

Third Party Evaluation Report 2016
Ministry of Foreign Affairs of Japan

Country Assistance Evaluation of the Republic of Paraguay

February 2017

KPMG AZSA LLC

Preface

This report, under the title Evaluation of the Republic of Paraguay, was undertaken by KPMG AZSA LLC entrusted by the Ministry of Foreign Affairs of Japan (MOFA) in fiscal year 2016.

Since its commencement in 1954, Japan's Official Development Assistance (ODA) has contributed to the development of partner countries, and has contributed to bringing solutions for international issues which vary over time. Recently, in both Japan and the international community, implementing ODA requires higher effectiveness and efficiency. MOFA has been conducting ODA evaluations every year, of which most are conducted at the policy level with two main objectives: to improve the management of ODA; and to ensure its accountability. The evaluations are conducted by third parties, to enhance transparency and objectivity.

This evaluation study was conducted with the objective of reviewing Japan's overall policies on assistance to Republic of Paraguay, including the Country Assistance Policy for Republic of Paraguay 2012, drawing on lessons from this review to make recommendations for reference in policy planning and its effective and efficient implementation of future assistance to Republic of Paraguay by the Government of Japan, and ensuring accountability by making the evaluation results widely available to the general public.

Tatsufumi Yamagata, Director General, International Exchange and Training Department, Institute of Developing Economies, served as a chief evaluator to supervise the entire evaluation process, and Yoko Fujikake, Adviser to the President, Professor of Graduate School of Urban Innovation, Yokohama National University, served as an advisor to share her expertise on governance and international aid coordination. They have made enormous contributions from the beginning of the study to the completion of this report. In addition, in the course of this study both in Japan and in Republic of Paraguay, we have benefited from the cooperation of MOFA, Japan International Cooperation Agency (JICA), and the local ODA Task Force, as well as government agencies in Republic of Paraguay, donors, and non-governmental organization (NGOs). We would like to take this opportunity to express our sincere gratitude to all those who were involved in this study.

Finally, the Evaluation Team wishes to note that opinions expressed in this report do not necessarily reflect the views or positions of the Government of Japan.

February 2017 KPMG AZSA LLC

Note: This English version of the Evaluation Report is a summary of the Japanese Evaluation Report of Republic of Paraguay.

Evaluation Report Overview

Evaluators (Evaluation Team)

Chief Evaluator: Tatsufumi Yamagata, Director General, International Exchange and Training Department, Institute of Developing Economies

Advisor: Yoko Fujikake, Adviser to the President, Professor of Graduate School of Urban Innovation, Yokohama National University

Consultant: KPMG AZSA LLC

Period of the Evaluation: June 2016—February 2017

Study:

Field Survey: Republic of Paraguay

Country:



Water supply facility for Coronel

Oviedo City visited in field survey

(rendering)

Background, Objectives and Scope of the Evaluation

As one of the world's largest soybean producers and exporters, agriculture is a key economic driver for The Republic of Paraguay. This sector has a significant impact on nation's economy; however, production and international prices for produce have left the economy fragile resulting in lagging growth among other Latin American countries. There is a wide disparity between the rich and the poor, which is particularly significant in rural areas. Given this situation, Japan has set Country Assistance Policy for Paraguay. Its Basic Policy is to improve livelihood of the poor and social services. Under the Basic Policy, there are two Priority Areas, which are (1) reduction of disparities and (2) sustainable economic development. This evaluation analyzes the Japan's overall assistance policy for Paraguay based on its significance of the aid and aims to obtain lessons and recommendations that will contribute to policymaking and effective and efficient implementation to improve ODA management, and to fulfill accountability by publicizing the evaluation results.

Brief Summary of the Evaluation Results

● Development Viewpoints

(1) Relevance of Policies

Japan's ODA policies for Paraguay are consistent with the development needs of Paraguay, high-level development policies of Japan's ODA and international priority issues, therefore they are highly relevant. However, the target and the means are not specified as to "reduction of disparities", and it should be improved when revising the policy.

(2) Effectiveness of Results

Japan's aid has achieved certain level of outcomes. It contributed to improvement of livelihood of the poor, social services, economic and social infrastructure and public administration capacity of central and local government. Therefore, the effectiveness of results is "high".

(3) Appropriateness of Processes

Japan's ODA policies for Paraguay have been formulated through appropriate process, therefore, they are rated "high". However, there should be more communication with other donors as harmonization among donors is encouraged today.

- Diplomatic Viewpoint

Japanese immigrants and Japanese Paraguayans have made a significant contribution to agriculture, which helped strengthen bilateral relations. As Japan's ODA has further increased pro-Japan sentiments in Paraguay, it can be evaluated to have diplomatic importance.

Recommendations

(1) Continued Aid Utilizing Various Modalities

Paraguay is experiencing steady economic growth. Japan's ODA perspective of *selection and concentration* indicates that it will eventually be depart from status of a recipient country and become more important as Japan's business partner. Japan should continue to actively provide ODA to Paraguay to maintain a historically great relationship in diplomacy, economy and culture. A variety of modalities should be utilized to increase efficiency of the assistance.

(2) More Strategic Approach to Reduce Disparities

It is necessary to identify groups of people that tend to be left out of overall growth to solve disparities. Particularly, women should be more empowered.¹ In order to solve disparities, policy should specify target groups that require support, including single mothers, rural women and indigenous women who tend to have no other choice but to fall into "pockets of poverty"². A strategic approach needs to be applied to directly respond to the issues those groups and communities face.

(3) Strategic Collaboration by Multi-stakeholders to Promote High-Quality Infrastructure Assistance

Although Paraguay is referred to as a developing country, it is ranked as a middle-income country. Paraguayan government already has a certain level of financial, technical and human resource capacity for development. Japan has made a cooperation agreement with Inter-American Development Bank (IDB) to provide high-quality aid in April 2016. In order to maximize aid effects, it also needs to have strategic communication and coordination with other stakeholders who are involved in Paraguay's development. This should be regarded as an ODA issue in Latin America, not just an issue in Paraguay.

¹ Edited by Research Unit for Policy Development in Latin America. Second Symposium on Latin America: Coexistence with Risk and Development in Paraguay. Institute of Advanced Sciences, Yokohama National University.

² The term refers to a situation when severe poverty still exists in some areas of regions where certain progress in poverty reduction has been achieved.

