

**Office of Technical
Assistance:
Government
Debt &
Infrastructure
Finance
Project in
Paraguay**

**Evaluation
Report**



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ACRONYMS AND ABBREVIATIONS

CBP	Central Bank of Paraguay
DMO	Debt Management Office [Dirección de Política de Endeudamiento]
DPE	Debt Policy Directorate
EQ	Evaluation Question
FATAA	Foreign Aid Transparency and Accountability Act
FCR	Findings, Conclusions, and Recommendations
GDIF	Government Debt and Infrastructure Finance
GoP	Government of Paraguay
IRO	Investor Relations Office [Oficina de Relaciones con Inversionistas]
KII	Key Informant Interview
M&E	Monitoring and Evaluation
MEL	Monitoring, Evaluation, and Learning
MOF	Ministry of Finance
MTDS	Medium-Term Debt Strategy
OTA	Office of Technical Assistance
QA	Quality Assurance
SEC	Securities and Exchange Commission [Comisión Nacional de Valores]
SME	Subject Matter Expert
T-Bill	Treasury Bill
TIATA	Treasury International Affairs Technical Assistance
U.S.	United States



I. EXECUTIVE SUMMARY

The United States (U.S.) Treasury’s Office of Technical Assistance (OTA) is a demand-driven organization with a mandate to work directly with counterpart governments to promote financial sector strengthening. OTA provides technical assistance in five key areas: 1) revenue policy and administration, 2) budget and financial accountability, 3) government debt and infrastructure finance (GDIF), 4) banking and financial services, and 5) economic crimes. In compliance with the Foreign Aid Transparency and Accountability Act (FATAA)¹ requirements, Bixal conducted a third-party, summative project evaluation of the Paraguay GDIF project. The evaluation is designed to provide OTA with in-depth, third-party, retrospective insights of its activities in Paraguay and discern lessons learned for future programming.

During the period from 2003–2009, Paraguay had navigated a difficult financial environment, restructuring its external debt with the Paris Club creditors, only to suffer other setbacks during the global financial crisis of 2008–2009. By 2013, however, Paraguay had achieved investment grade status from Fitch Ratings and Standard & Poor’s. The overarching goal of the OTA GDIF project was to develop a broader, deeper domestic government securities market to provide a meaningful and reliable funding source for the Government of Paraguay (GoP); reduce liability portfolio risks; and supply needed instruments and tools for investors and intermediaries.

To accomplish this goal, the project focused on three components: 1) developing the domestic bond market through strategic debt for financing, reforming debt transaction processes, and increasing government interactions with market participants; 2) improving the legal and regulatory framework for public debt to create more flexibility to authorize, issue, and manage debt; and 3) developing tools and techniques to allow for proactive liability management operations for outstanding bonds in order to mitigate the risks in the GoP’s liability portfolio. Throughout the project, OTA provided technical assistance with one resident advisor embedded in the Ministry of Finance’s (MOF’s) Debt Management Office (DMO) from January 2018 through January 2022.

The independent evaluation of the GDIF project used a mixed methods approach, including a desk review of key project documents and interviews. The team conducted in-person interviews with eight key Paraguayan counterparts, three remote interviews with the OTA resident advisor and OTA senior advisor, and an in-person interview with the economic officer from the U.S. Embassy. The evaluation activities took place from July 2023 through January 2024. The evaluation team conducted a field visit to meet with Paraguayan counterparts in Asunción from November 6–15, 2023.

The evaluation focused on the following evaluation questions (EQs):

1. Which of the anticipated project outcomes were achieved?
2. Which of these outcomes have been sustained up to the present?
3. For any anticipated outcomes that were not achieved, which factors hindered success?

¹ Foreign Aid and Transparency and Accountability Act of 2016, Public Law 114–191.












Key Findings and Conclusions

With one exception, all project components and subcomponents were fully achieved, with only one subcomponent partially achieved. Both the resident advisor and Paraguayan counterparts indicated that the MOF was supportive of the approaches advocated by the OTA resident advisor, who was embedded within the DMO for four years, from January 2018 through January 2022.

The resident advisor's direct counterparts were in the Paraguayan MOF Vice-Ministry for Economy and Planning, specifically its DMO. In addition to day-to-day work within the DMO, the resident advisor also actively engaged in reform-related activities with key private sector actors, including the stock exchange, market participants and brokers, as well as other governmental actors including the Central Bank of Paraguay (CBP) and the Paraguayan Securities Exchange Commission.

Table 1 summarizes the findings for Components 1–3. The evaluation team grouped the seven outcomes in Component 1 into logical outcome areas. These are: 1) Financing Strategies; 2) Reform of Debt Transaction Processes; and 3) Interactions with Market Participants.















Table 1: GDIF Project Overview: Fully Achieved, Partially Achieved, and Not Achieved project components, outcomes, and sustainability.²

Project Component ³	Outcomes	Achieved	Sustained
 1. Domestic Bond Market Development	1) Financing Strategies		
	1.1 Hacienda detailed borrowing plan to increase investor activity.		
	1.6 DMO borrowing plans and debt issuance increases market confidence.		
	2) Reform of Debt Transaction Processes		
	1.2 Hacienda updates Auction Process.		
	1.5 DMO new government benchmark security leads to increased investments.		

² While the scoring process is not fully subjective, the evaluation team assigned fully achieved or sustained to those outcomes that were almost all or fully achieved. This means that while some small elements may not have been achieved, all notable components of the outcome were achieved or sustained. The evaluation team assigned partially achieved or sustained to outcomes where significant elements had both been achieved and not achieved. The evaluation team then assigned not achieved or not sustained to those outcomes where all primary parts of the outcome were not achieved or sustained.

³ The project component scores are a combination of the outcome-level rating(s) and the sustainability rating(s).



Project Component ³	Outcomes	Achieved	Sustained
	3) Interactions with Market Participants		
	1.3 DMO borrowing plans and debt issuance increases market confidence.		
	1.4 DMO market survey to issue demanded maturities.		
	1.7 Communications strategy leads to increased investments and market confidence.		
 2. Government Debt Legal Framework	2.1 GOP passes a new Public Debt Law increasing confidence in securities.		
	2.2 DMO new Public Debt Regulations increase confidence and participation.		
 3. Liability Management Program	3.1 DMO restructures and mitigates risks in portfolio.		

PROJECT COMPONENT 1: DOMESTIC BOND MARKET DEVELOPMENT

In terms of reinforcing strategies for financing, the GDIF team fully achieved each of the following outcomes, and both have been sustained.

Creating a borrowing plan aligned with the GoP’s funding requirements, established in the approved annual budget (Outcome 1.1), was fully achieved. The plan details the government’s preferred mix of domestic versus external debt, security types, and timing of issuances. The DMO, with substantial input from the OTA resident advisor, created a borrowing plan to determine the quarterly and weekly auction calendars; this plan is communicated to investment stakeholders online via the DMO website. Government securities are now auctioned on the stock exchange, which allows the market to set prices.

The development of borrowing plans and debt issuance strategies to increase market confidence (Outcome 1.5) was fully achieved. The DMO, with substantial input from the OTA resident advisor, updated strategic guidelines for medium-term public debt management in the Medium-Term Debt Strategy (MTDS) for 2021–2025, which is available on the MOF’s website. According to interviews, investors now have increased confidence that the GoP will adhere to market prices, encouraging increased investor activity.

In terms of reforming debt transaction processes, the GDIF team fully achieved each of the following outcomes, and both have been sustained.



Modernizing the auction processes and clarifying how the government announces, receives, and awards bids (Outcome 1.2) was fully achieved. Since January 2019, all auctions have been conducted using an electronic platform housed at the stock exchange. All debt issuances since then have been fully subscribed with competitive bidding and pricing. The government transparently communicates the process and structure of the auctions to the investment community and regularly conducts security issuances through these competitive auctions. Investors in the domestic bond market now regularly use an electronic platform for primary auctions and secondary trading. The GoP found the modernization of auction processes particularly useful during the pandemic when emergency borrowing activity increased.

Offering new government benchmark securities to provide investors with viable and safe investment vehicles, providing more liquidity for investors, and encouraging increased investment in GoP securities (Outcome 1.6) was fully achieved. The DMO regularly issues benchmark securities with a wider range of maturities, using new bond series and bond re-openings. DMO and investors in the domestic sovereign bond market now regularly use benchmark securities, bond series, and re-openings for managing debt, and it has resulted in a broader range of debt instruments and an expanded investor base.

In terms of increasing government interactions with market participants, the GDIF team fully achieved two outcomes and partially achieved one outcome during the implementation period, after which some progress has been made. Two outcomes have been sustained and the other has been partially sustained.

Communication on borrowing plans with published auction calendars that announce regular, open, and predictable government debt auctions (Outcome 1.3) was fully achieved. Auction calendars are announced and disseminated online. Investors and intermediaries use information and data found in announcements to plan their investing and underwriting activities, which facilitates greater participation in market-based auctions. The DMO regularly publishes a quarterly calendar for security issuances, aligned with the annual borrowing plan.

Determining demand for longer-dated benchmark securities using market surveys and using such information to issue maturities that meet investor demand (Outcome 1.4) was fully achieved. Although market research does not take the form of a formalized survey, regular consultations occur during the presentation of the annual borrowing plan in the fourth quarter of the year. The DMO, with substantial input from the resident advisor, also prepared for and conducted regular meetings and consultations with institutional investors to acquire information on market demand and gauge appetite for securities that could be adequate for pursuing DMO's funding plans. These consultations have now become a regular DMO practice: DMO holds informal calls and meetings between domestic institutional investors throughout the year. Moreover, DMO staff are now more aware of market demand, expectations, and pricing conditions, and staff use this knowledge to prepare funding plans.

Clearly communicating borrowing plans and other debt issuance information on an ongoing basis and raising understanding and confidence among market participants (Outcome 1.7) was partially achieved. The formal establishment of an Investor Relations Office (IRO) commenced only after the GDIF project finished. The IRO was formally established in 2022 when the DMO adopted some functions related to investor outreach. The DMO included the IRO in the organizational



chart of the DMO and gave the IRO mandates and responsibilities for interactions with market participants, but its capacity as of the time of this evaluation requires further development, particularly in recruiting and retaining qualified staff and its capacity to directly outreach to institutional investors. In view of its institutional setting, and with further strengthening, the evaluation team believes the new IRO has the potential to be part of permanent reforms.

PROJECT COMPONENT 2: GOVERNMENT DEBT LEGAL FRAMEWORK

The outcome of reforming the government debt legal framework was fully achieved. The substantive legislative reforms that occurred with the support of OTA made it possible to conduct the innovative financing transactions previously discussed, as well as Paraguay's liability management operations detailed in the following sections.

Congress approved amendments authorizing the DMO to issue debt within the national budget's annual borrowing limit without further congressional ratification of individual transactions. The resident advisor presented international best practices on debt management legislation and assisted DMO staff in drafting articles of the liability management law, which was approved by the congress in December 2020. The advisor also assisted in institutional coordination and policy communication by preparing DMO management and economic ministry officials to engage in consultations with members of congress, officials of the CBP, and institutional investors.

The benefits of the 2020 law were immediately visible during the GDIF project implementation. As an example, DMO was able to facilitate complex external borrowing transactions in January 2021 and January 2022 involving bond exchanges and debt buybacks offered to bondholders for liability management purposes. These transactions helped to reduce coupon rates⁴ and extend maturities of sovereign bonds.

Although the evaluation team did not have direct access to written implementing regulations related to the new law, resident advisor monthly reports and interviewees noted that the DMO had established necessary operational procedures required to execute the borrowing transactions and debt management practices authorized by the law.

PROJECT COMPONENT 3: LIABILITY MANAGEMENT PROGRAM

Component 3 objectives were fully achieved. The DMO conducted borrowing transactions aimed at mitigating portfolio risks and incorporated risk management into analysis and planning documents. The resident advisor built the DMO's technical capacity by mentoring staff on analyzing market risks using quantitative methods and financial market risk indicators and in assisting DMO management and staff to conduct borrowing transactions and liability management operations. The resident advisor's role was particularly important because of his previous experience as a market practitioner in the private sector. The advisor was well equipped to counsel

⁴ Coupon rate refers to the percentage at which a fixed-income security, such as a bond, pays to the owner over the duration of that asset.



DMO staff on international bond exchange best practices—including the determination of tenors⁵ and pricing and negotiation with investors and financial agents.

CONCLUSIONS

The evaluation team concludes that the GDIF project significantly contributed to its predetermined outcomes. This is due to several factors:

1. **The GDIF project significantly contributed to the GoP’s development of a modern, marketable security-based financing model.** Prior to the GDIF project, the GoP relied on a concessional loan-based financing model — typically observed in low-income countries at an early stage of economic and institutional development. The GDIF project supported the development of external and domestic sovereign bond markets that allowed the GoP to develop a modern, marketable security-based financing model — common in middle-income countries with more advanced economies and institutional settings.
2. **The GDIF project helped to modernize the market infrastructure required for primary auctioning and secondary trading.** The GDIF project assisted the MOF, the CBP, the Paraguayan Securities and Exchange Commission (SEC), and the Asunción Stock Exchange in upgrading the market infrastructure required for primary auctioning and secondary trading.
3. **The GDIF project contributed to the development of the external bond market, which also helped mitigate the risks associated with sovereign debt issued and traded abroad with innovative transactions.** The resident advisor assisted the DMO to improve the management of foreign debt, as well as to conduct innovative transactions like bond exchanges and debt buybacks. These transactions are now undertaken regularly to mitigate rollover and interest rate risks associated with a growing stock of sovereign securities actively issued and traded in international capital markets.
4. **The GDIF project assisted the DMO and other government agencies in modernizing both the legal framework that guides debt policy formulation and execution.** This contribution was essential for the DMO to be legally authorized — and technically proficient enough — to design financing policy and conduct borrowing transactions aligned with international best practices in domestic and external debt markets.
5. **The resident advisor acted not only as a technical expert, but also as a consensus builder, mentor, and advocate for needed reforms.** The advisor’s specific knowledge and expertise as a financial market practitioner together with previous experience as an OTA technical assistance provider positioned him to respond effectively to the needs of the GoP. The resident advisor resided in Paraguay for almost four years, worked in the DMO premises, and interacted closely with DMO staff, MOF management, other government officials and policymakers, and market participants. Indeed, the resident advisor not only possessed a thorough knowledge of the “hard skills” related to government debt — including knowledge of the types of infrastructure and legal framework needed to support reforms — he also had valuable “soft

⁵ Tenor describes the length of time remaining in a financial contract.



skills,” which he drew on to mentor DMO staff, encouraging them to focus on various issues as they arose. This modality of engagement allowed the resident advisor to establish a reputation as a trustworthy, independent expert with a fair understanding of local institutional and economic conditions, as well as having a sincere commitment to elevate the knowledge and capabilities of public servants in Paraguay.

- 6. The GoP was ready and willing to implement the necessary reforms proposed by OTA.** From the project’s inception, the GoP demonstrated a commitment to implementing the reforms necessary to improve the quality of their domestic government debt. DMO staff embraced the resident advisor’s technical assistance and, despite turnover at the highest levels of the MOF, the GoP continued to signal its committed to reforms throughout the period of the GDIF project.
- 7. The GDIF project design and execution strategies addressed the needs of the Paraguayan government in a timely and effective manner.** OTA’s initial scoping assessment accurately diagnosed the barriers preventing the GoP from further developing its domestic bond market and modernizing its debt legal framework. This allowed the GDIF project to design an intervention that effectively addressed the GoP’s needs, resulting in increased buy-in from the GoP. After the design phase of the project, the resident advisor was able to grasp the support requested by three successive administrations within the GoP and continue to deliver the required assistance throughout the project to achieve the pre-determined outcomes.
- 8. A series of quick “wins” reinforced the government’s commitment to the major reforms advocated by the GDIF project.** From the beginning, there was smooth, steady progress on several fronts, including the modernization of domestic bond market infrastructure, improvement in operations of government securities issued and traded locally, and the enhancement of issuances of external debt and relations with foreign investors. When COVID-19 hit Paraguay in 2020, the progress made in the GDIF’s first two years allowed the government to mobilize a sizable volume of financing at reasonable costs, which allowed it to adequately cope with the pandemic, and in subsequent years, the government, with OTA input, conducted innovative bond exchanges and debt buybacks to handle the upcoming maturities of previously issued sovereign debt.



