities; and (iii) Component 3 will support institutional capacity building for national and municipal authorities on urban planning, land use and risk management.

12. **Component 1: Interconnected Urban Resilience and Revitalization Investments:** Based on a prioritization exercise undertaken during the recent TA, the Government selected the following four strategic riverfront projects to implement under this Project because of their potential to spur social, environmental, and economic resilience in the AMA. These four sub-projects, taken together, create synergies and complementary impacts through a combination of “quick win” interventions and structural infrastructure investments that lay the groundwork for improving quality of life of vulnerable populations in the medium-term. The four proposed sub-projects are part of the MPCA and as such they are aligned with previous, current, and planned investments, like the creation of the Costanera Avenue and the slum upgrading of *Chacarita Alta* (currently financed by the IADB). To date, the Government has agreed upon conceptual designs of the four interventions, and the MOPC is working on pre-feasibility studies and design parameters to inform procurement processes, to be ready by Project Appraisal. The Project will finance the final detailed designs of the investments under a Design-Build approach. This component will provide long-term housing solutions for vulnerable families who are to be resettled from high-risk areas, along with basic infrastructure and improved connections to public services. The Project will include the preparation of the instruments to conduct the resettlement process, as well as strategies to prevent the proliferation of new informal settlements. Also, this component includes upgrades to existing green spaces and a nature reserve, intended to enhance the quality of the ecosystem services of the AMA riverfront. All four sub-components will include hydrodynamic assessments to ensure that flood risks are reduced to an acceptable level with an optimal balance between gray and green infrastructure and that drainage capacity both upstream and downstream is not affected negatively.

13. **Component 2: Social Resilience, Sustainable Business Growth, and Job Creation:** This component will address the urgent needs of targeted vulnerable communities in the riverfront of Asunción, as well as lay the foundation for medium-term economic recovery through job creation and participatory design of public spaces and resettlement housing.

14. **Component 3: Project Management and Institutional Capacity Building for Urban Resilience:** Past efforts to develop the riverfront have been frustrated by uncoordinated management and oversight of the implemented interventions. This component involves three types of institutional support to ensure that national and municipal authorities are ready and capable of building urban resilience and managing the equitable distribution of the value created through riverfront regeneration: (i) capacity building for national and municipal government institutions; (ii) the design of a public management entity to oversee riverfront development; and (iii) Project management and monitoring.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Screening of Environmental and Social Risks and Impacts



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APPROVAL

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Approved By

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