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Chapter 1 Implementation Policy of the Evaluation

1 - 1 Evaluation Background and Objectives

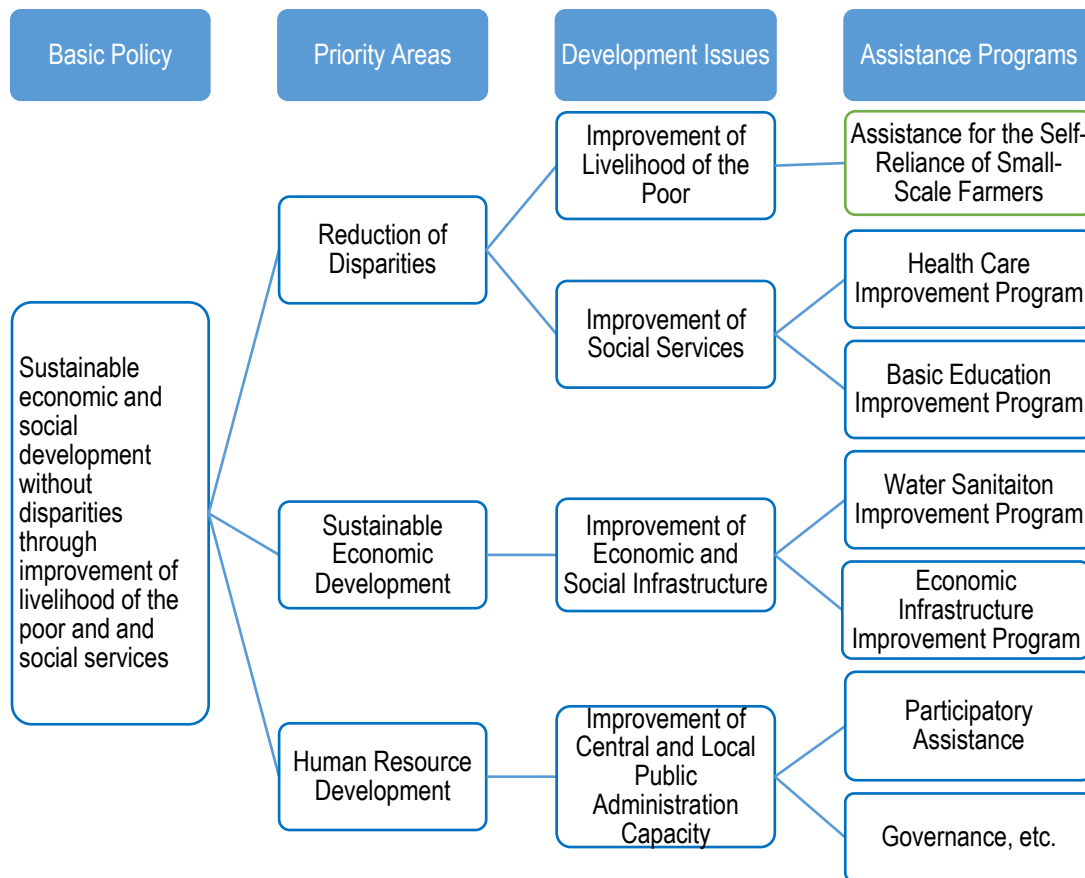
Japanese immigrants began settling in Paraguay in 1936, and many events were held to commemorate the 80th anniversary of Japanese immigration to the country in 2016. Japan's ODA and Japanese immigrants' and Japanese Paraguayans' contribution to the agricultural sector have positive impact to Paraguayan people, and it is one of the world's most pro-Japan countries. As one of the world's largest soybean producers and exporters, agriculture is a key economic driver for The Republic of Paraguay. This sector has a significant impact on nation's economy; however, production and international prices for produce have left the economy fragile resulting in lagging growth among other Latin American countries. Japan's assistance for Paraguay to solve issues leads to strengthening of bilateral relations and stabilization of agricultural production and transport infrastructure. Paraguay is one of the Latin American countries that face a severe disparity between the rich and the poor, and in genders, and it is significant in rural areas. Given this situation, Japan has set Country Assistance Policy for Paraguay. Its Basic Policy is to improve livelihood of the poor and social services. Under the Basic Policy, there are two Priority Areas, which are (1) reduction of disparities and (2) sustainable economic development. This evaluation analyzes Japan's overall ODA policy for Paraguay based on its significance of the aid, and aims to obtain lessons and recommendations that will contribute to ODA policymaking and implementation. The results will be publicized to fulfill accountability to the people and given to the Government of Paraguay (GOP) and other donors as feedback.

1 - 2 Scope of Evaluation

The target of this evaluation is Japan's overall ODA policies. The target period is 10 years from 2006 to 2015 considering feasibility of evaluation, effects of recommendations and lessons. The evaluation team created an objective framework (figure 1-1), referring to Japan's Country Assistance Policy for the Republic of Paraguay (April 2012) and the ODA Country Databook for Paraguay. The evaluation is conducted in compliance with the ODA Evaluation Guidelines, 10th Edition (June 2016) of the MOFA of Japan.

This is the first evaluation of Japan's ODA to Paraguay.

Figure 1-1 Framework of Objectives



Source: Produced by Evaluation Team based on Country Assistance Policy for Republic of Paraguay (2012)

1 - 3 Evaluation Methods

1 - 3 - 1 Analytical methods

In this evaluation, Japan's ODA policies for Paraguay are comprehensively analyzed from development viewpoints, which are (1) Relevance of Policies, (2) Effectiveness of Results and (3) Appropriateness of Processes. They are also evaluated from (4) Diplomatic Viewpoints, considering Japan's national interest, diplomatic importance and impact.

1 - 3 - 2 Framework of Evaluation

Domestic survey is based on document analyzation and interviews, while the field survey is based on interviews. As an indicator, rating criteria is used, which are "very high," "high," "moderate," "marginal" and "low".

1 - 3 - 3 Limitations

Following limitations should be noted when interpreting the evaluation results.

- (1) Qualitative analysis was conducted when no quantitative indicators were available to measure policies' effectiveness of results
- (2) There was limit in measuring the direct causality between Japan's ODA and Paraguay's development as there were many other donors making contribution.
- (3) The evaluation team did not interview members involved in all projects or visit sites

in remote areas as the field survey in Paraguay was limited to 11 days including the travel time.

(4) The existing documents were analyzed as for the projects the field survey could not be conducted.