Key Recommendations

All components were either fully or partially achieved; therefore, this report highlights recommendations based on OTA best practices regarding the GDIF project in Paraguay.

THE ROLE OF THE RESIDENT ADVISOR

The current report has noted that the resident advisor played multiple roles: as a technical expert, reform advocate, and consensus builder, all of which contributed to project success. The following key recommendations emerged from the GDIF team's experience in Paraguay.

1. **Resident advisors should proactively work with counterparts to build consensus.** In the case of Paraguay, the most fundamental impediment to broader reform lay in the political arena. As an important example, the resident advisor not only provided technical assistance to the Ministry's DMO by helping to draft various iterations of proposals for a reformed legal framework, but he also mentored DMO staff on the best ways to present these proposals to the legislature.
2. **Resident advisors can act as powerful advocates for reforms.** As demonstrated by the GDIF project, technical assistance has its greatest impact if the resident advisor is well placed to serve as an advocate for desired reforms. In the case of the GDIF project, the advisor's areas of advocacy spanned the range of project components and expected outcomes, and he was able to effectively engage counterparts within the MOF to build consensus around proposed reforms.
3. **Resident advisors should engage mid-level management and technical staff — as well as leadership — within government and relevant private sector institutions.** Although resident advisors are often mandated to engage primarily with leadership in a particular ministry or department and serve as leadership advisors, which was the case for GDIF Paraguay, the resident advisor took it as a priority to also engage with staff at all levels within relevant units of government and the private sector. In the case of GDIF, the resident advisor listened to — and provided input on — a range of issues and factors that might have otherwise impeded reform.
4. **Resident advisors should be prepared to adapt approaches to learning based on the current situation and practical needs of counterparts.** Perhaps the facet of technical assistance most appreciated by Paraguayan counterparts was their view that the resident advisor approached his role as a mentor and a “full team member” of the DMO. Although the office is relatively small, the resident advisor was able to integrate into the team and effectively build capacity to implement sustainable reforms within a three-year period by working in the DMO and building effective relationships.

PROJECT SCOPING AND PLANNING

OTA, after consultation with GoP counterparts, developed a project scope that was “fit-for-purpose,” practicable, and achievable. In the case of GDIF, this reflective scoping and planning



contributed to project success. The following key recommendations emerged from the GDIF team's experience in Paraguay.

- 1. During the scoping phase, OTA should carefully identify key needs, ensuring that the project components align with priorities of the counterpart government.** As was the case with the GDIF project, outcomes are more likely to be achieved if they are closely aligned with government priorities. According to interviews with counterparts, each of the predetermined outcomes of the GDIF project were key needs of the GoP.
- 2. During the scoping phase, OTA should tailor the modality of technical assistance to the country context.** Paraguay successfully navigated a transition from a concessional loan-based model to an incipient market-based financing model. This report documents that during GDIF implementation, Paraguay was able to further develop its domestic bond market, improve the cost-risk profile of government securities, and promote local market issuance and trading activity. Moreover, it was successful in mitigating the risks associated with sovereign debt issued and traded abroad with innovative transactions such as bond exchanges and debt buybacks. Although such a transition may not be feasible in all developing countries, it proved feasible in this case.
- 3. OTA should ensure the scope of work for each advisor is practical, realistically achievable, and sustainable.** The GDIF team designed a straightforward and focused project which resulted in a set of components and outputs that were ambitious yet also attainable for the advisor and the Paraguayan counterparts. The clearly designed project translated into a coherent and actionable scope of work that allowed the resident advisor and counterparts to work towards consistent goals. The result was a project that was able to be successful and overcome challenges, such as multiple changes in government over the life of the project. The GDIF project's experience presents a "proof is in the pudding" example that appropriately scoping and designing an intervention is a key factor in successful project implementation.
- 4. OTA should ensure resident advisors have the necessary skill sets to implement all components and achieve desired outcomes.** As detailed in this report, the resident advisor had both the "hard" technical skills, based on a career trajectory that required a deep knowledge and experience base of markets, and the "soft" skills of being able to mentor and encourage counterpart colleagues and to help build necessary consensus for pathways for reform.
- 5. OTA should look to produce quick wins early in the project to increase counterpart's commitment to reforms.** As was the case with the GDIF project, early project successes can boost counterpart willingness to implement difficult improvements. The project scoping phase should include a discussion with counterparts about where OTA can have an immediate impact on counterpart priorities. This will help OTA to design a set of project outcomes that incorporate counterparts' high-priority objectives that are well defined and can be completed in the short- to medium-term.



II. EVALUATION BACKGROUND

OTA Approach

OTA is a demand-driven organization with a mandate to work directly with counterpart governments to develop and implement robust public financial management practices to promote financial sector strengthening. OTA provides financial technical assistance in five key financial areas: 1) revenue policy and administration, 2) budget and financial accountability, 3) government debt and infrastructure finance, 4) banking and financial services, and 5) economic crimes. Projects typically last between three to six years and involve one or more technical advisors in one of the five key financial areas working to accomplish a predetermined set of project objectives. Resident advisors work directly with counterparts in central banks, finance ministries, treasuries, tax departments, and other public sector financial institutions, providing technical support and training, and mentoring counterparts. Projects employ either resident advisors who live in the country for several years or intermittent advisors who periodically visit the counterpart country over the lifetime of the project. Intermittent advisors can deliver broad support on the project or visit just a handful of times to deliver specialized technical assistance on a single component of the project. In Paraguay, the resident advisor's primary counterpart was the DMO within the MOF.

Prior to implementation, OTA's GDIF team was concerned that given successive changes in political leadership, there was a potential that political commitment to reform might not be sufficient. Moreover, in 2018, Paraguay ranked in the bottom half of countries in terms of corruption, ease of doing business, and global innovations.⁶ However, according to resident advisor reports and interviews, which were corroborated by Paraguayan counterparts, during the process of implementation, successive Paraguayan administrations demonstrated a strong commitment to reforming their system of sovereign debt issuance and management.

Paraguay has issued debt in the international capital markets since 2003, when it sold its first global bond for \$400 million. During the period from 2003–2009, the country navigated a difficult financial environment. Paraguay restructured its external debt with the Paris Club creditors, eventually negotiating a 30% reduction in its debt to this group of creditors, only to suffer other setbacks during the global financial crisis of 2008–2009. By 2013, however, many of the economic clouds had cleared, and Paraguay achieved investment grade status from Fitch Ratings and Standard & Poor's, reflecting what those rating agencies described as improved macroeconomic stability, fiscal discipline, low debt burden, and strong growth prospects. By 2016, Paraguay began issuing longer-term bonds, a practice that continued throughout the period of the GDIF project, as Paraguay continued to issue longer-term bonds with the goal of creating a benchmark yield curve. Paraguay's debt issuance strategy has helped it to diversify its funding sources, reduce its

⁶ The U.S State Department released its [Investment Climate Statement on Paraguay \(2018\)](#), which cited Paraguay at 135 of 175 in Transparency International's 2017 [Corruption Perceptions Index](#); 108 of 190 in the World Bank's [Ease of Doing Business Report](#) (2017); and 85 of 127 on the [Global Innovation Index](#) (2017).



borrowing costs, improve its debt sustainability indicators, and enhance its credibility in the international markets.

However, the country still faces some challenges and risks in its debt management, such as relatively limited development of the domestic debt market, which reduces its ability to issue long-term local currency bonds⁷ at competitive rates. In addition, high exposure to foreign currency and debt, some of which is at floating interest rates, increases the country's vulnerability to exchange rate and interest rate shocks.⁸

Figure 1 shows that international public sector debt grew rapidly from 2012–2023, from approximately USD \$2 billion to current levels of around USD \$13 billion, while domestic debt remained relatively stable during that period, jumping between 2011 and 2012 from approximately \$400 million to around \$1.3 billion; domestic debt remained relatively steady from 2012–2023 in the range of \$1.3 billion to \$1.7 billion.⁹

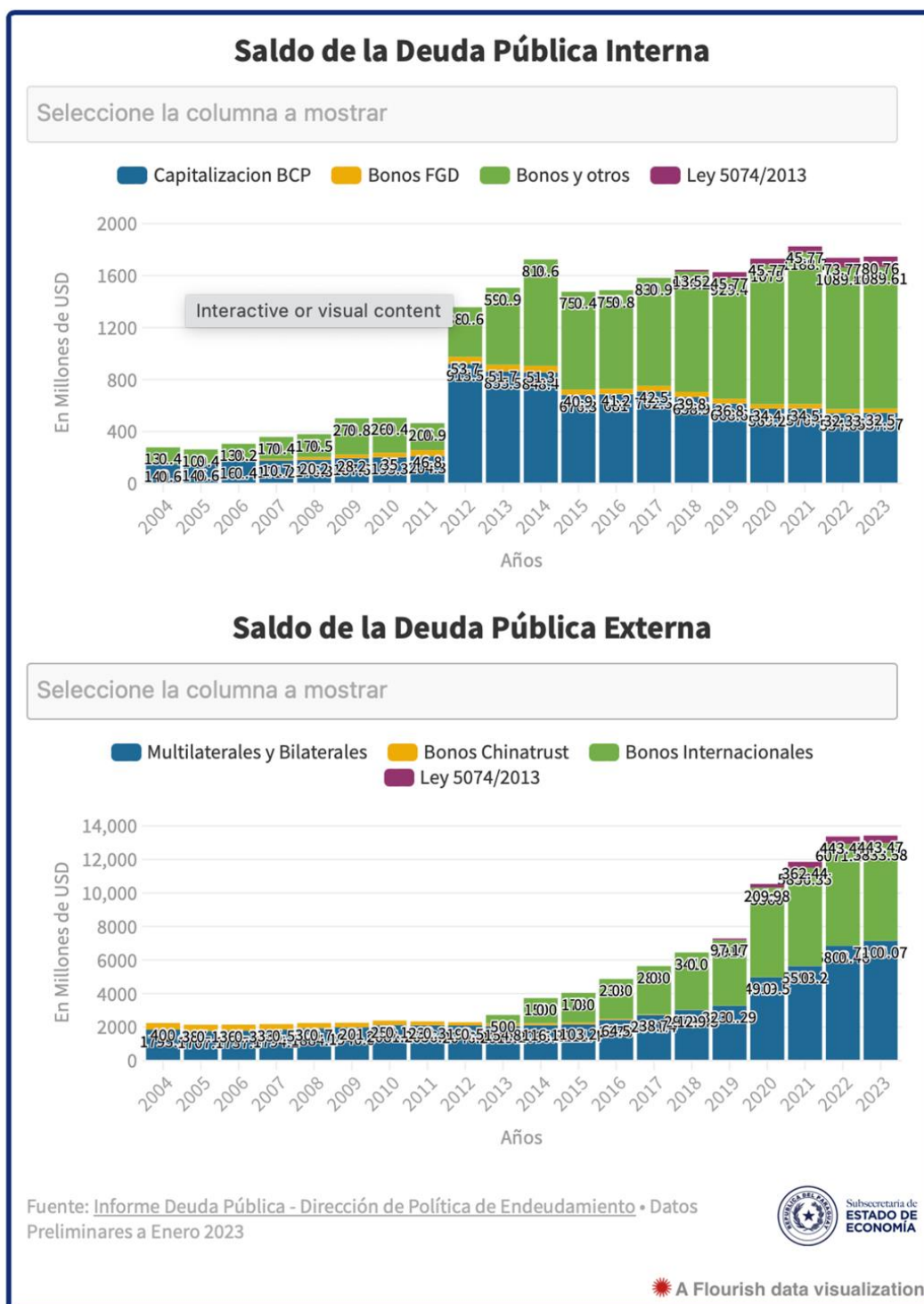
⁷ According to the [DMO's January 2023 monthly report](#) on macroeconomic data, the structure of debt by currency showed a continuing large concentration in U.S. dollars (87.4%), followed by the Paraguayan Guaraní (11%), with debt in the Japanese yen (0,9%) and all other currencies (0,6%) accounting for a small proportion of debt.

⁸ Parks, "Paraguay Plans \$500 Million Global Bond to Fund Budget, Cut Debt."

⁹ Figure 2 shows data from 2004–2023 from the Vice Ministry of Economy and Finance's [data visualization website](#).



Figure 1: Internal and External Debt and the Structure of Public Debt in Paraguay.

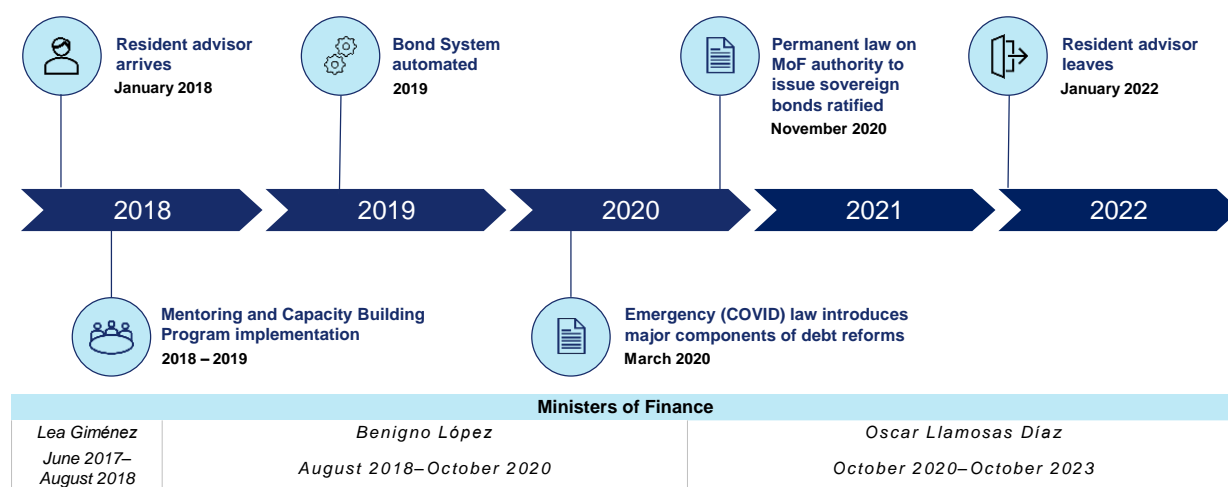


Project Description

The Paraguay GDIF project began in 2018 and was implemented by one resident advisor from January 2018 through January 2022. Figure 2 shows a detailed timeline of the OTA Paraguay GDIF project.

Project components included: 1) developing new investment instruments to attract new investor classes and improving auction structure, auction planning and scheduling, and auction calendars to improve securities placement efficiency and transparency; 2) improving the legal and regulatory framework for public debt to create more flexibility to authorize, issue, and manage debt; and 3) developing tools and techniques to allow the DMO to execute proactive liability management operations for outstanding bonds to mitigate the risks in the GoP’s liability portfolio.

Figure 2: OTA Paraguay GDIF Project Timeline.