Chapter 2 Overview of Paraguay and Development Trends

2 - 1 Overview of Paraguay

2 - 1 - 1 Political Trends

Paraguay had been under a military dictatorship for 35 years from 1954 when it was led by then-president Stroessner. The military government was overthrown in a coup in February 1989, and a new democratic constitution was promulgated in 1992. In August 1993, the first democratic election was held in the country, and Juan Carlos Wasmosy was elected as the first civilian president. Raul Cubus, inaugurated as President in August 1998, tried to enhance and expand democracy and vitalize the economy. However, he had a confrontation with the National Congress and Supreme Court regarding the release of Army Chief General Oviedo and resigned in March 1999. In August 2003, Nicanor Duarte became the President and fought against corruption, and various political and economic reforms were implemented including tax reform. However, his aggressive policy management resulted in his resignation. In April 2008, center-leftist Fernando Lugo was inaugurated as President, which was the first change of political administration in 61 years. President Lugo provided aid for the poor, tackled corruption, implemented fiscal restraint, and worked on the introduction of free public outpatient medical care and emergency medical services. He also contributed to solving Itaipu Dam issue by negotiating with Brazil. However, he was impeached by the Senate in the end because he failed to achieve solving security problem caused by farmers who did not own land, judicial reform and job creation. Current President Horacio Cartes took office in August 2013 and made poverty eradication a priority issue of his administration, while also actively working to attract foreign businesses to the country.

Being a small country surrounded by Brazil and Argentina, Paraguay has traditionally placed importance on relations with its neighboring countries. Paraguay puts particular importance on the relationship with Mercosur, the Southern Common Market, and is working to strengthen relations with its member countries for political and economic stabilization. Trying to keep pace with Mercosur member countries, Paraguay strives to expand its external negotiating power.

Japan and Paraguay established diplomatic relations in 1919 and Japanese nationals began immigrating to the country in 1936. Although diplomatic relations were temporarily suspended due to World War II, they resumed after the war. Since then, bilateral ties became stronger and Paraguay is now one of the countries with the strongest pro-Japan sentiments in Latin America.

Paraguay is the only Latin American country that maintains diplomatic relations with Taiwan.

2 - 1 - 2 Economic Trends

Paraguay achieved the highest growth rate of nominal gross domestic product (GDP)

(approximately 13%) among Latin American countries in 2010, and hit its historical high of 14% in 2013 despite the economic slowdown in 2009 and 2012. The primary sector industry including agriculture and stock raising accounts for 20% of nominal GDP and 40% of exports, which means that the nation has a fragile economic structure prone to be affected by such external factors as price fluctuations of primary products and bad weather. The country consistently posts a trade deficit; with the export value in 2015 at 8.361 billion USD and import value at 10.291 billion USD, the deficit amounted to 1.93 billion USD.

2 - 1 - 3 Social Trends

Paraguay's lagging social infrastructure development is not only because of its fragile economic foundation, but also because of the 35 years of dictatorship during Stroessner administration. He purposely did not promote infrastructure development and separated urban and rural areas to suppress farmers getting educated and becoming interested in politics. This has caused economic disparity between the areas. The areas around the capital city, Asunción are relative affluent, while rural area such as Caazapa, San Pedro and Caaguazu are extremely poor.

The disparity also exists between genders. Machismo, the typical belief in the superiority of males in Latin America, is strongly rooted in Paraguay, and it is a cause of the low social status of women. The monthly average income of women is 72.4% of that of men. The national average unemployment rate of women is higher by 20% than that of men. Particularly, the gap is large in rural areas, where women's unemployment is 70% higher than for men.

2 - 2 Development Trends in Paraguay

2 - 2 - 1 Government Program (Basic National Development Policy) 2003-2008

This is the basic development policy adopted by the Duarte administration of the Colorado Party that lasted from August 2003 to August 2008. The strategic priority areas include (1) modernization of public administration, (2) poverty reduction, (3) strengthening of economic competitiveness, (4) human resources development, (5) infrastructure development and (6) environmental protection.

2 - 2 - 2 Strategic Economic and Social Plan 2008-2013

This is the development plan formulated under Lugo administration that lasted from August 2008 to June 2012. This aims at reduction of poverty, iniquity and corruption. In order to achieve the goal, it promoted economic and social development by civil society and the private sector, reorganizing public administration, stabilizing legal system, and job creation. The six pillars of the strategic plan are (1) macroeconomic policy, (2) financial system, (3) public sectors, (4) improvement of productivity and competitiveness, (5) farmland and agricultural reform and (6) employment and poverty.

2 - 2 - 3 Public Policy Plan for Social Development 2010 - 2020

The plan was formulated in 2010 to reimburse the social aspect of the Strategic Social and Economic Plan 2008-2013 that focuses on the economic aspect. It promotes human rights and access to public services for all people. Its four pillars are (1) improvement of quality of people's life, (2) overcoming poverty and inequality, (3) building an environment

that enables economic growth without exceptions and (4) strengthening mechanisms that enable implementation of efficient social policies.

2 - 2 - 4 National Development Plan 2014-2030

It was formulated under the Cartes administration in December 2014. There are three activity axes such as “poverty reduction and social development” and four cross-cutting issues such as “equal opportunities”. It has specific 12 strategic goals including “social development that combines poverty reduction and equal opportunities” and “high-quality social services that combine poverty reduction, efficient social development and public administration management, and transparency.”

2 - 3 Trends in International Aid

Japan, the United States, Spain, Inter-America Development Bank (IDB), and Corporación Andina de Fomento (CAF) have been main aid providers over a long period of time, however, there has been a change since other donors including Korea has been increasing the amount of aid. It should be noted that Taiwan, which has a diplomatic tie with Paraguay, has provided assistance although it is not included in the data of the Organization for Economic Co-Operation and Development (OECD). Among other donors, uniqueness of Japan’s ODA scheme is the organic and effective combination of ODA loans, grant aid, and technical cooperation.

2 - 3 - 1 Bilateral Aid Trends

The bilateral aid from the Development Assistance Committee (DAC) members from 14 countries was 108.3 million USD as of 2006 according to OECD data. Among donors who provide bilateral aid, Japan contributed the largest amount, 63.5 million USD, accounting for 60% of the total. Aid from Japan peaked at 82.2 million USD in 2009, and it had decreased to 12.2 million USD in 2014.