III. EVALUATION METHODOLOGY

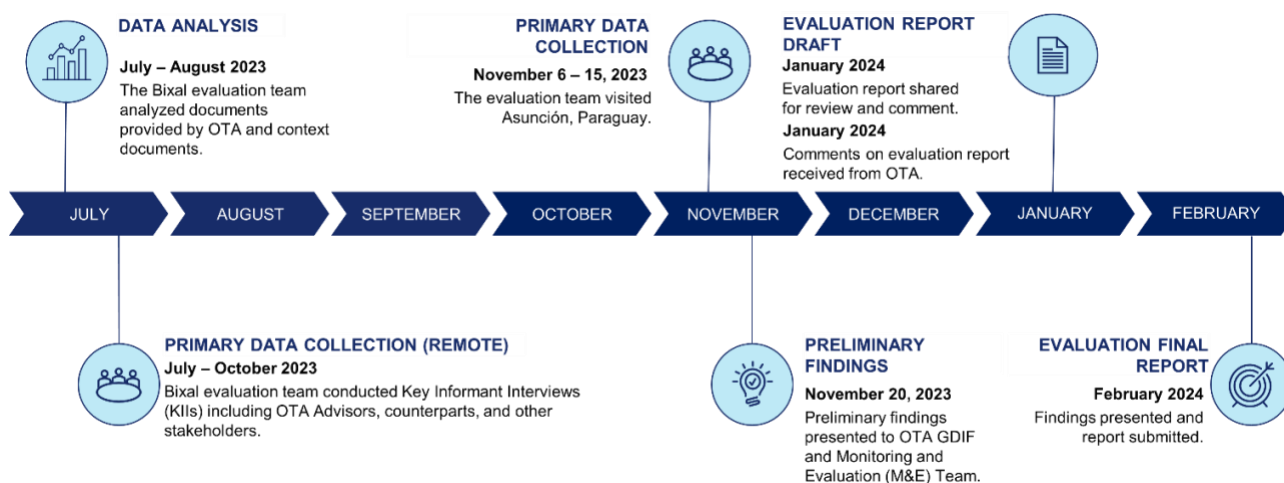
Evaluation Purpose

OTA commissioned Bixal to perform a summative project evaluation of GDIF. The evaluation activities took place from July 2023 to February 2024, with a field visit by the evaluation team to Asunción, Paraguay from November 6–17, 2023 (Figure 3).

The evaluation of the OTA Paraguay GDIF project serves two purposes:

- To ensure compliance with the FATAA of 2016,¹⁰ which includes requirements to evaluate the outcomes and impacts of OTA’s programs that have a dollar value that equals or exceeds the median program size and apply the findings and conclusions of such evaluations to proposed project and program design.
- To provide OTA with in-depth, third-party, retrospective insights of its GDIF project activities in Paraguay. The evaluation focused on the key EQs related to the project’s contributions to Paraguay’s debt sector development. Some aspects of OTA’s experience in Paraguay may be extrapolated to other current or future projects in Paraguay or other countries to inform adaptation, improve projects, discover ways to reduce the time to achieve project outcomes, identify new ways to effect positive change, and document project achievements and success.

Figure 3: OTA Paraguay GDIF Project Evaluation Timeline.



¹⁰ Foreign Aid and Transparency and Accountability Act of 2016, Public Law 114-191

<https://www.congress.gov/114/plaws/publ191/PLAW-114publ191.pdf>



Evaluation Questions

Bixal's evaluation team collaborated with OTA's Monitoring and Evaluation (M&E) team to develop a limited number of EQs to better understand OTA's work in Paraguay. The EQs provide the foundation for the remaining design elements, including methods used and data sources. Interview guides and other evaluation instruments address the EQs and project components. The EQs are:



EQ 1. Which of the anticipated project outcomes were achieved?



EQ 2. Which of these outcomes have been sustained up to the present?



EQ 3. For any anticipated outcomes that were not achieved, which factors hindered success?

Evaluation Methods

To explore the EQs, the evaluation team used a mixed methods approach. This approach ensured that all written documentation of the project was integrated into the evaluation, but that further exploration of the project activities was achieved through key informant interviews (KIIs).

DESK REVIEW OF PROJECT DOCUMENTS

The evaluation team analyzed project documents provided by OTA to gain a basic understanding of OTA's activities and interventions in the Paraguay GDIF project area in Paraguay, and the team reviewed additional documents to provide more context on the Paraguayan financial environment. Documents were coded by outcome and key themes in ATLAS.ti, a qualitative analysis application. Once the documents were coded, the evaluation team reviewed, extracted initial key findings from the documents, and identified information gaps that required more investigation.

OTA shared the following categories of project documents with the evaluation team:

- Continuing Project Cover Sheets
- End of Project Report
- End of Tour Report
- Evaluation Coversheet



- Log Frame
- Monthly Reports
- Project Reviews
- Terms of Reference
- Treasury International Affairs Technical Assistance (TIATA) Proposals
- Traction and Impact Reports
- Work Plans

Annex A is a list of all project documents provided by OTA through the evaluation cycle and external documents from other sources. Annex B is an inventory of all external documents reviewed, in addition to the documents provided by the OTA team.

KEY INFORMANT INTERVIEWS

Working from project documents, the evaluation team extracted counterpart names and roles to assemble an interview list and further condensed the list based on OTA's feedback. Interview guides were tailored for each category of respondent and the evaluation team conducted KIIs to document a full range of perspectives on OTA's work, uncover new findings, and validate findings from the initial document analysis. KIIs focused specifically on OTA's work with the Paraguayan government to assess the effectiveness of the project. Annex D includes all KII tools.

All evaluation team members — including the team leader, the program manager, subject matter expert (SME), and local M&E specialist — conducted interviews assigned by the team leader. The interviews were conducted in Spanish with Paraguayan counterparts and in English with OTA staff. All interviews with Paraguayan counterparts were conducted in person. All interviewers closely followed prepared interview guides and instructions to ensure interviews were unbiased and focused on the EQs.

Notetakers, including the SME and the Paraguayan M&E specialist, took notes using a notetaking guide and were trained on the evaluation team's standard operating procedure for notetaking to ensure high-quality data were captured. With one exception, KIIs were recorded and these recordings were used to generate transcriptions using *Sonix*. Transcripts were generated in Spanish and translated to English for analysis and reporting purposes. In the one case in which a recording was not possible, team members immediately shared their notes in a debrief session held immediately after the interview, allowing the team to capture the salient points of that interview.

Data Collection and Analysis

The team reviewed and coded each of the 113 documents provided. Those documents were used throughout this evaluation to inform the interviews and as a data source for the findings detailed in this document. A detailed list of project documents reviewed by the evaluation team is included



in Annex A. The desk review was complemented by interviews with eight key Paraguayan counterparts, three remote interviews with the former resident advisor, one other stakeholder from OTA, and an in-person interview with the economic officer from the U.S. Embassy. A detailed list of key respondents has been redacted for the purposes of this report.

The evaluation team conducted a qualitative analysis of KII data on an ongoing basis, concurrent with interviews, to ensure quality in real time and to identify findings and trends in a timely manner. KII notes and transcriptions were coded and analyzed using ATLAS.ti, grouping similar data under different categories and themes (using the same categories and themes that were used in the desk review coding process). Thus, the evaluation team could locate, retrieve, and combine the data that corresponded to a category of interest. These data were further triangulated and contextualized with the findings from the desk review.

When data collection was nearly complete, evaluation team members convened for a joint analysis. Annex C lists the names and roles of the evaluation team members. The evaluation team discussed potential findings, conclusions, and trends. The evaluation team then shared insights and ideas from this process in a presentation of preliminary findings to the OTA M&E team for vetting and discussion before the final evaluation report was drafted. After the KIIs were finalized and coded, all findings were organized in a findings, conclusions, and recommendations (FCR) matrix.

Quality Assurance

The evaluation team followed standard quality assurance (QA) best practices that included the following:

1. Notetakers uploaded their notes at the end of each day of data collection. The M&E specialist reviewed notes to ensure completeness and comprehension and to identify emerging themes.
2. The evaluation team met at the end of each day of data collection in Asunción, Paraguay. The team discussed what they heard and observed to ensure consistency in collecting and reporting data.
3. The ATLAS.ti application enabled the team to check for accuracy and completeness of qualitative data as they were entered and coded.
4. The joint analysis and presentation of preliminary findings provided further opportunity to cross-check and validate data and findings.
5. Bixal's internal QA process involves the Senior Director for Monitoring, Evaluation, and Learning (MEL) and other staff periodically reviewing drafts of the evaluation report and findings presentations to ensure the validity, completeness, and accuracy of evaluation FCR.

The evaluation team took steps to ensure data security, including using secure communication platforms, storage of information on secure and password-protected sites, and deletion of recording and transcription files after the completion of the study.



Limitations

In general, the evaluation team faced very few limitations. Most KIIs could be performed as planned and sufficient documentation was provided for a comprehensive desk review. However, the following circumstances limited the data collection and, consequently, the analysis.

- The evaluation team was not able to meet with one respondent from OTA who was involved in the planning and oversight of the resident advisor's tenure in Paraguay. He has since retired and was unwilling to be interviewed or answer written questions via email.
- The team did not interview the head of the DMO, who was ill during the site visits. This was mitigated by discussions held with two of her deputies.
- DMO did not respond to our requests for information on implementing regulations for the amendments to the Public Debt Law included in the 2020 Liability Management Law.








IV. PROJECT FINDINGS

This section presents the evaluation findings for the three project components. The overarching goal of the OTA GDIF project was to develop a broader, deeper domestic government securities market to provide a meaningful and reliable funding source for the GoP; reduce liability portfolio risks; and supply needed instruments and tools for investors and intermediaries. To accomplish this, the project focused on three components: 1) developing new investment instruments to attract new investor classes and improving auction structure, auction planning and scheduling, and auction calendars to improve securities placement efficiency and transparency; 2) improving the legal and regulatory framework for public debt to create more flexibility to authorize, issue, and manage debt; and 3) developing tools and techniques to allow the DMO to execute proactive liability management operations for outstanding bonds in order to mitigate the risks in the GoP’s liability portfolio.

Table 2 summarizes the findings for Components 1–3. The evaluation team grouped the seven outcomes in Component 1 into logical outcome areas. These are: 1) Financing Strategies; 2) Reform of Debt Transaction Processes; and 3) Interactions with Market Participants.



















Table 2: Summary Review of OTA’s Paraguay GDIF Project. Fully Achieved, Partially Achieved, and Not Achieved project components, outcomes, and sustainability.¹¹

Project Component ¹²	Outcomes	Achieved	Sustained
 1. Domestic Bond Market Development	1) Financing Strategies		
	1.1 Hacienda detailed borrowing plan to increase investor activity.		
	1.6 DMO borrowing plans and debt issuance increases market confidence.		
	2) Reform of Debt Transaction Processes		

¹¹ While the scoring process is not fully subjective, the evaluation team assigned fully achieved or sustained to those outcomes that were almost all or fully achieved. This means that while some small elements may not have been achieved, all notable components of the outcome were achieved or sustained. The evaluation team assigned partially achieved or sustained to outcomes where significant elements had both been achieved and not achieved. The evaluation team then assigned not achieved or not sustained to those outcomes where all primary parts of the outcome were not achieved or sustained.

¹² The project component scores are a combination of the outcome-level rating(s) and the sustainability rating(s).



	1.2 Hacienda updates Auction Process.		
	1.5 DMO new government benchmark security leads to increased investments.		
3) Interactions with Market Participants			
	1.3 DMO borrowing plans and debt issuance increases market confidence.		
	1.4 DMO market survey to issue demanded maturities.		
	1.7 Communications strategy leads to increased investments and market confidence.		
 2. Government Debt Legal Framework	2.1 GoP passes a new Public Debt Law increasing confidence in securities.		
	2.2 DMO new Public Debt Regulations increase confidence and participation.		
 3. Liability Management Program	3.1 DMO restructures and mitigates risks in portfolio.		








Component 1: Bond Market Development





Component 1 focused on developing the sovereign bond market by introducing improved practices to formulate government financing strategies, modernizing the borrowing transactions conducted to raise funds, and deepening interactions with market participants. The aim was to expand the sources of government financing, widen the set of debt instruments used to mobilize funds, and increase the participation of investors in the sovereign bond market (including banks, non-bank institutions, long-term savings institutions, and retail investors).

Table 3 summarizes the findings for Component 1, grouping items by logical outcome areas. These are: 1) Financing Strategies; 2) Reform of Debt Transaction Processes; and 3) Interactions with Market Participants. A detailed discussion by sub-components related to each of these categories follows Table 3.

Table 3: Component 1 Outcomes, Status, and Sustainability.

Project Component	Outcome	Status (EQ 1, EQ 3)	Sustainability (EQ 2)
 Component 1: Sovereign Bond Market Development The objective of this component is to increase the market participation of new types of investors in the GoP’s domestic government bond market (non-bank financial institutions, long-term savings institutions, corporate/commercial enterprises, and private investors). Project activities will focus on: 1) developing new investment instruments; and 2) improving communication from the DMO to investors.	1) Financing Strategies		
	1.1: The DMO adopts a borrowing plan detailing the preferred mix of domestic versus external debt, security types, and timing of issues. The DMO creates a borrowing plan to determine their quarterly and weekly auction calendars and communicates their plan to investment stakeholders. The DMO requires pre-selected/designated government securities to be auctioned on the stock exchange and allows the market to set prices.	 Outcome 1.1 was fully achieved as the DMO regularly prepares an annual borrowing plan aligned with the GoP’s funding requirements associated to the approved budget for the year of reference.	 Preparing an annual borrowing plan has become a normal activity conducted by the the DMO every year. The annual borrowing plan is presented to market participants in meetings between the DMO and institutional investors held during Q4 of the preceding year, and it is published in on the DMO website.
	1.6: DMO borrowing plans and debt issuance increases market confidence.	 Outcome 1.6 was fully achieved as the DMO updated its strategic guidelines	 Formulating and executing an MTDS has become a normal activity conducted by the DMO





Project Component	Outcome	Status (EQ 1, EQ 3)	Sustainability (EQ 2)
		for medium-term public debt management in the MTDS for 2021–2025. Investors have confidence that the GoP will adhere to market prices, encouraging increased investor activity.	during a three-year cycle. The MTDS has been updated twice and the DMO intends to further update it at the conclusion of the current period of reference. The current MTDS report was disseminated online.
2) Reform of Debt Transaction Processes			
	1.2: The DMO adopts amendments to its auction processes to clarify how it will announce, receive, and award bids. It transparently communicates the process and structure of the auctions to investment community.	 Outcome 1.2 was fully achieved. The DMO regularly conducts security issuances through competitive auctions with market-determined prices and aligned with the annual borrowing plan.	 Utilization of the electronic platform for primary auctions and secondary trading is now a regular practice for the DMO and investors in the domestic sovereign bond market. Since January 2019, all auctions have been conducted using the electronic platform and were fully subscribed with competitive bidding and pricing. Modernization of auction processes by the DMO was useful during the pandemic, when emergency borrowing activity increased.
	1.5: The GoP offers new government benchmark securities to provide investors with a viable and	 Outcome 1.5 was fully achieved as the DMO regularly	 Using benchmark securities, bond series, and re-openings for



Project Component	Outcome	Status (EQ 1, EQ 3)	Sustainability (EQ 2)
	<p>safe investment vehicle. The increased investment in benchmark securities will provide more liquidity for investors and encourage increased investment in GoP securities.</p>	<p>issues benchmark securities with a wider range of maturities, using new bond series and re-openings.</p>	<p>managing debt is now a regular practice for the DMO and investors in the domestic sovereign bond market and have resulted in a broader range of debt instruments and the expanded investor base.</p>
3) Interactions with Market Participants			
	<p>1.3: DMO staff communicates borrowing plans and publishes auction calendars that announce regular, open, and predictable government debt auctions. Investors and intermediaries use information and data found in announcements to plan their investing and underwriting activities, which facilitates greater participation in market-based auctions.</p>	<p>● Outcome 1.3 was fully achieved. The DMO regularly publishes a quarterly calendar for security issuances, aligned with the annual borrowing plan.</p>	<p>● Publishing auction calendars has become a normal activity conducted by the DMO. Auction calendars are announced and disseminated online.</p>
	<p>1.4: The DMO administers a market survey to determine demand for longer-dated benchmark securities and uses the information to issue maturities that meet investor demand.</p>	<p>● Outcome 1.4 was fully achieved as the DMO conducts regular meetings and consultations with institutional investors to acquire information on market demand and explore appetite for securities that could be adequate for</p>	<p>● Consultations with domestic institutional investors have become a regular DMO practice. Formal consultations occur during the presentation of the annual borrowing plan in Q4. Informal calls and meetings between domestic institutional investors and MOF</p>



Project Component	Outcome	Status (EQ 1, EQ 3)	Sustainability (EQ 2)
		pursuing the DMO’s funding plans.	staff are held throughout the year. DMO staff are now more aware of market demand, expectations, pricing conditions, and funding plans — and uses this knowledge to prepare funding plans.
	<p>1.7: The DMO clearly communicates the borrowing plans and other debt issuance information on an ongoing basis. Market participants have an improved understanding of and confidence in Paraguay’s governance and markets.</p>	<p> Outcome 1.7 was partially achieved as the DMO adopted some functions pertaining to an IRO after GDIF concluded. The IRO was formally established in 2022, but its capacity needs to be further developed.</p>	<p> Although direct outreach to institutional investors is currently limited, the formal establishment of the IRO commenced after the GDIF project finished. In 2022, the IRO was recognized in the organigram of the DMO and given mandates and responsibilities in relation to interactions with market participants. Considering its institutional setting, and with further strengthening, the evaluation team believes the new IRO has the potential to be part of permanent reforms.</p>



COMPONENT 1 FINDINGS



EQ 1. Which of the anticipated project outcomes were achieved?

Fully Achieved: *1.1: DMO establishes a Detailed Borrowing Plan.*

Outcome 1.1 was fully achieved as the DMO regularly prepares an annual borrowing plan aligned with the GoP’s funding requirements associated with the approved budget for the year of reference.

According to MOF respondents, the resident advisor built technical capacity at DMO by training staff on formulating and executing annual borrowing plans. The advisor explained that relation funding plans should be consistent with congressional budget borrowing requirements and the market demand for sovereign bonds.

With the assistance of OTA, the DMO began preparing annual borrowing plans, which consist of a one-year funding plan that identifies financing targets to be raised through anticipated auctions of securities—mostly Treasury bonds and bills. The annual borrowing plan provides specific guidance to DMO on the type of debt instruments to issue as well as the timing and size of auctions, based on the predetermined funding needs and market absorption capacity. During the resident advisor’s tenure, the DMO started to present an annual borrowing plan to market participants in meetings between the government and institutional investors during the fourth quarter of the year preceding auctions. In addition, the annual plan was published on the Ministry’s website for transparency. Respondents indicated that the communication of the DMO’s planned annual borrowing facilitates institutional investors’ own financial planning, thus encouraging market participation and expanding the classes of investors holding and trading sovereign bonds. Respondents also indicated that all the above processes initiated during GDIF continue through the present.

Respondents noted substantial improvement during the GDIF project. For example, prior to the GDIF project, the DMO did not formulate a funding plan consistent with the budget approved by The Paraguayan Congress, resulting in frequent government budget shortfalls. Moreover, Paraguayan counterpart respondents indicated that funding targets were not always made public and financing transactions (e.g., security issuances) were often ad hoc and made with inadequate prior notice. Respondents cited the potential for unplanned financing transactions to disrupt prices and volumes in domestic sovereign bond markets — as further analyzed in Outcomes 1.2, 1.3, and 1.5. Often, the funding shortfalls at the close of each year were as sizable as one-third of the actual debt issuances. Furthermore, funding shortfalls were frequently “plugged” by directly placing sovereign bonds into government agencies and funds — often without adequate pricing and higher spreads compared to well-benchmarked sovereign bonds.¹³

¹³ For a discussion of drivers of bond spreads in the context of emerging economies, see for example: Presbitero et al. “Sovereign bonds in developing countries: Drivers of issuance and spreads.”



Fully Achieved: 1.2: DMO Updates Auction Process.

Outcome 1.2 was fully achieved as the DMO regularly conducts security issuances through competitive auctions with market-determined prices, aligned with its annual borrowing plan.

The resident advisor built technical capacity at DMO by training staff on how to manage primary auctions, including principles for determining prices and allotment of securities. The resident advisor also assisted DMO management to coordinate activities with the SEC and the stock exchange to establish the electronic auction platform, taking advantage of his own experience as a market practitioner.

With input from the resident advisor, the DMO collaborated with the CBP and the SEC, as well as the privately owned and operated stock exchange, to establish an [electronic platform](#) for primary auctioning and secondary trading of Treasury bonds and bills.¹⁴ In the domestic market, securities are placed through the CBP and the Asunción Stock Exchange, with terms currently ranging from 5 to 20 years. External sovereign bonds are issued by the Government in the international market with rates generally expressed as a spread on a U.S. government treasury bond, and accounting for country risk.¹⁵

This was a major — as well as serendipitous — achievement because in the months prior to the COVID-19 pandemic, all transactions involving sovereign bonds began to be conducted through a fully operational electronic platform, which continues to operate smoothly to the present, obviating the need for — and completely replacing — the former over-the-counter system of manual trading. According to reports and interviews, all auctions have been fully or over-subscribed since 2019 to date. Moreover, according to interviewees, in June 2023, foreign investors were allowed to participate in primary auctions for the first time.

The DMO was able to significantly enhance operating procedures with the assistance of OTA and with more reliable financial infrastructure in place. The DMO adopted appropriate techniques for pricing and allotment of securities issued in primary markets, thus reducing cost of borrowing, enhancing price discovery, and mitigating the risk of market collusion. Moreover, new infrastructure now ensures that transparent, accurate information on prices, yield curves, and traded volumes are now available in the electronic platform, in addition to post-trading reports issued by MOF, and are thus widely accessible to institutional and retail investors. Counterpart respondents and resident advisor reports also pointed to greater transparency in such a system. Successful bidders are now notified within two hours of the auction close, and pricing and allotment results are now made public before close of business. Respondents indicated that this has encouraged wider market participation and has enhanced bidders' ability to determine security prices more correctly in secondary trading.

¹⁴ The electronic platform includes sovereign bonds. To see a history of Treasury bonds and bills since 2013, filter link above by “Hacienda.” Buyers that are authorized by the system log in [here](#). A list of public and private organizations auctioning bonds through the system is [here](#).

¹⁵ Vice-Ministry of Economy and Planning: [Internal Bonds](#); [External Bonds](#)



Moreover, the domestic bond market was centered on a handful of local banks who generally invested in short-term sovereign securities as a liquidity reserve in their balance sheets.

The new, single electronic platform established, together with the modernization of auction processes by the DMO, were instrumental to increasing market liquidity and participation, as banks, non-bank financial institutions, and retail investors can now operate in the primary and secondary markets, and [annual auction results](#) are published by the MOF. In turn, the growing market liquidity and participation allowed the DMO to auction a broader range of sovereign securities — as further analyzed in Outcome 1.5.

Fully Achieved: 1.3: DMO publishes auction calendar.

Outcome 1.3 was fully achieved as the MOF provides input to the CBP, which regularly publishes a monthly calendar for security issuances, aligned with the annual borrowing plan.

The resident advisor built technical capacity at the DMO by training staff on how to plan and implement auction calendars. He also assisted DMO management to coordinate auction calendars with the institutional investors in view of their own financing opportunities and practices, taking advantage of his own experience as a market practitioner.

As a result of OTA's technical assistance, the CBP now prepares a monthly [auction calendar](#), which specifies in advance the dates when the government intends to conduct primary issuances in the domestic bond market. Data on [prior year issuances](#) are also reported by the MOF. As indicated in the previous section on borrowing plans, respondents indicated that the communication of the planned auctions through the calendar and published [offering memoranda](#) facilitates institutional investors' financial planning, thus encouraging market participation and expanding the investor base.

Fully Achieved: 1.4: DMO market survey to issue demanded maturities.

Outcome 1.4 was fully achieved as the DMO conducts regular meetings and consultations with institutional investors to acquire information on market demand and explore appetite for securities that could be adequate for pursuing DMO's funding plans.

Prior to the GDIF project, the DMO did not communicate with market participants in a systematic manner and therefore lacked information on the absorption capacity of the domestic sovereign bond market, which could inform the formulation and execution of its funding plans. Furthermore, as DMO staff was not fully aware of the portfolio preferences and investment strategies of institutional and retail investors, the funding plans were not always consistent with the market demand for sovereign bonds.

With the assistance of OTA, the DMO commenced to meet regularly with institutional investors to exchange information on market demand, expectations, pricing conditions, and funding plans. Effective, systematic interactions between the DMO and market participants were institutionalized in meetings and consultations in relation to the annual borrowing plan and the auction calendar. DMO staff then became more knowledgeable of investors' portfolio preferences and investment strategies. Interactions between the DMO and market participants facilitated borrowing transactions, thus encouraging market confidence.



The resident advisor built technical capacity at the DMO by training staff on how to exchange information with investors and evaluate demand for sovereign securities, especially in the domestic market. The resident advisor also assisted DMO management in a series of presentations and meetings with investors made in various locations about upcoming financial product releases. In addition, he assisted in explaining how the funding plans should be consistent with the budget's borrowing requirements and the market demand for sovereign bonds and — drawing on his own experience as a market practitioner — mentored staff on conducting negotiations with foreign financial agents and investors.

Fully Achieved: 1.5: DMO new government benchmark security established.

Outcome 1.5 was fully achieved as the DMO regularly issues benchmark securities with a wider range of maturities, using new bond series and re-openings.

The resident advisor built technical capacity at DMO by training staff on how to establish benchmark securities, use re-openings, and analyze yield curves. The resident advisor also assisted DMO managers to establish a multi-year plan for issuing securities with specific maturities. He assisted in coordinating activities with Paraguay's SEC and the stock exchange in relation to the establishment of benchmark securities and their specificities in primary auction and secondary trading. With the assistance of OTA, the DMO began issuing domestic securities with longer maturities, extending the tenors of most Treasury bonds, which according to resident advisor reports and interviews were generally shorter term (5 years or less). The broader range of debt instruments, including bond exchanges — in which an exchange offer is proposed by an issuer of bonds to holders of a particular series of bonds to repurchase some or all the bonds they hold in exchange for new debt instruments — helped to reduce refinancing risks and borrowing costs by creating a more diverse portfolio.

Prior to the GDIF project, DMO generally issued sovereign bonds in domestic markets at relatively short maturities (up to a 5-year tenor),¹⁶ which increased refinancing risks, prevented the buildup of yield curves, and undermined market liquidity. Outstanding stock of sovereign bonds was distributed across short-term instruments. There were no large issues (series) for specific tenors and no fungibility between securities, including those that shared the same coupon rate and

¹⁶ There were exceptions before GDIF was implemented. In 2009, Paraguay suffered from a deep economic and political crisis that led to the impeachment of its then-president. Moreover, in that year, the country was obligated to take on longer-term debt at a high interest rate (\$500 million bond with a 10-year maturity with a 9.375% coupon). Source: In 2016, Paraguay issued a \$600 million bond with a 30-year maturity and a 6.1% coupon rate. Parks, "Paraguay Plans \$500 Million Global Bond to Fund Budget, Cut Debt."



maturity date.¹⁷ In addition, the DMO lacked normal debt management practices, such as benchmarked securities and bond series and the use of re-openings and below-par issuances.¹⁸

The DMO was able to build up a yield curve by increasing participation in the market by expanding the range of securities and market liquidity in conjunction with a new online system, both of which were new practices advocated for by the resident advisor. The yield curve is now used as a market reference for pricing sovereign bonds as well as private-sector assets, such as corporate bonds and long-term investment financing instruments. The DMO also introduced issuance of benchmark medium- and long-term securities together with regular re-openings, which increased liquidity in both primary and secondary markets. By allowing for below-par issuances, the DMO achieved more stable coupon rates for securities belonging to a given benchmark.

The DMO further reinforced the expansion of the investors base by introducing new debt instruments and utilizing enhanced debt management practices. These include issuance of medium- and long-term bonds. Medium-term bonds are suitable for banks seeking liquid assets within portfolios, while long-term bonds are attractive to non-bank financial institutions and other investors pursuing buy-and-hold strategies.

With OTA assistance, the GoP developed a deeper, more established domestic market for sovereign bonds and the DMO and other stakeholders significantly enhanced their operating procedures. The DMO adapted annual borrowing plans and a medium-term debt management strategy to reflect the establishment of benchmark securities, and there is now a well-established yield curve comprised of benchmark securities created through regular re-openings of existing sovereign bonds. The CBP now reports the yield curve for sovereign bonds in a public website accessible to all market participants.¹⁹ Securities brokers are also now mandated to inform clients about how their price bids compare against the yield curve and commercial banks now use sovereign bonds as collateral for regular repurchase agreements.²⁰

¹⁷ In this context, fungibility refers to the ability of an asset to be interchanged with other assets of the same type. Fungible assets simplify the exchange and trade processes because fungibility implies equal value between the assets.

¹⁸ *Benchmarks* generally refer to the most recently issued Treasury bonds or notes of a particular maturity, which provide a standard against which the performance of other bonds can be measured. *Below par* refers to a bond price that is currently below its face value. Below par bonds are said to be trading at a discount, and the price will be quoted below 100. Bonds trade below par as interest rates rise, as the issuer's credit rating falls, or when the bond's supply greatly exceeds demand.

¹⁹ The tab *curvas de rendimiento* under the title *Mercado Bursátil* at <https://siv.bcp.gov.py/> shows the current yield curve.

²⁰ Repurchase agreements, commonly referred to as “repo transactions” are a short-term lending mechanism in which a bank selling securities, usually government bonds or other debt instruments.



Fully Achieved: 1.6: DMO borrowing plans and debt issuance increases market confidence.

Outcome 1.6 was fully achieved as the DMO updated its strategic guidelines for medium-term public debt management in the MTDS for 2021–2025.

The resident advisor built technical capacity at the DMO by training staff on how to update the MTDS in line with the agreed plans to develop the sovereign bond market, including regular issuances of external bonds and the establishment of benchmark domestic securities attractive to a wider range of institutional investors.

According to Paraguayan counterparts, prior MTDSs were conducted when the country was at an early stage of sovereign bond market development, external bonds were less prominent, and domestic bonds lacked benchmarks and a broad investors base. However, during GDIF implementation and with extensive assistance of the resident advisor, the DMO updated strategic guidelines for public debt management in its [2021–2025 MTDS](#). The new MTDS consisted of a multi-year funding plan that determines the volumes of financing to be raised through loan disbursements and security issuances in both external and domestic markets. It provided broad guidance to MOF on adequate sources of finance to tap based on policy objectives and targets, cost-risk trade-offs, and market absorption capacity. According to Paraguayan respondents, the MTDS covered a much wider range of economic scenarios and alternatives to be considered when making decisions about financing instruments. Moreover, the respondents noted that communication related to the new MTDS better signaled policy objectives and permitted greater accountability, thus strengthening market confidence.

Partially Achieved: 1.7 Communications strategy leads to increased investments and market confidence.

Outcome 1.7 was partially achieved as the DMO adopted some functions pertaining to an IRO after GDIF concluded. The IRO was formally established in 2022 but its capacity needs to be further developed.

During the period of the GDIF project, the resident advisor advocated for the establishment of a unit within the DMO that would encourage a communications strategy specific to financial agents and investors. A “front office” would also be charged with organizing regular meetings with institutional investors. This, however, has not yet occurred, although MOF high-level staff, such as the Vice Minister for Economy and Planning, do occasionally hold such meetings. Deliberate efforts by the resident advisor and Paraguayan counterparts were made to bring institutional investment from agencies that had not formerly participated in the sovereign bond market. Notably, these institutions included Paraguay’s [Deposit Insurance Fund](#) and its [Development Finance Agency](#), but some interviewees indicated that more systematic outreach could have been made to include a wider range of governmental agencies in the DMO’s communications efforts.