2 - 3 - 2 Multilateral Aid Trends

Assistance from such international organizations as the World Bank, EU organizations, IDB, and CAF shows a different trend in value terms from that of bilateral aid. In 2006, multilateral aid totaled 8 million USD, which was approximately one-eighth of the bilateral aid from Japan, which shows that bilateral aid had been the major ODA for Paraguay. The ratio of multilateral aid began to increase in 2007, exceeding that of bilateral aid in 2013 to account for nearly 60% in 2014. The importance of multilateral aid is increasing.

2 - 4 Trends of Japan’s Assistance for Paraguay

2 - 4 - 1 Overview of Assistance for Paraguay

(1) ODA Charter and Development Cooperation Charter

The ODA Charter revised in 2003, outlines the following five basic policies: (1) to support the self-help efforts of developing countries, (2) to consider the perspective of “Human Security”, (3) to assure fairness, (4) to utilize Japan’s experience and expertise, and (5) to enhance partnerships and collaboration with the international community. It was reviewed in 2015 because of (i) increasingly diverse, complex, and widespread development challenges of ODA, (ii) increasing roles of non-ODA funds and activities in the

development of developing countries, and (iii) advancing globalization. The Charter states about Latin America that Japan shall assist the development of an environment to further promote economic development through trade and investment and provide necessary assistance in consideration of the internal disparities in those countries that achieve significant development. It also states that the communities of people of Japanese descent in Latin America are strengthening ties with Japan.

(2) Country Databook and Country Assistance Policy

According to the basic policy of the Country Databook, ODA loans, grant aid and technical cooperation can be provided, and each scheme shall be utilized effectively. Until Mercosur suspended Paraguay's membership in June 2012, the databook also stated that Japan would provide large-area assistance where Mercosur member countries share issues in order to solve disparities and stabilize the region. The priority areas include agriculture and healthcare from 2005 to 2007 and included poverty reduction and sustainable economic development from 2009.

The basic policy of the Country Assistance Policy is "sustainable economic and social development without disparities through improvement of the livelihood of the poor and social services". The Priority areas Are (1) Reduction of Disparities and (2) Sustainable Economic Development. (See Figure 1-1 Framework of Objectives for details.)

Chapter 3 Evaluation Results of Japan's Assistance for Paraguay from Development Viewpoint

3 - 1 Relevance of Policies

3 - 1 - 1 Consistency with Paraguay's Development Needs

(1) Consistency Between 2003-2008 Government Program (Basic National Development Policy) and Country Databook (2005, 2007)

Japan's ODA policy and Paraguay's development policy share many common objectives. GOP's Basic National Development Policy targets "poverty reduction", "modernization of public administration" and "human resources development", "stronger governance", and "environmental protection". Japan's Country Databook 2005 also specifies improvement for health and education for the poor, improvement of national and local public administration, human resources development, and sustainable environment, and Country Databook 2007 targets human resources development, sustainable economy development and environment.

(2) Consistency Between 2008-2013 Strategic Social and Economic Plan and Country Databook (2009) and Country Assistance Policy

The GOP's development policies for this plan are "macroeconomic policy, improvement of public administration efficiency and battle against corruption," "public corporations, development of professionalism among public service providers," and "public corporations, fundamental improvement of management in public sector," which is consistent with the Japan's Country Databook 2009 which targets "governance". Paraguay's policy includes "Farmland and agricultural reform, assistance for farmers from the upper to lower reaches" and "employment and poverty, coordination among government ministries involved in social policies to efficiently tackle poverty", which are consistent with Japan's Priority Area

“poverty countermeasures, improvement of the livelihood of the poor” in Country Databook 2009 and Priority Area “reduction of disparities and improvement of the livelihood of the poor” in the Country Assistance Policy.

(3) Consistency Between the Public Policy Plan for Social Development 2010-2020 and Country Assistance Policy

Comparing Paraguay’s Public Policy Plan for Social Development 2010-2020 and Japan’s Country Assistance Policy, it shows consistency between two countries’ policies. GOP targets “Overcoming poverty and inequality” and “promotion of an environment that enables economic growth without exceptions” whereas Japan aims for “improvement of the livelihood of the poor” and “sustainable economic and social development without disparities through improvement of social services”, “reduction of disparities”, and “sustainable economic development”.

(4) Consistency Between National Development Plan 2014-2030 and Country Assistance Policy

Japan’s Country Assistance Policy has not been revised since the announcement of Paraguay’s National Development Plan in 2014. Therefore, this evaluation referred to Assistance Policy 2012. As a result of comparison, there was consistency between the policies of Paraguay and Japan.

One of the three activity axes of the National Development Plan is “poverty reduction and social development”, and 12 main strategic goals include “social development that combines poverty reduction and equality of opportunities” and “high-quality social services that combine poverty reduction, efficient social development and public administration management and transparency”. Japan’s Country Assistance Policy includes “improvement of the livelihood of the poor” and “sustainable economic and social development without disparities through improvement of social services”, “improvement of the livelihood of the poor”, and “sustainable economic development”.

3 - 1 - 2 Relevance to Japan’s High-level Policies

(1) Consistency Between ODA Charter (August 2003) and Country Databook for Paraguay (2005, 2007 and 2009)

Priority Areas of the ODA Charter are “poverty reduction”, “sustainable growth” and “measures against global issues”. Those of Country Databook 2007 and 2009 include “poverty countermeasures” and “sustainable economic development”. Those of the Country Assistance Policy include “reduction of disparities”, “sustainable economic development”. Although it is not stated in the Country Databook 2005, the priority areas are categorized by sector and target healthcare for the poor, and thus it shows consistency. They both also refer to “environmental protection and sustainable development.”

(2) Consistency Between Development Cooperation Charter (December 2015) and Country Assistance Policy (2012)

The Priority Areas of the Development Cooperation Charter — “quality growth” and poverty eradication through such growth — are consistent with Basic Policy — “improvement of the livelihood of the poor” — and Priority Area — “reduction of disparities” — of the Country Assistance Policy. As in the priority policy by region, the Assistance Policy

of the Charter— “For Latin America [...] necessary assistance will be provided in consideration of the internal disparities in the countries that are achieving significant development” — is consistent with Priority Area of the Country Assistance Policy — “reduction of disparities”.

3 - 1 - 3 Consistency with International Priority Issues (MDGs and SDGs)

This paragraph analyzes consistency between Japan’s ODA policy for Paraguay and MDGs and SDGs. The objectives of MDGs are more detailed than those of the Country Assistance Policy. However, the Evaluation Team concludes that the objectives of MDGs and the Country Assistance Policy are consistent.