At the time of the GDIF project, the DMO had not yet established an investor relations unit responsible for formulating and executing a communications strategy intended to deepen interactions with market participants in line with normal debt management practices adopted by some of its larger neighbors. Shortly after the GDIF project implementation period, the DMO created a new department called the Office of Investor Relations [*Oficina de Relaciones con*



Inversionistas]. The IRO was merged with a pre-existing department responsible for liaising with multilateral and bilateral creditors on grants called the Department of Non-Refundable Cooperation and Investor Relations.²¹ Although the IRO does have a mandate to interact with market participants, recruiting and retaining qualified staff is a challenge. Currently, its staffing consists of just four individuals, most of whom are relatively junior within the MOF. Moreover, the IRO's budget resources are limited, and, according to DMO respondents, the new office does not yet have active interactions with foreign investors, nor has it yet developed a formal and systematic communication plan. The DMO does, however, currently publish monthly reports using macroeconomic data, which are of interest to sovereign bond investors. These reports cover issues such as annual growth projections, total public debt levels, the structure of debt by currency, and average debt maturity.²²



EQ 2. Which of these outcomes have been sustained up to the present?

Fully Sustained: 1.1: DMO detailed borrowing plan to increase investor activity.

Preparing an annual borrowing plan has become a normal activity conducted by the DMO every year. The annual borrowing plan is presented to market participants in meetings between the DMO and institutional investors held during Q4 of the preceding year, and it is published on the DMO website.

Fully Sustained: 1.2: DMO updates Auction Process.

Utilization of the electronic platform for primary auctions and secondary trading is now a regular practice for the DMO and investors in the domestic sovereign bond market. Since January 2019, all auctions have been conducted using the electronic platform and were fully subscribed with competitive bidding and pricing. Modernization of auction processes by the DMO proved useful during the pandemic, when borrowing activity increased to fund the emergency response and had to be carried out online, including both primary auctions and secondary trading.

Fully Sustained: 1.3: DMO auction calendar to increase participation.

Publishing auction calendars has become a normal activity conducted by the DMO. Auction calendars are announced and disseminated online.

Fully Sustained: 1.4: DMO market survey to issue demanded maturities.

Consultations with domestic institutional investors have become a regular DMO practice. Formal consultations occur during the presentation of the annual borrowing plan during Q4 of each year. In addition, informal calls and meetings between domestic institutional investors and DMO staff

²¹ For an overview of DMO's current responsibilities and structure see: <https://www.economia.gov.py/index.php/dependencias/direccion-de-politica-de-endeudamiento#>

²² Debt Management Office, "Panorama Macroeconómico del Paraguay."



are held throughout the year. The DMO staff are now more aware of market demand, expectations, pricing conditions, and funding plans—and they use this information to prepare the DMO’s own funding plans.

Fully Sustained: 1.5: *DMO new government benchmark security leads to increased investments.*

Use of benchmark securities, bond series, and re-openings for managing debt are now a regular practice for the DMO and investors in the domestic sovereign bond market.²³ The DMO has developed a broader range of debt instruments and investors base and is gradually increasing the sources of funding in local currency and allowing more institutional and retail investors to participate in primary auctions and secondary trading. According to respondents, information on prices and yield curves is being used for market regulation by the SEC.

Fully Sustained: 1.6: *DMO borrowing plans and debt issuance increases market confidence.*

The DMO formulates and executes an MTDS on a three-year cycle. The MTDS has been updated twice and the DMO intends to further update it at the conclusion of the current period of reference. The current MTDS report was disseminated online.

Partially Sustained: 1.7 *Communications strategy leads to increased investments and market confidence.*

An investor relations office was established and included in the organizational chart within the DMO in 2022 after the GDIF project finished. and is staffed by four personnel, representing a non-negligible commitment by MOF. However, direct outreach to institutional investors is currently limited and the unit has not developed a comprehensive investor outreach plan. Considering its institutional setting, and with further strengthening, the evaluation team believes the new IRO has the potential to be part of permanent reforms.



EQ 3. For any anticipated outcomes that were not achieved, which factors hindered success?

All outcomes in this project component were partially or fully achieved.

²³ As one example of sustainability and the use of credit swaps to achieve net reduction in debt stock, in 2022, as GDIF assistance was wrapping up, Paraguay of a \$500 million bond with a 12-year maturity and a 3.9% coupon rate, an offering that was oversubscribed by more than four times. This bond issuance on January 20, 2022 was made concurrent with an offer to purchase for cash certain outstanding bonds of Paraguay, which resulted in a net reduction of \$58.4 million of its debt stock. Source: Cleary Gottlieb, op cit.



COMPONENT 1 CONCLUSIONS

The Government Sovereign Bond Market Development component was fully achieved and sustained, with the sole exception of Outcome 1.7, which was partially achieved.

The GoP has benefited from accessing new sources of domestic financing, which have been provided by a growing set of investors and instrumented through marketable securities traded in reliable, transparent markets.

The GDIF project assisted the DMO staff to better formulate the GoP’s financing strategies and communicate funding plans at the policymaking and planning stages. The resident advisor developed the DMO’s technical capacity to update the MTDS 2021–2025 and to prepare regular annual borrowing plans and auction calendars. In addition, OTA’s technical assistance helped DMO staff and government regulatory agencies to modernize the financing transactions and conduct funding plans, both at the policy and execution stage. This included advice and the reinforcement of technical capacity for the DMO, which helped the government to issue benchmark domestic securities with varied maturities and regular re-openings to a broader investor base. Moreover, the GDIF project contributed to the establishment of an enhanced financial platform that now facilitates online borrowing transactions in the domestic bond market.

The resident advisor also assisted DMO staff in applying best practices for interacting and communicating with market participants, including institutional and retail investors, financial intermediaries, and other government regulatory agencies. The resident advisor shared his own market experience and built operational capacity for the DMO to maintain consultations with market participants, disseminate its funding plans, and gather relevant information on markets’ absorption-capacity, pricing conditions, and expectations. During the period of the GDIF project, the resident advisor advocated for the establishment of a unit within the DMO that would encourage a communications strategy specific to foreign financial agents and investors. Such a “front office” would be intended to organize regular meetings with institutional investors.

Though not created during the GDIF project, shortly after the project ended, the DMO created what is now called the Office of Investor Relations, which merged with a pre-existing department. The office’s capacity requires further strengthening to ensure its sustainability. Moreover, its budget resources are limited, and, according to DMO respondents, the new office does not yet have active interactions with foreign investors. The DMO does, however, currently publish monthly reports using macroeconomic data, which are of interest to sovereign bond investors.

Component 2: Government Debt Legal Framework

Component 2 focused on revising the public debt legal framework to provide greater flexibility for the DMO in authorizing, issuing, and managing its public debt; and to provide transparent guidance to market participants about public debt operations.

Project activities that were planned under this component included 1) reviewing the existing debt legal framework and identifying barriers to effective government debt issuance and management; 2) drafting a new Public Debt Law; and 3) drafting regulations for the new debt law.



Table 4 summarizes the findings for Component 2, and a detailed discussion follows the summary.

Table 4: Component 2 Outcomes, Status, and Sustainability.

Project Component	Outcome	Status (EQ 1, EQ 3)	Sustainability (EQ 2)
<p>Component 2: Government Debt Legal Framework</p> <p>The objective of this component is to revise the public debt legal framework to provide greater flexibility for the DMO in authorizing, issuing, and managing its public debt; and to provide transparent guidance to market participants about public debt operations.</p>	<p>2.1 The GoP passes a new Public Debt Law and the DMO and market participants use the new law to guide respective issuance and investing activities. The law institutionalizes the public debt responsibilities and gives appropriate flexibility to the DMO. The Public Debt Law creates greater transparency in how debt will be issued and managed, giving domestic and international investors greater confidence to invest in government securities.</p>	<p>● The resident advisor helped to draft articles of the Liability Management Law (6638/2020), which was approved by Congress in December 2020. The law significantly improved the DMO’s debt management operating procedures.</p>	<p>● The law is expected to be sustainable and respondents recognized the law permitted the DMO to issue and manage debt more effectively.</p>
	<p>2.2 The DMO issues Public Debt Regulations to ensure they plan, issue, and manage sovereign debt in compliance with the new Public Debt Law. Public Debt Regulations improve transparency of debt operations and provide clear guidance to market participants in their government securities activities, which increases confidence in the government and increases participation in the government securities market.</p>	<p>● The resident advisor trained DMO staff on how to implement the borrowing transactions and practices authorized by the new legal framework referred to in Outcome 2.1.</p> <p>The resident advisor also worked with the DMO and external agencies and partners to harmonize regulations and procedures in the government bond market.</p>	<p>● The operational procedures permitted by the new legal framework are expected to be sustained.</p>



COMPONENT 2: FINDINGS



EQ 1. Which of the anticipated project outcomes were achieved?

Fully Achieved: 2.1 GoP passes a new Public Debt Law increasing confidence in securities.

Outcome 2.1 was fully achieved. Congress approved amendments to the Public Debt Law that improved the legal framework concerning authorization to borrow and management of public debt.

The resident advisor noted that since the GDIF team began working with the GoP, reforming the debt law had been a priority for the three successive administrations, and was passed during the third administration. After the COVID-19 pandemic created a national health problem, the resident advisor presented international best practices on debt management legislation and helped DMO staff draft articles of an emergency law that allowed for the administration to borrow above the budget parameters previously set by the Paraguayan Congress. Key tenets of this emergency law were incorporated into the Liability Management Law (6638/2020), which was approved by Congress in December 2020. The resident advisor also assisted in institutional coordination and policy communication by preparing DMO management and economic ministry officials to engage in consultations with Members of Congress, officials of the CBP, and institutional investors.

According to project documents and interviews with Paraguayan counterparts, an earlier Public Debt Law (5097/2013) had provisions concerning the legal authorization to borrow that largely limited the operational capacity of the DMO to issue new public debt. For example, before the legal reforms of 2020, the Paraguayan Congress was required to authorize all external loans and bond issuances. Successive Paraguayan administrations recognized that this created unnecessary “red tape” and narrowed the administration’s capacity to negotiate loans and execute security issuances. The resident advisor assisted the DMO in drafting provisions in the Liability Management Law, which authorized the DMO to issue debt within the budget’s annual borrowing limit without further congressional ratification of individual transactions.

Paraguayan counterparts also indicated that the 2013 Public Debt Law had provisions related to the utilization of borrowed funds that restricted the operational capacity of the DMO to manage existing public debt. Specifically, that law did not authorize the DMO to issue new public debt outside the budget’s annual borrowing limit that could be used to replace outstanding financial liabilities (i.e., a bond exchange), nor did it authorize the DMO to borrow funds for redeeming outstanding financial liabilities prior to their maturities (i.e., a debt buyback). In addition, that law did not authorize below-par issuances by the DMO. With the assistance of the OTA, the DMO drafted provisions in the Liability Management Law (6638/2020) that provided authorization to issue debt outside said limit for the purpose of conducting normal liability management operations. In addition, the DMO was authorized to contract financial derivatives for managing interest rate risk and currency risk.

Interviewed officials at the MOF and CBP were supportive of the legal reforms advocated for by the GDIF project. Respondents argued that the DMO significantly enhanced its operating procedures once the modernized legal framework authorized various debt management practices.



Major examples cited by Paraguayan counterparts included the complex external borrowing transactions with bond exchanges and debt buybacks offered to bondholders for liability management purposes, which were conducted by the DMO in January 2021 and January 2022. These transactions helped to reduce coupon rates and extend maturities of sovereign bonds, as well as to expand access to new foreign investors. Even earlier, in 2020, the DMO started establishing benchmark securities, bond series, and re-openings in the domestic sovereign bond market, thus broadening the range of debt instruments, expanding the investors base, and developing primary auctions and secondary trading (as previously indicated under Outcomes 1.2 and 1.5). In addition, the DMO commenced a more active issuance and management of Treasury Bills (T-Bills). These instruments became a source of short-term funding for both deficit financing and cash management, largely demanded by local banks as a liquid asset. Overall, market confidence was strengthened because participants recognized the new legal framework granted the DMO a stronger legal ability and technical capability for issuing and managing sovereign debt.

In interviews, DMO staff referred to the adoption of best practices concerning liability management operations that were adopted after the legal reforms. The resident advisor explained that these operations do not impact the total debt stock, and they are often conducted to take advantage of improved financial market conditions (e.g., lower interest rates) relative to issuance dates, lengthen maturities, and/or mitigate refinancing risks. The resident advisor assisted the DMO in establishing benchmark securities with regular re-openings and stable coupon rates, as well as in the use of T-Bills as zero-coupon instruments that could address short-term funding for both deficit financing and cash management—which previously had been addressed using credit lines established between the MOF and CBP. A shift toward the issuance of long-term securities was particularly impactful because it helped reduce the refinancing or roll-over risk facing the government when issuing short-term securities.

The law authorizes the executive branch, through the MOF, to issue and maintain Treasury bonds in circulation up to a limit established in its regulations. The issuance and placement of bonds are now carried out in the local and international markets, in local currency (guaraníes) or in foreign currency, and in the form of T-Bills and bonds. These bonds may be issued directly by the MOF, through the CBP, or through a financial agent (i.e., stock exchange) authorized by a service contract. When the issuance and transaction of Treasury bonds are carried out in the national market, they are subject to national laws, and when they are carried out in U.S. dollars, they are subject to applicable laws and the jurisdiction of the courts of New York State.²⁴

Fully Achieved: 2.2 DMO new Public Debt Regulations increase confidence and participation.

Outcome 2.2 was fully achieved as the DMO developed the operational procedures necessary to execute the borrowing transactions and debt management practices authorized by the amendments to the Public Debt Law (5097/2013).

The resident advisor built technical capacity at the DMO by training staff on how to implement the borrowing transactions and practices authorized by the new legal framework referred to in Outcome 2.1. The resident advisor also assisted DMO management to coordinate activities with

²⁴ Source and graphic from [MOF Bond Issuance Program](#) [Programa de Emisión de Bonos].



the securities regulator, stock exchange, and institutional investors to harmonize regulations and procedures in the government bond market.

With the assistance of OTA, after the Liability Management Law (6638/2020) amended certain provisions of the Public Debt Law (5097/2013), the DMO put in place the operational procedures required to execute the borrowing transactions and debt management practices authorized by the modernized legal framework. According to interviews, stronger operational procedures — discussed in Outcome 1.2 and 1.5 — were largely appreciated by market participants and thus increased confidence and participation in domestic bond markets.

Prior to the GDIF project, under the Public Debt Law (5097/2013), the DMO was unable to conduct liability management operations, which restricted the opportunities for issuing securities at below-par prices, establishing benchmark securities, using bond series, undertaking regular re-openings, and actively auctioning T-Bills as zero-coupon instruments—as indicated in Outcome 2.1.



EQ 2. Which of these outcomes have been sustained up to the present?

Fully Sustained: 2.1 GoP passes a new Public Debt Law increasing confidence in securities.

An amendment to the Public Debt Law (5097/2013) by the Liability Management Law (6638/2020) was a significant reform that is expected to be sustained because the approval by Congress involved broad consultations and agreements among major political parties in the legislative branch. In addition, there is wide recognition that the DMO can issue and manage debt more effectively under the modernized legal framework, which reinforces its sustainability. Moreover, in 2023, new laws were passed governing the bond issuance program.

Fully Sustained: 2.2 DMO new Public Debt Regulations increase confidence and participation.

Operational procedures required to implement the borrowing transactions and practices authorized by the modernized legal framework are also expected to be sustained, based on the wide recognition of DMO's enhanced performance.



EQ 3. Which of these outcomes have been sustained up to the present?

All outcomes were fully achieved.

COMPONENT 2: CONCLUSIONS

The Government Debt Legal Framework component was fully achieved and sustained.

Implementation of reforms to the legal framework during GDIF led to a more developed market for both external and domestic government debt, supported by a strengthened legal framework that governs the policies formulated and executed by the DMO and other government regulatory agencies. The GoP has benefited from reforms to legislation that enable the DMO to carry out



best practices concerning authorization for borrowing transactions, arrangements for security issuance, and execution of liability management operations. These reforms increase institutional governance and accountability, as well as market confidence and stability.




The resident advisor assisted the DMO staff to draft provisions for the Liability Management Law (6638/2020), which amended the Public Debt Law (5097/2013) and authorized financing transactions and debt management policies aligned with international best practices. Legislative reforms have made it possible for the DMO to conduct the innovative financing transactions indicated in the first component of the GDIF project, as well as the liability management operations discussed in the second and third component. The resident advisor built technical capacity and advised the DMO on drafting legal provisions and engaging with Members of Congress, officials of the CBP, institutional investors, and other stakeholders involved in the lawmaking process. In addition, the GDIF project helped DMO staff update the operational procedures necessary to conduct the borrowing activities now authorized by the amended legislation.

Component 3: Liability Management Program

Component 3 focused on developing market-based tools and techniques that extend the maturity of the portfolio to reduce rollover risks in the GoP’s liability portfolio, maximize new financing opportunities, and reduce interest costs. Project activities covered under this component include: 1) analyzing the GoP’s liability portfolio and identifying risks; 2) producing an analytical model that evaluates costs and consequences of various options for changes in the structure of the existing debt portfolio; 3) reviewing and recommending optimization options for the current debt portfolio; 4) assisting in forming analytical models to evaluate costs and consequences of exercising options in existing debt portfolio; and 5) assisting the DMO in restructuring options (including buybacks, exchanges, etc.).

Table 5 summarizes the findings for Component 3, and a detailed discussion follows the summary.

Table 5: Component 3 Outcomes, Status, and Sustainability.

Project Component	Outcome	Status (EQ 1, EQ 3)	Sustainability (EQ 2)
<p> Component 3: Liability Management Program</p> <p>The objective of this component is to develop market-based tools and techniques that extend the maturity of the portfolio to reduce rollover risks in the GoP’s liability portfolio,</p>	<p>3.1: The DMO utilizes the liability analysis model, debt optimization strategy, and debt data analysis to restructure and mitigate risks in the liability portfolio. The DMO adjusts its liability portfolio in a manner that obtains cost savings over</p>	<p> The resident advisor trained DMO staff on liability and market risk analysis. The DMO now regularly uses benchmark securities, bond series, and re-openings for managing debt to manage its liabilities.</p>	<p> The DMO regularly restructures and mitigates risks in its portfolio. It also regularly publishes risk indicators for the public debt portfolio, including in the</p>



Project Component	Outcome	Status (EQ 1, EQ 3)	Sustainability (EQ 2)
maximize new financing opportunities, and reduce interest costs.	time within acceptable liability risk parameters.		MTDS and debt bulletins.

COMPONENT 3 FINDINGS



EQ 1. Which of the anticipated project outcomes were achieved?

Fully Achieved: 3.1 DMO restructures and mitigates risks in portfolio.

Outcome 3.1 was fully achieved as the DMO conducted borrowing transactions aimed at mitigating portfolio risks, and incorporated risk management into analysis and planning documents.

The resident advisor built technical capacity at the DMO by training staff on how to analyze market risks—including quantitative methods and risk indicators used in financial markets. The resident advisor also assisted DMO management and staff in conducting borrowing transactions and liability management operations, taking advantage of his own experience as a market practitioner. In particular, he counseled DMO staff on international bond exchange best practices — including the determination of tenors and pricing, as well as negotiation with investors and financial agents — which proved to be helpful in the bond exchange and debt buyback transactions conducted in 2021 and 2022.

According to interviews with DMO staff, the DMO previously lacked legal authorization and technical capacity to execute transactions that could mitigate market risks facing the public debt portfolio, including refinancing risk, interest rate risk, and currency risk. For instance, legal provisions in the Public Debt Law (5097/2013) prevented the DMO from executing bond exchanges and debt buybacks and made it difficult to establish benchmark domestic securities and regular re-openings (as indicated in Outcomes 2.1 and 2.2). For example, prior to the law’s passing, the DMO could not issue debt below par, which would allow the stabilization of coupon rates. In interviews, DMO staff also stressed that the rudimentary financial infrastructure and auction processes in the domestic government bond market limited the technical capacity to conduct risk mitigating transactions (as discussed in Outcomes 1.2 and 1.5).

With the assistance of OTA, once the Liability Management Law (6638/2020) was approved and the electronic platform and auction processes were modernized, the DMO has conducted regular transactions aimed at mitigating market risks. Bond exchanges and debt buybacks in 2021 and 2022 reduced coupon rates and extended maturities of sovereign external bonds—thus reducing refinancing risk and interest rate risk. Since 2020, the regular issuance of long-term domestic securities to a broader investor base — including institutional and retail investors — also helped



to mitigate refinancing risk and interest rate risk. Although hedging contracts have not been used to manage currency risk, the DMO is authorized to conduct such transactions.

In interviews, Paraguayan counterparts recognized that risk management considerations are now also made in analytics and planning documents formulated by the DMO. Assistance provided by the resident advisor endowed DMO staff with the technical skills to identify, quantify, and analyze market risks, as well as to introduce a comprehensive risk assessment in the MTDS for the period of 2021–2025 (as indicated in Outcome 1.6). The MTDS includes risk considerations in the evaluation of adequate debt management strategies and funding options in a multi-year planning horizon.



EQ 2. Which of these outcomes have been sustained up to the present?

Fully Sustained: 3.1 DMO restructures and mitigates risks in portfolio.

Utilizing benchmark securities, bond series, and re-openings for managing debt is now a regular practice for the DMO in the domestic government bond market. The DMO refers to risk mitigation as an explicit objective—particularly in relation to issuances of long-term securities. Also, the DMO conducted bond exchanges and debt buybacks even during the COVID-19 pandemic. According to interviews with DMO staff, the DMO is now planning to undertake similar operations in 2024. The DMO regularly publishes risk indicators for the public debt portfolio, including in the MTDS and the debt bulletins.



EQ 3. For any anticipated outcomes that were not achieved, which factors hindered success?

The outcome was fully achieved.

COMPONENT 3: CONCLUSIONS ON LIABILITY MANAGEMENT PROGRAM

The development of market-based tools and techniques to extend portfolio maturity, reduce rollover risks, maximize new financing opportunities, and reduce interest costs was achieved. The resident advisor assisted the government in further developing markets for both external and domestic government debt. Through systematic and timely mentoring, the advisor provided DMO staff with a more advanced and nuanced understanding of market risk management. Liability management was underpinned by several “early wins” for GDIF. This included modernization of the domestic bond market infrastructure, the improvement in government securities issued and traded locally, and the enhancement of issuances of external debt and relations with foreign investors. When COVID-19 affected Paraguay in 2020, these early wins were followed by the approval of two laws that were drafted with the resident advisor’s input—the first of which was passed in the early days of the pandemic and authorized the DMO to issue debt outside the budget’s annual borrowing limit for the purpose of conducting normal liability management operations; a second law made the key elements of this emergency law permanent. These laws allowed the DMO to conduct innovative bond exchanges and debt buybacks to handle the upcoming maturities



of previously issued sovereign external debt and helped to mitigate refinancing and interest rate risks. Moreover, the GDIF project helped the government to strengthen its activity in financial markets by using debt instruments not only to raise new funds, but also to manage the outstanding stock of government liabilities and improve cash management.

The GDIF project assisted DMO staff to further develop market-based external financing, which began in 2013 with a few annual issuances of external sovereign bonds. The resident advisor helped develop the DMO staff's technical capacity to better engage with foreign intermediaries and investors, as well as to organize the bond exchanges and debt buybacks in 2021 and 2022. In addition, the resident advisor provided mentoring on the use of benchmark securities and re-openings that further develop market-based domestic financing. His contributions to build capacity for risk monitoring and analysis are reflected in the cost-risk considerations guiding the MTDS 2021–2025, to which the DMO contributed.



V. CROSS-CUTTING CONCLUSIONS

The evaluation team concludes that the GDIF project significantly contributed to its predetermined outcomes. This is due to several factors:

1. The GDIF project significantly contributed to the GoP’s development of a modern, marketable security-based financing model. Prior to the GDIF project, the GoP relied on a concessional loan-based financing model—typically observed in low-income countries at an early stage of economic and institutional development. The GDIF project supported the development of external and domestic sovereign bond markets that allowed the GoP to develop a financing model based on marketable securities—common in middle-income countries with more advanced economies and institutional settings. The GDIF project assisted the GoP in creating a strengthened legal framework, enhanced policies formulation, and execution processes. The GDIF project also contributed to developing the domestic bond market, improving the cost-risk profile of government securities, and promoting local market issuance and trading activity.

A more strategic, forward-looking debt policy resulted from the annual borrowing plan, auction calendar, and MTDS prepared by the DMO. In addition, a more effective execution of debt policy followed from an enhanced market infrastructure; an expanded portfolio of sovereign bonds actively issued and traded; steadier communication with investors, regulators, and other stakeholders; and a more sophisticated set of debt transactions and management practices (e.g., benchmark securities, re-openings, bond exchanges, debt buybacks). This strategic debt policy was backed by stronger legal, institutional, governance, and accountability frameworks, all of which reinforced the government’s reputation as a solvent, responsible sovereign debtor.

With the assistance of OTA, the DMO effectively enhanced operational practices in a permanent, sustainable manner and the GoP accessed regular budget and investment financing at reasonable costs from new investors and through new securities issuances. Furthermore, OTA’s assistance helped the DMO to gradually issue domestic securities — e.g., Treasury bonds and bills — with more features in line with international best practices, such as well-established benchmarks, longer maturities, higher liquidity, market-based pricing, and a broader pool of institutional and retail investors.

2. The GDIF project helped to modernize the market infrastructure required for primary auctioning and secondary trading. In 2019, just prior to the COVID-19 pandemic, the resident advisor assisted the MOF, the CBP, the Paraguayan SEC, and the Asunción Stock Exchange to upgrade the auction system from an over-the-counter manual system used to trade domestic bonds to an electronic system. The new electronic auction platform, coupled with an emergency law in early 2020 — which allowed the government to borrow without prior congressional authorization — gave the government access to emergency financing to cope with the economic and fiscal disruptions caused by the pandemic. Seamless borrowing transactions could now be conducted over reliable market infrastructure, and the GoP could now borrow within limits set by Congress. This steady flow of debt issuances in international capital markets helped to mitigate market risks.

As a result of the improvements in financing strategy and transactions in the domestic bond markets, the quality of the domestic government debt improved. In particular, the domestic



securities' cost-risk profile and market issuance and trading activities have been significantly strengthened—in line with the transition between financing models referred to above. On the other hand, the quantity (stock) of domestic debt remained stable, around \$1.6 billion during the GDIF project.

3. The GDIF project contributed to the development of the external bond market, which also helped mitigate the risks associated with sovereign debt issued and traded abroad with innovative transactions. These transactions are now undertaken regularly to mitigate rollover and interest rate risks associated with a growing stock of sovereign securities actively issued and traded in international capital markets.

In relation to the external bond market, the resident advisor assisted the DMO to improve the management of foreign debt, as well as to conduct innovative transactions like bond exchanges and debt buybacks. As a result of the improvements in debt and risk management in the external bond markets, the quality of the foreign liabilities also benefited from the GDIF project. Regular annual issuances of sovereign bonds in international capital markets started back in 2013 and increased during the COVID-19 pandemic. The quantity (stock) of external debt rose from \$6 billion at end of 2017 to \$12 billion at the end of 2021. As indicated earlier, the Paraguayan authorities were eager to borrow from external sources because external financing provides foreign currency and complements the availability of domestic financing. In this context, the GDIF project was essential to provide the DMO with technical and operational capability to adequately manage costs and risks of foreign financing and a growing marketable external debt portfolio—in line with the transition between financing models referred to above.

4. The GDIF project assisted the DMO and other government agencies in modernizing the legal framework that guides debt policy formulation and execution. This contribution was essential for the DMO to be legally authorized — and technically proficient enough — to design financing policy and conduct borrowing transactions aligned with international best practices in domestic and external debt markets.

5. The resident advisor acted not only as a technical expert, but also as a consensus builder, mentor, and advocate for needed reforms. The advisor's specific knowledge and expertise as a financial market practitioner, together with his previous experience as an OTA technical assistance provider, positioned him to effectively respond to the needs of the GoP. Moreover, according to local interviewees, the resident advisor not only possessed a thorough knowledge of the “hard skills” related to government debt — including knowledge of the types of infrastructure and legal framework needed to support reforms — he also had valuable “soft skills,” which he drew on to mentor DMO staff, encouraging them to focus on various issues as they arose.

The GDIF project significantly contributed to the GoP's transition between financing models, in large part due to the specific knowledge and expertise of the resident advisor. He had long-standing, valuable experience as a financial market practitioner in investment banking and was a seasoned technical assistance provider. His unique profile allowed him to effectively respond to the GoP's needs for inter-agency consultations on new legislation and practices, market-based transactions, and more complex securities issuance and trading.



The resident advisor resided in Paraguay for almost four years, worked on the DMO premises, and interacted closely with DMO staff, MOF management, other government officials and policymakers, and market participants. This modality of engagement allowed the resident advisor to establish a reputation as a trustworthy, independent expert with a fair understanding of local institutional and economic conditions, as well as having a sincere commitment to elevate the knowledge and capabilities of public servants in Paraguay. All individuals interviewed stressed their appreciation and respect for the advisor. During the GDIF project, the advisor's ability to advocate for reforms and build consensus helped him gain support for initiatives spanning multiple government administrations.

6. The GDIF project design and execution strategies addressed the needs of the GoP in a timely and effective manner. OTA's initial scoping assessment accurately diagnosed the barriers preventing the GoP from further developing its domestic bond market. These barriers, among others, included the primordial importance of modernizing its debt issuance infrastructure, the legal framework related to debt issuance, and the need to develop a formalized communications strategy with investors, though this latter goal was only partially achieved. The robust project scoping allowed the GDIF team to design an intervention that effectively addressed the needs of the GoP — resulting in increased counterpart buy-in. After the design phase of the project, the resident advisor was able to grasp the support requested by three successive administrations within the GoP and continue to deliver the required assistance throughout the project, allowing him to achieve the series of “early wins” described below.

7. A series of “wins” reinforced the government's commitment to the major reforms advocated for by the GDIF project. The GDIF project managed to produce quick wins that reinforced the buy-in by the GoP. In 2018 and 2019, there was smooth, steady progress on several fronts — including the modernization of the domestic bond market infrastructure, the improvement in government securities issued and traded locally, and the enhancement of issuances of external debt and relations with foreign investors. As mentioned above, because the GDIF team had accurately diagnosed and incorporated the needs of the GoP into design and implementation of the intervention, these series of “wins” early on in the project increased the counterparts' commitment to the reforms proposed by the resident advisor.

When the COVID-19 pandemic affected Paraguay in 2020, quick wins were followed by the approval of two laws that were drafted with the resident advisor's input — the first of which was passed in the early days of the pandemic and authorized the DMO to issue debt outside the budget's annual borrowing limit for the purpose of conducting normal liability management operations; a second law made the key elements of this emergency law permanent.

These laws allowed the DMO to conduct innovative bond exchanges and debt buybacks to handle the upcoming maturities of previously issued sovereign external debt. The progress made in the two years after the passage of the law allowed the government to mobilize a sizable volume of financing at reasonable costs, which, in turn, allowed it to adequately cope with the immediate effects of the pandemic during 2020.

By 2021 and 2022, the DMO began to conduct a series of innovative bond exchanges and debt buybacks that had not previously been done before in Paraguay to handle the upcoming maturities of sovereign external debt issued in 2013 and 2014. These operations reduced the rollover risk



implicit in the redemption profile of those bonds, and in addition, reduced the overall borrowing costs since the coupons on the newly issued securities benefited from the lower interest rates prevailing in international capital markets during the pandemic.