Although SDGs are classified even in more detail than MDGs, they basically succeed MDGs and the Country Assistance Policy generally includes the objectives of SDGs and thus they are also highly consistent. However, Goal 3 of the MDGs — “Promote gender equality and empower women” — and Goal 5 of the SDGs — “Achieve gender equality and empower all women and girls” — were not among Priority Areas or assistance in the Country Assistance Policy for Paraguay. To achieve poverty reduction, which is in the Country Assistance Policy, assistance and policies that promote economic growth are important in order to raise the income level. However, if it results in wider inequality, it hinders the achievement of SDGs’ Goal 10 — “Reduce inequality within and among countries”. The problem of pockets of poverty remains unsolved although the poverty rate is decreasing in Paraguay along with economic growth, and unless assistance is planned with considerations to Goals 5 and 10 of SDGs it will be difficult to achieve the goals.

3 - 1 - 4 Relevance Between Collaboration with Other Donors and Policy Formulation Reflecting Japan’s Comparative Superiority

Because Paraguay is a middle-income country according to DAC classification, the number of donors and the amount of assistance are not relatively large in comparison with other developing countries. The aid coordination methods among donors are unique — coordination meetings to discuss assistance policy and contents led by donors are not conducted in all sectors. Many meetings are not led by donors. In other words, policy coordination is not carried out by all donors or international organizations, which was revealed in the field survey. As Japan has maintained a certain presence as one of the top assistance providers over a long period and the GOP is highly appreciative of Japan, it can be concluded that the Japan has superiority over other donors and international organizations. Assistance from Japan is provided in three schemes: ODA loans, grant aid and technical cooperation. As there is no other donor or international organization but Japan that combines such assistance schemes effectively, the diversity is Japan’s advantage.

3 - 1 - 5 Summary of Relevance of Policies

Japan’s ODA policies for Paraguay are highly consistent with Paraguay’s development needs, Japan’s high-level policy and international priority issues. As comparative superiority of Japan’s ODA to Paraguay is also recognized, the relevance of policies is rated “high”.

On the other hand, with regard to the formulation of more viable policies and strategies, some existing challenges were seen. For example, (1) Reduction of Disparities and (2) Sustainable Economic Development are priority areas under the basic policy —

“sustainable economic and social development without disparities through improvement of the livelihood of the poor and social services” — of the Country Assistance Policy for Paraguay that was formulated in April 2012. However, as for (1) Reduction of Disparities, the design for achieving the goal is limited because its contents in the policy are, firstly, regional gap reduction using a territorial approach and improvement of the livelihood and living of small-scale farmers, and secondly, improvement of basic social services that include healthcare and education. However, the territorial approach typically addresses wide-scope issues such as capacity enhancement of local governments, etc., and it is not an assistance that specifically targets poor areas or small-scale farmers (poor farmers in particular). It does not mean that the approach itself is a problem. However, contributions to correcting disparities of the entire Paraguayan society are limited to the reduction of regional disparities and gap between farmers of different scale (if it is successful). Therefore, other means are necessary for correction of other aspects of disparities. Although “improvement of healthcare and education and other basic social services” is mentioned as a means of correction of another aspect of disparities, the policy is intended to raise the overall level of healthcare and education standards and it does not directly affect reduction of disparities.

The first thing to do to correct disparities in Paraguayan society is to analyze which aspects of disparities constitute major issues. Also, although the gender issue is deeply rooted across the country, it is not raised explicitly in the Country Assistance Policy. Machismo is a typical sentiment in Paraguayan society, and it is a cause of the income gap between men and women and the unemployment rate gap (particularly between young men and women) in rural areas.

3 - 2 Effectiveness of Results

3 - 2 - 1 Track Record of Japan's ODA to Paraguay

The Evaluation Team recognized the effective use of three assistance schemes: ODA loans, grant aid and technical cooperation, which characterize Japan's ODA for Paraguay.

(1) ODA Loans

Japan is the top donor in terms of the aggregate amount of ODA loans as of this evaluation (46% share). Detailed analysis shows that Japan's share in assistance was very high from 2006 to 2009 and it began to decline in 2010, with IDB's share increasing instead.

(2) Grant aid

The aggregate amount of grant aid as of this evaluation is the second largest after the United States, accounting for approximately 20%. Grant aid is mainly provided for water infrastructure and healthcare.

(3) Technical cooperation

Japan was the top technical cooperation donor in terms of the aggregate amount as of this evaluation (30% of total). Technical cooperation is implemented widely in three priority areas: “reduction of disparities”, “sustainable economic development” and “human resources development” in the framework of objectives of Japan's Assistance Policy for Paraguay.

3 - 2 - 2 Reduction of Disparities

As for “reduction of disparities”, the Evaluation Team examines the assistance results and outcomes related to two development issues — “improvement of the livelihood of the poor” and “improvement of social services” based on Figure 1-1 Framework of Objectives.

(1) Improvement of the livelihood of the poor

(i) Assistance for the self-reliance of small-scale farmers

(A) Track record of Japan's assistance

(a) ODA loans: one project that was implemented.

(b) Grant aid: none

(c) Technical cooperation: seven technical cooperation projects (including one development planning survey) that aimed at technology transfer to small-scale farmers were implemented.

(B) Major outcomes

As a result of the ODA loan provided for the Agricultural Sector Strengthening Project (II) (PG-P14), eight or nine financial products were developed, and access of small- to medium-scale farmers to finance was improved. According to the ex-post evaluation report on the project by external evaluators (JICA, 2012), the effectiveness and impact were considered moderate and the efficiency was also considered moderate because, while the project costs were within the planned amount, the implementation period significantly exceeded the project schedule. Consequently, it was concluded that overall the project had some unresolved issues. However, positive effects were also recognized. According to the beneficiary survey on the Agricultural Sector Strengthening Project (II) conducted for its ex-post evaluation, most of the target farmers responded that their productivity improved, which shows the improvement of the livelihood of the poor. During the period subject to the evaluation, seven technical cooperation projects were implemented. Taking the cluster development for farmers in Chaco as part of technical cooperation as a reference, INCOOP explained about the effects of cooperation as follows: “Although indigenous people conduct agricultural production on their own, large agricultural cooperatives were formed for the farmers to sell their produce to, which proved to be a more efficient approach than for each farmer to find access to the market independently.” This can be concluded to be the outcome of technical cooperation implemented by Japan. The poverty rate of Paraguay in accordance with the international poverty line is on a declining trend although it fluctuates from one year to another. It can be analyzed that Japan's OAD loans and technical cooperation are contributing to lowering the rate. However, the Gini coefficient has been around 50% and the economic disparity between the urban and rural areas remains.