8. The GoP was ready and willing to implement the necessary reforms proposed by OTA.

From the project's inception, the GoP demonstrated a commitment to implementing the reforms necessary to improve the quality of its domestic government debt. DMO staff embraced the resident advisor's technical assistance and, despite turnover at the highest levels of the MOF, the GoP continued to signal its commitment to reforms throughout the period of the GDIF project.

According to interviews, the COVID-19 pandemic seemed to energize the GoP and increase its commitment to reforms. The extreme economic shock encouraged the cooperation required to pass the emergency law in 2020, which allowed the government to finance its response to the pandemic. The GoP faced a "new normal" and the resident advisor continued to provide assistance throughout the pandemic, helping to guide and develop the GoP's debt management strategy.



VI. RECOMMENDATIONS

Since all components were well implemented, the following recommendations focus on highlights of OTA’s best practices during the GDIF project in Paraguay.

The Role of the Resident Advisor

The current report has noted that the resident advisor played multiple roles: as a technical expert, reform advocate, and consensus builder, all of which contributed to project success. Key recommendations that emerged from the experience of the GDIF project in Paraguay include the following:

1. **Resident advisors should proactively work with counterparts to build consensus.** In the case of Paraguay, the most fundamental impediment to broader reform lay in the political arena. As an important example, the resident advisor not only provided technical assistance to the Ministry’s debt office by helping draft various iterations of proposals for a reformed legal framework, but also mentored Ministry staff on the best ways to present these proposals to the legislature.
2. **Resident advisors can act as powerful advocates for reforms.** As demonstrated by the Paraguay GDIF project, technical assistance has its greatest impact if the resident advisor is well placed to serve as an advocate for desired reforms, which, in the case of GDIF, spanned the range of project components and expected outcomes.
3. **Resident advisors should engage mid-level management and technical staff—as well as leadership—within government and relevant private sector institutions.** Although resident advisors are often mandated to engage primarily with leadership in a particular ministry or department and serve as leadership advisors, which was the case for the Paraguay GDIF project, the resident advisor prioritized engaging with staff at all levels within relevant units of government and the private sector. In the case of the GDIF project, the resident advisor listened to, and provided input on, a range of issues and factors that might have otherwise impeded reform.
4. **Resident advisors should be prepared to adapt approaches to learning based on the current situation and practical needs of counterparts.** Perhaps the facet of technical assistance most appreciated by Paraguayan counterparts was their view that the resident advisor approached his role as a mentor and a “full team member” of the DMO. Although the office is relatively small, the resident advisor built capacity to implement sustainable reforms within a three-year period by working in the DMO offices and building effective relationships.

Project Scoping and Planning

OTA, after consultation with GoP counterparts, developed a project scope that was “fit-for-purpose,” practicable, and achievable. In the case of the Paraguay GDIF project, this reflective



scoping and planning contributed to project success. Key recommendations that emerged from the experience of the GDIF project in Paraguay are as follows:

- 1. During the scoping phase, OTA should carefully identify key needs, ensuring the project components align with priorities of the counterpart government.** As was the case with the GDIF project, outcomes are more likely to succeed if they are closely aligned with government priorities. This is especially true for reforms that require modifying existing legal frameworks, the passage of which was moved forward in large part due to the emergency created by the COVID-19 pandemic.
- 2. During the scoping phase, OTA should tailor the modality of technical assistance to the country context.** Paraguay successfully navigated a transition from a concessional loan-based model to an incipient market-based financing model. This report documents that during the GDIF project implementation, Paraguay further developed its domestic bond market, improved the cost-risk profile of government securities, and promoted the local market issuance and trading activity. Moreover, Paraguay was successful in mitigating the risks associated with sovereign debt issued and traded abroad with innovative transactions such as bond exchanges and debt buybacks. Although such a transition may not be feasible in all developing countries, it proved viable in this case. A key factor in this success was the decision to have a resident advisor embedded as a team member in the DMO, who was able to provide mentoring and advice on a daily basis.
- 3. OTA should ensure the scope of work for each advisor is practical, realistically achievable, and sustainable.** The GDIF team designed a straightforward and focused project which resulted in a set of components and outputs that were ambitious yet also attainable for the advisor and the Paraguayan counterparts. The clearly designed project translated into a coherent and actionable scope of work that allowed the resident advisor and counterparts to work towards consistent goals. The result was a project that was able to be successful and overcome challenges, such as multiple changes in government over the life of the project. The GDIF project's experience presents a "proof is in the pudding" example that appropriately scoping and designing an intervention is a key factor in successful project implementation.
- 4. OTA should ensure advisors have the necessary skill sets to implement all components and achieve desired outcomes.** As detailed in this report, the resident advisor had both the "hard" technical skills, based on a career trajectory that required a deep knowledge and experience base of markets, and the "soft" skills of mentorship and consensus-building to create pathways toward reform.
- 5. OTA should look to produce quick wins early in the project to increase a counterparts' commitment to reforms.** As was the case with the GDIF project, early project successes can boost counterpart willingness to implement difficult improvements. The project scoping phase should include a discussion with counterparts about where OTA can have an immediate impact on counterpart priorities to intentionally design a set of project outcomes that incorporate counterparts' high-priority objectives that are well defined and can be completed in the short-to-medium-term. These quick wins can be reforms to existing processes or the development of new processes that can alleviate barriers faced by counterparts. As noted in earlier sections, respondents cited the modernization of the auction platform and the introduction of innovative



transactions like bond exchanges and debt buybacks that were made possible with legal reforms as wins that quickly and tangibly improved the GoP's ability to raise funds and conduct liability management.



VII. ANNEXES

Annex A: GDIF project Document List

Annex B: Context Document List

Annex C: Evaluation Team Qualifications

Annex D: Interview Instruments

Annex E: OTA Response



Annex A. GDIF Project Document List

LIST OF PROJECT DOCUMENTS

OTA provided the evaluation team with a variety of documents about the GDIF project in Paraguay. The following list details the project documentation received, organized by category.

Table A-1: List of Project Documents.

Type	No. of Docs.	Comments
Resident Advisor Monthly Reports	91	Monthly reports on activities conducted; a narrative on progress, persons met, and issues discussed; other notable events
Other Documents	22	
Continuing Project Cover Sheet	2	Funding requests
End of Project Report	1	Summative project report
End of Tour Report	1	End of tour project report from resident advisor
Evaluation Coversheet	1	Project overview and proposed EQs produced by the OTA GDIF team
Log Frame	1	Describes the logistical framework by component, expected outcomes, and activities
Terms of Reference	1	Signed by OTA and MOF in 2018; describes overall project goals at project inception
TIATA Proposals	5	Yearly funding requests containing more detailed project descriptions
Traction and Impact Reports	6	Designed by the OTA M&E team to measure the project's traction and its impact
Workplans	4	Yearly workplans
Total	113	



Annex B: Context Document List

- “2018 Investment Climate Statements.” U.S. Department of State. Accessed January 5, 2024. <https://www.state.gov/reports/2018-investment-climate-statements/paraguay/>
- “Corruption Perceptions Index.” Transparency International. Accessed January 5, 2024. <https://www.transparency.org/en/cpi/2017>
- “Bonos externos (external bonds).” Vice Ministry of Economy and Finance. Accessed January 5, 2024. <https://economia.gov.py/index.php/financiamiento/bonos-externos>
- “Bonos internos (internal bonds).” Vice Ministry of Economy and Finance. Accessed January 5, 2024. <https://economia.gov.py/index.php/financiamiento/bonos-internos>
- “Dirección de Política de Endeudamiento.” Vice Ministry of Economy and Finance. Accessed January 5, 2024. <https://www.economia.gov.py/index.php/dependencias/direccion-de-politica-de-endeudamiento>
- “Doing Business 2017: Equal Opportunity for All.” The World Bank. Accessed January 5, 2024. <https://archive.doingbusiness.org/en/reports/global-reports/doing-business-2017>
- Foreign Aid and Transparency and Accountability Act of 2016*, Public Law 114–191. <https://www.congress.gov/114/plaws/publ191/PLAW-114publ191.pdf>
- “Mercado Bursátil (stock market).” Banco Central del Paraguay: Superintendencia de Valores. Accessed January 6, 2024. <https://siv.bcp.gov.py/?lang=en>
- “Panorama Macroeconómico del Paraguay (macroeconomic monthly report).” Debt Management Office. January 2023. https://economia.gov.py/application/files/2417/0418/7639/COMPILADO_PANORAMA_MACROECONOMICO_2023.pdf
- Parks, Ken. “Paraguay Plans \$500 Million Global Bond to Fund Budget, Cut Debt.” Bloomberg Markets. June 21, 2023. <https://www.bloomberg.com/news/articles/2023-06-21/paraguay-plans-500-million-global-bond-to-fund-budget-cut-debt>
- Presbitero et al. “Sovereign bonds in developing countries: Drivers of issuance and spreads.” *Review of Development Finance*, 6 (2016). 1–15. <https://www.sciencedirect.com/science/article/pii/S1879933716300483>
- “Programa de Emisión de Bonos (bond issuance program).” Vice Ministry of Economy and Finance. Accessed January 5, 2024. <https://economia.gov.py/index.php/financiamiento/programa-de-emision-de-bonos>



“The Global Innovation Index 2017: Innovation Feeding the World.” World Intellectual Property Organization. Accessed January 10, 2024.
https://www.wipo.int/edocs/pubdocs/en/wipo_pub_gii_2017.pdf

“Visualizaciones de datos (data visualization dashboard).” Vice Ministry of Economy and Finance. Accessed January 5, 2024.
<https://www.economia.gov.py/index.php/visualizaciones-de-datos>



Annex C: Evaluation Team Qualifications

Dr. Michael Midling recently served as Chief of Party for three MEL support programs — two in Africa and one in the Latin America and Caribbean region. He also served as research group lead for Science, Technology, Innovation, and Partnerships at the United States Agency for International Development’s Global Development Lab. He has led complex M&E efforts across a range of development sectors, including economic development, education, environmental protection, governance, health, labor, and youth development. He has more than 30 years of fieldwork experience in over 40 developing countries, with his most recent experience in the Dominican Republic, Ethiopia, Georgia, Kenya, Mexico, Nigeria, Uganda, and Paraguay. He holds a joint PhD in international development education and administration and policy analysis from Stanford University, master’s degrees in East and Southeast Asian studies and urban and regional planning, and a bachelor’s degree in social sciences with a focus on Africa.

Juan Pradelli is a global expert in macroeconomic analysis, fiscal policy, and government debt management. He is a former senior economist at the World Bank and Inter-American Development Bank and has extensive experience working as an expert consultant for international financial institutions and development agencies worldwide. He serves as an independent advisor to governments and MOFs in several countries and coordinates the Asian Development Bank’s Debt Analytics project. He consistently delivers technical assistance and advisory services in his field of expertise. He is founder and CEO of Sustainable Economics Associates LLC, a consulting firm with a global portfolio of projects and clients. He holds postgraduate studies from universities in Argentina, United Kingdom, and Italy. Juan publishes regularly and recently edited a book on Debt Sustainability in Asia.

Guillermo García Orué is a lawyer with more than 15 years of experience in anti-money laundering and terrorist financing prevention with experience as a compliance officer for financial, stock market, electronic payment, virtual asset, and gambling entities. He was a consultant for the drafting of the National Institute for Cooperatives’ Risk-Based Supervision Manual and accompanied the preparation of the technical teams of a banking union and of the insurance and electronic payment sectors for the interviews carried out during the IV Round of the Latin American Financial Action Group’s Mutual Evaluations. He is a consultant to the Public Ministry of Paraguay, assisting the Specialized Unit for Economic Crimes, and is an anti-corruption consultant. Since 2020, he has coordinated the PwC Academy Paraguay Diploma in anti-money laundering and terrorist financing prevention. He is frequently invited to speak at conferences on anti-money laundering/financing of terrorism prevention in Mexico, Nicaragua, Panama, the Dominican Republic, Ecuador, Peru, Bolivia, Chile, Uruguay, and Paraguay.

Michael Tatone is an M&E director at Bixal. He has 13 years of technical experience in evaluation and research and managing evaluations and impact studies in public financial management and conflict and violence in Latin America, the United States, and Africa. Previous roles have included research manager at the University of Chicago and various project manager and researcher roles in academia and non-governmental organizations. He has a master’s degree in political science from Universidad de Los Andes in Bogota, Colombia, and a bachelor’s degree in political science and Spanish from the University of Wisconsin.



Annex D: Interview Instruments

DEBT ADVISOR INTERVIEW INSTRUMENT

Paraguay OTA Debt Project

Qualitative Interview Guide—Debt Advisor

Updated: August 13, 2023

Interview Date	
Interviewer Name	
Notetaker Name	
Unique ID	

Introduction

The evaluation of OTA/Paraguay’s debt project will serve two purposes:

- *First, is to ensure OTA’s compliance with the Foreign Aid Transparency and Accountability Act (FATAA) of 2016, which includes requirements to evaluate the objectives, outcomes, and impacts of OTA’s projects.*
- *The second purpose is to provide OTA with in-depth, third-party, retrospective insights of its debt project activities in Paraguay. The evaluation will focus on key questions related to its contributions to financial sector strengthening through its technical assistance to the Ministry of Economy and Finance and the DMO.*

Informed Consent

We will be asking you a series of questions on the topic of OTA’s work in the financial sector in Paraguay. Your participation in this discussion is voluntary and you are free to discontinue with the discussion at any point or can ask us further details.

We expect the discussion to take 60–90 minutes.

We plan to share our findings in publications or presentations. You will not be identified by name. At the end of this interview, we will ask you if there is any information that you shared that is confidential or off the record. If you have understood these points and consent to continue the discussion, please give us a verbal agreement stating, “Yes, I consent to be interviewed.”

For our own record-keeping purposes, we would also like to record. We will use the recording to create a clear transcript, and we will also take notes during the interview. This recording will be deleted after it is used, and your name will not be tied to the notes or the recording. If you agree, please give a verbal agreement, “Yes, I consent to be recorded.”



Interview Questions

Introduction

Thank you for your consent to be interviewed. We will start with asking you some general questions about OTA in Paraguay.

Note to interviewers:

1. Questions are numbered;

a) sub-questions are preceded by letters;

- Probes are bulleted and to be asked if not addressed in responses.*

1. Could you describe your role at OTA and with the Paraguay debt project?

2. How would you describe the coordination you had with Paraguayan counterparts?

3. Besides OTA, which bilateral and multilateral providers of technical assistance contributed to government debt market reforms over the past five years?

- Elicit examples of other major contributions and request contact information as appropriate.*



a) *How would you describe donor technical assistance coordination in the reform of government debt processes?*

4. *Can you briefly describe the trainings you delivered?*

- *Which of these trainings were most beneficial/impactful? Why?*
- *Were any trainings less impactful than others?*

Component 1: Domestic Bond Market Development

Thank you for those answers. Next, we will talk about domestic bond market development.

• Outcome 1.1 Hacienda detailed borrowing plan to increase investor activity.
• Outcome 1.2 Hacienda updates Auction Process.
• Outcome 1.3 DMO auction calendar to increase participation.
• Outcome 1.4 DMO market survey to issue demanded maturities.
• Outcome 1.5 DMO new government benchmark security leads to increased investments.
• Outcome 1.6 DMO borrowing plans and debt issuance increases market confidence.
• Outcome 1.7 Communications strategy leads to increased investments and market confidence.