(2) Improvement of social services

(i) Healthcare improvement program

(A) Track record of Japan's assistance

(a) ODA loans: none

(b) Grant aid: one project was implemented.

(c) Technical cooperation: three projects were implemented.

(B) Major outcomes

The grant aid Project for Improvement and Transfer of Asunción University Hospital resulted in the increase in general outpatients from around 1,000 to over 5,000 daily,

according to the field interview survey. Because Asunción University Hospital is a higher-order medical institution at the top of the medical services referral system in the country, it contributes to raising the nationwide level of healthcare services. However, it cannot be denied that most of the beneficiaries are residents in and around Asunción. Three technical cooperation projects were also implemented during this evaluation. According to a terminal evaluation report of the Project for Strengthening Continuing Education in Nursing and Midwifery, it was highly relevant and effective and contributed to strengthening the foundation for independent implementation of continued midwifery education and training. The Project for Strengthening Primary Health Care System aims to create micro-networks. According to interviews with the Ministry of Public Health and Social Welfare of Paraguay, the assistance is expected to have an effect of improving access of the socially vulnerable poor people to medical services. Assistance for the healthcare sector helped the improvement of social services and the maternal mortality rate (per 100,000 pregnant women) declined as of this evaluation in Paraguay. In addition, the infant mortality rate under the age of 5 (per 1,000 infants) also declined. Thus, it can be concluded that the assistance from Japan contributes to the improvement of social services.

(ii) Basic education improvement program

(A) Track record of Japan's assistance

(a) ODA loans: none

(b) Grant aid: a primary school was constructed with Grant Aid for Grassroots Human Security Project.

(c) Technical cooperation: two projects were implemented.

(B) Major outcomes

The Ministry of Education and Culture of Paraguay commented in the field interview survey for the evaluation that Japanese people are hardworking and diligent, and many lessons were learned and a lot of experience was gained from the technical cooperation projects. In addition, according to the interviews, Paraguayan people were very satisfied as they learned significantly not only from JICA experts but also volunteers involved in the projects and gained a lot from communication with Japanese people besides technologies.

According to the ex-post project (internal) evaluation result sheet of the Project for Improvement of School Management (January 2014), it was confirmed that the principal training guideline that was an output of the project was sufficiently utilized even after the completion of the project. One example of school management improvement JICA confirmed is that class-time management was rationalized by developing the timetable and making sure of its strict observance, which resulted in an increase of the average observance rate of class time in the target school as a whole from 35% in the baseline survey (2007) to 88.33% in 2011. There were also such changes as discussions on school management between principals and teachers and parents, and the project effectiveness and impact were rated high. While many donor countries and international organizations are providing assistance for education in Paraguay, it was confirmed that Japan contributed to basic education through technical cooperation and grant aid for grassroots projects.

3 - 2 - 3 Sustainable Economic Development

(1) Improvement of economic and social infrastructure

(i) Water sanitation improvement program

(A) Track record of Japan's assistance

- (a) ODA loans: none
- (b) Grant aid: three projects that aimed at access to safe water were implemented.
- (c) Technical cooperation: one project for improvement of water sanitation was implemented.

(B) Major outcomes

According to the ex-post (internal) evaluation result sheet of the grant aid Project for Development of Potable Groundwater in Rural Areas with Scarce Resources, the annual target of construction of 50 deep wells has not been achieved. The overall target of constructing water supply facilities for 330 villages is also significantly behind schedule because the GOP has not provided sufficient explanation to the local people and thus the achievement level has been low, according to the evaluation. On the other hand, when the Evaluation team visited the site and interviewed concerned parties of the Project for Improvement of the Drinking Water System for Coronel Oviedo City, no significant delay in the project was confirmed. From the macro viewpoint of the improvement of water sanitation of Paraguay, the utilization rate of improved water resources and improved sanitary facilities has generally increased as of this evaluation and thus it can be concluded that, although its effects were limited, Japan's ODA has made its contribution.

(ii) Improvement of economic infrastructure

(A) Track record of Japan's assistance

- (a) ODA loan: two road development projects were implemented.
- (b) Grant aid: none
- (c) Technical cooperation: one development planning survey was conducted for development of roads, ports and harbors.

(B) Major outcomes

The Rural Roads Improvement Project was implemented as an ODA loan project for rural areas, mainly consisting of farm road improvement (pebble paving of unpaved roads, etc.) and bridge improvement (replacement of wooden bridges with those made of reinforced concrete), in accordance with the National Plan for Rural Roads that was formulated in 2008 and involves multiple loan donors including IDB and OPEC (Organization of Petroleum Exporting Countries) Fund for International Development (OFID). Japan improved roads in Guairá, Misiones and Paraguari departments (approximately 350km). Such road improvement to connect the grain production centers that support the Paraguayan economy with an exporting port contributes to Paraguayan economic stability and acquisition of foreign currency. Although other donors and international organizations are also assisting the road infrastructure development of Paraguay, the budget support Japan provided independently or jointly with other donors and international organizations can be concluded to have had effects on Paraguay's development issues.

3 - 2 - 4 Human Resources Development

(1) Improvement of national and local public administration capacity

(A) Track record of Japan's assistance

- (a) ODA loans: none
- (b) Grant aid: two projects were implemented.

(c) Technical cooperation: twelve projects (including one development planning survey) for the improvement of national and local public administration capacity were implemented.

(B) Major outcomes

(i) Governance

A technical cooperation project titled the Project of Human Resources Development for Strengthening the Territorial Approach was implemented in order (1) to realize the National Development Plan by strengthening coordination among relevant central and local institutions involved in formulation and implementation of territorial development plans and (2) to foster territorial development facilitators at the central and local government levels. The Project for Support for the Decentralization of the Environmental Administration was also implemented as an assistance project for local administration in the environment sector to improve the capacity of local government employees in charge of environmental issues to respond to problems through the decentralization of power of the environmental administration. According to the terminal evaluation sheet (JICA, 2010), the knowledge and measures participants acquired in the training were what local governments needed immediately and thus the project was evaluated to be highly effective.

(ii) Environmental and social considerations

The Forest Conservation Project and the Project for Strengthening Integrated Management of Yguazu Lake Watershed were implemented as grant aid and a technical cooperation project, respectively, to assist ANDE, which is a state-run corporation. The latter project is still under way and concrete outcomes are expected to emerge later. However, undertakings for environmental conservation in the watershed area, which include dispatch of long-term experts by JICA to transfer efficient afforestation techniques, were confirmed in the field survey.

3 - 2 - 5 Summary of Effectiveness of Results

Assistance in the three priority areas given in the Framework of Objectives — “reduction of disparities”, “sustainable economic development” and “human resources development” — can be concluded to have been highly effective. Therefore, the effectiveness of the results is rated high. Japan’s ODA projects, in terms of their number and monetary value, concentrate in the eastern region, particularly in the southeastern region. It can be justifiable when the low population density in the western region, historical development in the southeastern region and existence of departments where the ratio of the poor is high are taken into consideration. The significance of Japan’s assistance can be also asserted from the viewpoint of synergies with communities of Japanese Paraguayans that have a high presence in the southeastern region and division of roles with other donors (US, for example), which focus a lot of attention on the development of the northeastern region. In terms of economic infrastructure development, in addition to the capital of Asunción, there is high potential for infrastructure projects in Ciudad del Este in Alto Parana Department and its surrounding areas, situated on the border with Brazil, where firms qualified for the Maquiladora Program are leading local economic growth. When such geographic features are taken into consideration, Japan’s assistance with its main focus on the southeastern region has high significance.

3 - 3 Appropriateness of Processes

3 - 3 - 1 Process of Assistance Policy Formulation

The Country Assistance Policy that serves as the foundation of the assistance policy is formulated based on the political, economic and social conditions of the recipient country in comprehensive consideration of development needs and issues based on the analysis of its current situation.

The Country Assistance Policy for Paraguay was formulated in April 2012. The policy is formulated in accordance with the country's development needs based on the analysis of the current situation mainly by the ODA task force comprised of the Embassy of Japan and JICA office in Paraguay, etc. The process of formulating a draft outline of the policy included coordination with the GOP, other donors and international aid organizations. Based on the draft outline, the Country Assistance Planning Division II of the International Cooperation Bureau and the South America Division of the Latin American and Caribbean Affairs Bureau of the MOFA, the South America division of the Latin America and the Caribbean Department of JICA, and relevant Japanese ministries and agencies were referred to for their views and the final version was formulated after a four-week period to invite public opinions.

For appropriate and effective use of limited resources to be injected, assistance policy and development areas were selected and the development needs and economic and social conditions of Paraguay, bilateral relations and undertakings of the international community were taken into consideration and thus the process of assistance policy formulation is concluded to be appropriate.

3 - 3 - 2 Process of Assistance Policy Implementation

(1) Assistance implementation structure

(A) Implementation structure on Japanese side

The Country Assistance Planning Division II of the International Cooperation Bureau of the MOFA selects and forms specific projects with the Embassy of Japan in Paraguay and JICA Headquarters and the ministry's South America Division of the Latin American and Caribbean Affairs Bureau provides advice on requested projects. The economy and economic assistance group and local employees of the Embassy of Japan in Paraguay are involved in carrying out ODA procedures. The South America division of the Latin America and the Caribbean Department of the implementing agency, JICA, coordinates overall strategies and priority areas through discussions with the MOFA. ODA loan project formulation is led by the same JICA division and grant aid and technical cooperation projects are mainly formed by departments in charge of relevant issues. In the project implementation stage, JICA's Paraguay office is involved in project supervision together with the headquarters.

(B) Implementation structure on Paraguayan side

The Ministry of Foreign Affairs and the Ministry of Finance of Paraguay are ODA contact points. The former ministry has a section in charge of bilateral aid and the latter has a section in charge of multilateral aid and each has discussions with donor countries and organizations. As for inter-Ministerial coordination and summarization of development needs in Paraguay, the Technical Planning Secretariat (Secretaría Técnica de Planificación, STP) plans and decides the priority of aid and then the Ministry of Finance confirms the

budget and spending. The Embassy of Japan and JICA office in Paraguay and the GOP meet to have discussions at least once a year. To share Japan's Country Assistance Policy for Paraguay and project rolling plan with the recipient country, the Embassy of Japan in Paraguay explains about the basic assistance policy and priority areas to the Paraguayan side in discussions between the two governments.

3 - 3 - 3 Assistance Policy Monitoring and Follow-up Structure

(1) Visualization of assistance projects and implementation of PDCA cycle by the MOFA

Japan intends to improve the accountability of ODA by reinforcing "visualization" or projects including their evaluation results and involving third parties in the PDCA cycle (project formation (Plan), implementation (Do), evaluation (Check), and improvement (Act)) according to the ODA Review Final Report (released in June 2010).

(2) JICA's project evaluation

JICA's project monitoring and evaluation is performed in a consistent framework from the pre-project phase to the project's implementation, post-project phase and feedback in the PDCA cycle. JICA has established procedures of new assistance project formation based on reviewing results of the above evaluation and providing feedback in a designated format.

(3) Project evaluation by the Embassy of Japan in Paraguay

Grant aid for Grassroots Projects is monitored and evaluated by the Economic Cooperation Group of the Embassy based on the internal guidelines of the MOFA and also by commissioned experts for grassroots projects.

3 - 3 - 4 Publicity

(1) Efforts of the Embassy of Japan in Paraguay

The Embassy of Japan in Paraguay issues press releases and updates the website to widely publicize such events as the conclusion of bilateral agreements including signing ceremonies of exchange of notes (E/N) for ODA loans and grant aid projects, signing of grant contracts (G/C) of grant aid for grassroots human security projects and cultural grassroots projects and ceremonies for the handover of facilities to the GOP and work completion of infrastructure development projects. The Embassy also organizes press tours and invites newspapers and broadcasters to visit assistance project sites and introduce projects currently under way in order to raise awareness of assistance from Japan among the people of Paraguay.

(2) Efforts of JICA Office in Paraguay

The JICA office in Paraguay releases a monthly newsletter on its website about Japan's assistance activities. The website is also provided in Spanish to introduce JICA projects and the activities of experts and youth and senior volunteers to raise awareness of Japan's assistance among Paraguayan people. When events related to assistance for Paraguay are held, the JICA office distributes publicity materials to local media. It also posts information on Japan's assistance activities on Facebook and distributes and posts plates and stickers with ODA logos.

3 - 3 - 5 Summary of Appropriateness of Processes

The implementation processes of Japan's assistance policy for Paraguay are appropriate in general and thus they can be rated high. It is notable that the appropriate processes were achieved by a relatively small Economy and Economic Assistance Group of the Embassy of Japan in Paraguay. Meanwhile, further improvements can be made for more careful donor coordination. Donor coordination herein means that multiple donors of two closely related projects can communicate with each other when implementing these projects with the GOP rather than leaving the coordination solely in the hands of the Government. Although it may be regarded as the responsibilities of the GOP, "harmonization" among donors is encouraged nowadays and donors should also closely coordinate their efforts to increase assistance effectiveness. As described later, as the Government of Japan is undertaking high-quality assistance for infrastructure development in Latin America, closer coordination among stakeholders in assistance for Paraguay should be promoted so that high-quality infrastructure can be provided for the country by all donors as a whole.

Chapter 4 Evaluation of Japan's Assistance for Paraguay from Diplomatic Viewpoint

4 - 1 Diplomatic Significance

Since Japan began providing ODA in 1959, it has implemented economic and technical cooperation projects in such sectors as education, culture, healthcare, occupational training, agricultural technology development and road improvement for Paraguay's development. The contribution of Japanese immigrants and Japanese Paraguayans in the country is also remarkable, particularly in agriculture, and it receives high praise from Paraguayan society. This has helped the development of close bilateral ties, making Paraguay one of the most pro-Japan countries in Latin America. February 2015 marked advancement of bilateral economic relations, which included Japanese companies expanding their businesses to Paraguay, etc., and maintenance and strengthening of cooperation at an international venue. As this shows, Japan's assistance for Paraguay contributes to stronger bilateral relations and thus it can be concluded to have diplomatic significance.

4 - 2 Diplomatic Impact

Japan had played an important role in Paraguay's development as the top donor until 2010. It was confirmed in the field interview survey that the effects of assistance for improving the livelihoods of the poor and infrastructure development are widely recognized in the country. With the effect of continued support from Japan and based on the good bilateral relations, the trade value between the two countries is increasing steadily. Cultural exchanges are also actively conducted. During annual Japanese culture week in Paraguay, flower arrangement events, tea ceremonies and lectures on bonsai and Japanese cuisine are held to introduce Japanese culture. Paraguayan trainees who came to Japan for JICA technical training formed an alumni association. It can be concluded that Japan's ODA for Paraguay, covering a wide range of targets from the government to the poor, resulted in strong bilateral ties that go beyond the concept of pro-Japan sentiments.

Chapter 5 Recommendations and Lessons Learned

5 - 1 Recommendations

5 - 1 - 1 Continued Aid Utilizing Various Modalities

The World Bank classifies Paraguay as an upper middle-income country, which is one step away from departing from the status of an eligible loan recipient. Paraguay's economy has grown remarkably in recent years, and its steady economic development is recognized by the international community. Japan's ODA perspective of *selection and concentration* indicates that it will eventually be depart from status of a recipient country and become more important as Japan's business partner. On the other hand, historical ties have been formed between the two nations through the community of Japanese Paraguayans and, based on the close ties, a variety of entities engage in various forms of collaboration that include diplomatic cooperation and active cultural and economic exchanges. Against the backdrop, Japan should continue to provide ODA proactively for the country. A wide range of modalities should be utilized to increase assistance efficiency. With this regard, Paraguay has been promoting South-South Cooperation with its neighboring Argentina. It may be useful to utilize the wide-area cooperation (assistance for multiple neighboring recipient countries) as is the case in Central America. As Paraguay's development needs diversify along with its economic growth, the assistance structure is expected to be further strengthened for better communication and collaboration with other donors including international organizations.

5 - 1 - 2 More Strategic Approach to Reduce Disparities

Weaknesses of the strategy to reduce disparities are pointed out in 3-1-5. The territorial approach, which, among other things, is positioned as a measure for farmers in poverty, although encompassing poor farmers, poses a wider range of people (municipalities, etc.) as its direct target. The provision of basic social services contributes to the improvement of the health and education standards of the country as a whole and is hardly oriented towards reduction of disparities. It is necessary to identify groups of people that tend to be left out of overall growth and provide assistance to achieve reduction of disparities. GOP's National Development Plan 2014-2030 defines 12 strategic goals. One of them is "to secure and protect employment of such socially vulnerable groups as small-scale farmers, indigenous people and women" and the problematic nature of the issue is stressed strongly. Japan needs to identify the target groups that require support, including farmers in poverty, rural women, single mothers and indigenous women who live in pockets of poverty, which represent an economic, social and cultural problem, and strategically provide them with assistance to directly respond to the social, economic and cultural difficulties those groups face. Such strategic assistance will reduce disparities.

5 - 1 - 3 Strategic Collaboration of Multi-stakeholders to Promote High-quality Infrastructure Assistance

Although Paraguay is referred to as a developing country, it is regarded as a middle-income country, and its government has a certain level of financial, technical and HR capacity for development. It means that it does not need to depend completely on ODA to build infrastructure. In addition to Japan, the World Bank and Korea, there are also such donors that assist infrastructure development as IDB, CAF, Fondo Financiero para el

Desarrollo de los Países de la Cuenca del Plata (FONPLATA), Fondo de Convergencia Estructural del Mercosur (FOCEM) and other regional-development-oriented financial institutions and funds. There is also the Initiative for the Integration of Regional Infrastructure in South America (IIRSA), which is an infrastructure development project mainly focusing on transportation in the South American continent. Such funds and initiatives once functioned as a coordination framework of transportation infrastructure development in South America. In addition, Japanese companies have established firm foundations locally to build a win-win relationship in local society. The cooperation with such stakeholders is consistent with Japan's Development Cooperation Charter that was newly established in 2015, as well as the United Nations' SDGs. When there are many stakeholders as mentioned, Japan needs to communicate and coordinate with other donors and stakeholders strategically to maximize the aid effect in addition to cooperation with IDB, which was agreed in April 2016 in order to assist quality infrastructure construction. This needs to be addressed not only in Paraguay but within the framework of Latin America as a whole, that is, it should be regarded as an assistance issue for the entire region.