5. Please describe market surveys that provided input into borrowing plans.

1. *When and how were these conducted?*

- a) *Are the results of the survey contained in any reports? If so, request a copy or reference.*
- b) *To what extent were any surveys focused on the domestic government debt market? The international government debt market?*



- c) *Were regular meetings held with potential investors (e.g., funds, local banks)?*
- *If so, were they in person or remote/online?*

6. *Has the online auction process contributed to increased activity or market confidence in the government debt market?*
- a. *Is the auction calendar more regular now? Better publicized?*
 - b. *Is the impact more pronounced in the domestically denominated (Gs) market? In internationally denominated (USD and other denominations) market?*
 - c. *Has this enhanced auction process contributed to expanded access to finance and reduced borrowing costs for the government? If so, how? If not, why not?*

7. *Does the DMO prepare a formal annual borrowing plan on a regular basis, including a schedule of auctions, expected types of securities to be issued, and amounts of finance to be raised?*
- *Do new investors — who were not participating in the old auctions — bid in the new online auctions? Are they mostly local investors?*
 - *Have the ratios between bids and placements increased?*
 - *Has the DMO started to issue benchmark securities with regular re-openings? What was the response by investors concerning these developments?*



8. *Is the market for local currency bonds likely to increase over time? If so, why? If not, why not?*
- *Do you see potential for larger issuances of local currency bonds? What kinds of investors (domestic or external) will be interested in local currency securities?*

9. *How are investor relations currently handled?*
- *Does the Ministry/DMO have staff with sufficient background/expertise in market transactions and markets?*

10. *What, if anything, should be done to further develop a communications strategy designed to improve investor relations?*

11. *What, if any, outcomes related to local currency debt issuance would you say were not achieved? To international currency debt issuance? Why?*



- *E.g., Structural issues related to sources of financing and public finance patterns, lack of expertise in the Ministry, lack of interest from investors?*

12. What, if any, do you see as the most important contribution of the OTA in the reforms related to government debt issuance?

- *Domestically denominated (Gs).*
- *Internationally denominated (USD and other denominations).*

13. In which areas, if any, could OTA have provided more support?

14. To what extent is progress on government debt issuance processes sustainable?



Component 2: Public Debt Law and Regulations

Thank you for your thoughtful responses. Next, we will talk about laws and regulations related to government debt issuance.

- Outcome 2.1 GoP passes a new Public Debt Law increasing confidence in securities.
- Outcome 2.2 DMO new Public Debt Regulations increase confidence and participation.

15. What were the main innovations of the Public Debt Law that facilitated the management of public debt—especially in terms of national currency denominated debt?

16. Please describe the timeline and process for the passage of regulations that enabled the law to be implemented. In your view, what were the main changes actually implemented thanks to the enabling regulations that facilitated the management of public debt—especially in the areas targeted for Component 1 of OTA’s project?

- *What, if any, obstacles were there to the passage of regulations?*
- *In your view, have the new regulations established operational procedures that improve issuance activity and loan contracting, as well as enhance debt reporting and transparency?*



17. *What kind of outcomes did the new laws and regulations achieve?*

- *Has the new Public Debt Law and/or regulations established provisions that better assign authority for approvals, negotiation, contracting, and reporting financial obligations?*

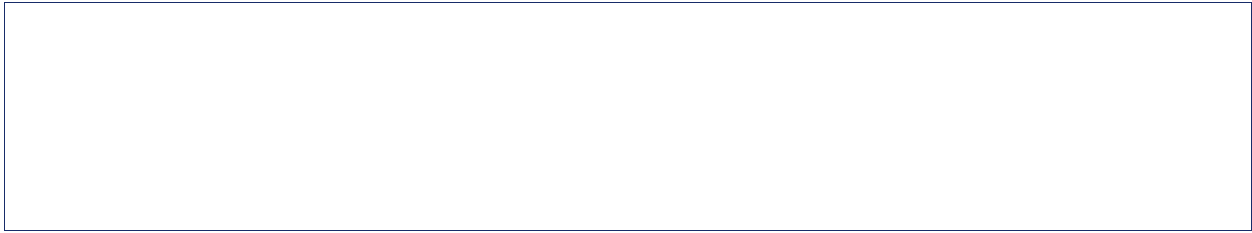
18. *Are any modifications still required to laws and/or regulations to ensure greater impact and/or sustainability?*

- *If modifications are suggested: How would such laws and/or regulations facilitate further initiatives for developing domestic markets for government securities?*

19. *Are the processes now in place for debt issuances likely to be continued by new and future administrations?*

20. *What, if any, outcomes would you say were not achieved? Why?*





Component 3: Liability Management Program

Thank you for your thoughtful responses. Next, we will talk about liability management.

- Outcome 3.1 DMO restructures and mitigates risks in portfolio

21. Is there a regular assessment of refinancing and interest rate risks? Are these risks monitored and a target established as part of the medium-term debt management strategy and/or annual borrowing plan? If so, how?

22. To what extent has the DMO restructured financial obligations (on a voluntary basis) to mitigate refinancing and interest rate risks in its debt portfolio? Were sizable debt exchange or swaps executed in recent years? If yes, what prompted the restructuring?

23. What, if any, are the remaining shortcomings in current risk mitigation strategies?



24. *Going forward, besides those strategies implemented in the last administration, what, if any, other risk mitigation strategies should the DMO consider?*

Recommendations and Closing

Thank you for your thoughtful responses. Finally, we will talk about the project more generally.

25. *What recommendations or additional thoughts do you have for GDIF projects in Paraguay in the future?*

That is the end of my questions for you. Thank you for taking the time and providing your thoughts today.



COUNTERPART INTERVIEW INSTRUMENT (ENGLISH)**Paraguay OTA Debt Project****Qualitative Interview Guide—Counterparts****Updated: August 13, 2023**

Interview Date	
Interviewer Name	
Notetaker Name	
Unique ID	

Introduction

The evaluation of OTA/Paraguay’s debt project will serve two purposes:

- *First, to ensure OTA’s compliance with the Foreign Aid Transparency and Accountability Act (FATAA) of 2016, which includes requirements to evaluate the objectives, outcomes, and impacts of OTA’s projects.*
- *Second, to provide OTA with in-depth, third-party, retrospective insights of its debt project activities in Paraguay. The evaluation will focus on key questions related to its contributions to financial sector strengthening through its technical assistance to the MOF and the DMO.*

Informed Consent

We will be asking you a series of questions on the topic of OTA’s work in the financial sector in Paraguay over the past five years. Your participation in this discussion is voluntary and you are free to discontinue with the discussion at any point or can ask us further details.

We expect the discussion to take 60–90 minutes.

We plan to share our findings in publications or presentations. You will not be identified by name. At the end of this interview, we will ask you if there is any information that you shared that is confidential or off the record. If you have understood these points and consent to continue the discussion, please give us a verbal agreement stating, “Yes, I consent to be interviewed.”

For our own record-keeping purposes, we would also like to record. We will use the recording to create a clear transcript, and we will also take notes during the interview. This recording will be deleted after it is used, and your name will not be tied to the notes or the recording. If you agree, please give a verbal agreement, “Yes, I consent to be recorded.”

Interview Questions

Introduction

Thank you for your consent to be interviewed. We will start with asking you some general questions about OTA in Paraguay.

Note to interviewers:

1. *Questions are numbered;*
 - *Probes are bulleted and to be asked if not addressed in responses.*
2. *Could you describe your role at OTA and with the Paraguay debt project?*

3. *How would you describe the coordination you had with OTA?*

4. *Besides OTA, which bilateral and multilateral providers of technical assistance contributed to government debt market reforms over the past five years?*
 - *Elicit examples of other major contributions.*
 - *How would you describe the government's coordination with donors regarding technical assistance in the reform of government debt processes?*
 - *Request contact information, as appropriate.*



5. *Did you participate in any OTA trainings?*
- *If so, which of these trainings were most or least beneficial or impactful?*
 - *Are training materials developed still used by the DMO or other actors?*
 - *If so, have they been modified to reflect the current fiscal situation?*



Component 1: Domestic Bond Market Development

Thank you for those answers. Next, we will talk about domestic bond market development.

● Outcome 1.1 Hacienda detailed borrowing plan to increase investor activity.
● Outcome 1.2 Hacienda updates Auction Process.
● Outcome 1.3 DMO auction calendar to increase participation.
● Outcome 1.4 DMO market survey to issue demanded maturities.
● Outcome 1.5 DMO new government benchmark security leads to increased investments.
● Outcome 1.6 DMO borrowing plans and debt issuance increases market confidence.
● Outcome 1.7 Communications strategy leads to increased investments and market confidence.

6. Please describe any market surveys you are aware of that provided input into borrowing plans.

- *When and how were these conducted?*
- *Are the results of the survey contained in any reports? If so, request a copy or reference.*
- *To what extent were any surveys focused on the domestic government debt market? The international government debt market?*
- *Were regular meetings held with potential investors (e.g., funds, local banks)?*
- *If so, were they in person or remote/online?*

7. Has the online auction process contributed to increased activity or market confidence in the government debt market?

1. *Is the auction calendar more regular now? Better publicized?*
2. *Is impact more pronounced in the domestically denominated (Gs) market? In internationally denominated (USD and other denominations) market?*



3. *Has this enhanced auction process contributed to expanded access to finance and reduced borrowing costs for the government? If so, how? If not, why not?*

8. *Does the DMO prepare a formal annual borrowing plan on a regular basis, including a schedule of auctions, expected types of securities to be issued, and amounts of finance to be raised?*
- *Do new investors — who were not participating in the old auctions — bid in the new online auctions? Are they mostly local investors?*
 - *Have the ratios between bids and placements increased?*
 - *Has the DMO started to issue benchmark securities with regular re-openings? What was the response by investors concerning these developments?*

9. *Is the market for local currency bonds likely to increase over time? If so, why? If not, why not?*
- *Do you see potential for larger issuances of local currency bonds? What kind of investors (domestic or external) will be interested in local currency securities?*



10. How are investor relations currently handled?

- Does the Ministry/DMO have staff with sufficient background/expertise in market transactions and markets?

11. What, if anything, should be done to further develop a communications strategy designed to improve investor relations?

12. What, if any, outcomes related to local currency debt issuance would you say were not achieved? To international currency debt issuance? Why?

- E.g., Structural issues related to sources of financing and public finance patterns, lack of expertise in the Ministry, lack of interest from investors?

13. What, if any, do you see as the most important contribution of OTA in the reforms related to government debt issuance?

- Domestically denominated (Gs).
- Internationally denominated (USD and other denominations).



14. In which areas, if any, could OTA have provided more support?

15. To what extent is progress on government debt issuance processes sustainable?



Component 2: Public Debt Law and Regulations

Thank you for your thoughtful responses. Next, we will talk about laws and regulations related to government debt issuance.

- Outcome 2.1 GoP passes a new Public Debt Law increasing confidence in securities.
- Outcome 2.2 DMO new Public Debt Regulations increase confidence and participation.

16. What were the main innovations of the Public Debt Law that facilitated the management of public debt—especially in terms of national currency denominated debt?

17. What were the main changes implemented—especially in the areas targeted for national currency denominated debt?

- *What, if any, obstacles, were there to the passage of laws or regulations?*
- *In your view, have the new regulations established operational procedures that improve issuance activity and loan contracting, as well as enhance debt reporting and transparency?*

18. What kind of outcomes did the new laws and regulations achieve?

- *Has the new Public Debt Law and/or regulations established provisions that better assign authority for approvals, negotiation, contracting, and reporting financial obligations?*



19. Are any modifications still required to laws and/or regulations to ensure greater impact and/or sustainability?

- *If modifications are suggested: How would such laws and/or regulations facilitate further initiatives for developing domestic markets for government securities?*

20. Are the processes now in place for debt issuances likely to be continued by new and future administrations?

21. What, if any, outcomes would you say were not achieved? Why?



Component 3: Liability Management Program

Thank you for your thoughtful responses. Next, we will talk about liability management.

- Outcome 3.1 DMO restructures and mitigates risks in portfolio.

22. *Is there a regular assessment of refinancing and interest rate risks? Are these risks monitored and a target established as part of the medium-term debt management strategy and/or annual borrowing plan? If so, how?*

23. *To what extent has the DMO restructured financial obligations (on a voluntary basis) to mitigate refinancing and interest rate risks in its debt portfolio? Were sizable debt exchange or swaps executed in recent years? If yes, what prompted the restructuring?*

24. *What, if any, are the remaining shortcomings in current risk mitigation strategies?*



25. *Going forward, besides those strategies implemented in the last administration, what, if any, other risk mitigation strategies should the DMO consider?*

Recommendations and Closing

Thank you for your thoughtful responses. Finally, we will talk about the project more generally.

26. *What recommendations or additional thoughts do you have for GDIF projects in Paraguay in the future?*

That is the end of my questions for you. Thank you for taking the time and providing your thoughts today.



COUNTERPART INTERVIEW INSTRUMENT (SPANISH)**Proyecto de Deuda OTA de Paraguay****Guía de Entrevista Cualitativa—Contrapartes****Actualizado: 13 de agosto de 2023**

Fecha de la entrevista	
Nombre del entrevistador	
Nombre del anotador	
Identificación única	

Introducción

La evaluación del proyecto de deuda de OTA/Paraguay tendrá dos propósitos:

- *En primer lugar, garantizar el cumplimiento de la OTA con la Ley de Transparencia y Responsabilidad de la Ayuda Exterior (FATAA) de 2016, que incluye requisitos para evaluar los objetivos, resultados e impactos de los proyectos de la OTA.*
- *El segundo propósito es proporcionar a la OTA una visión retrospectiva y en profundidad de sus actividades de proyectos de deuda en Paraguay. La evaluación se centrará en cuestiones clave relacionadas con su contribución al fortalecimiento del sector financiero a través de su asistencia técnica al Tesoro Nacional de Paraguay (PNT) y a la Dirección de Política de Endeudamiento (DPE).*

Consentimiento informado

Le haremos una serie de preguntas sobre el tema del trabajo de las OTA en el sector financiero en Paraguay durante los últimos cinco años. Su participación en esta discusión es voluntaria y es libre de interrumpir la discusión en cualquier momento o puede solicitarnos más detalles.

Esperamos que el debate dure entre 60 y 90 minutos.

Planeamos compartir nuestros hallazgos en publicaciones o presentaciones. No se le identificará por su nombre. Al final de esta entrevista, le preguntaremos si hay alguna información que haya compartido que sea confidencial o extraoficial. Si ha entendido estos puntos y da su consentimiento para continuar la discusión, por favor envíenos un acuerdo verbal que indique: "Sí, doy mi consentimiento para ser entrevistado".

Para nuestros propios fines de mantenimiento de registros, también nos gustaría registrar. Usaremos la grabación para crear una transcripción clara y también tomaremos notas durante la



entrevista. Esta grabación se eliminará después de que se utilice, y su nombre no estará vinculado a las notas ni a la grabación. Si está de acuerdo, por favor dé un acuerdo verbal: "Sí, doy mi consentimiento para ser grabado".

Preguntas de la entrevista

Introducción

Gracias por su consentimiento para ser entrevistado. Comenzaremos haciéndote algunas preguntas generales sobre las OTA en Paraguay.

Nota para los entrevistadores:

1. Las preguntas están numeradas;

- *Las sondas tienen viñetas y se les preguntará si no se abordan en las respuestas.*

1. ¿Podría describir su papel en la OTA y en el proyecto de la deuda de Paraguay?

2. ¿Cómo describirías la coordinación que tuviste con OTA?

3. Además de las OTA, ¿qué proveedores bilaterales y multilaterales de asistencia técnica contribuyeron a las reformas del mercado de deuda pública en los últimos 5 años?

- *Obtenga ejemplos de otras contribuciones importantes.*
- *¿Cómo describiría la coordinación del gobierno con los donantes en materia de asistencia técnica en la reforma de los procesos de deuda pública?*
- *Solicite información de contacto según corresponda.*



4. *¿Participaste en alguna capacitación de OTA?*

- *Si es así, ¿cuáles de estas capacitaciones fueron más o menos beneficiosas o impactantes?*
- *¿Los materiales de capacitación desarrollados siguen siendo utilizados por el DPE u otros actores?*
- *En caso afirmativo, ¿se han modificado para reflejar la situación fiscal actual?*



Componente 1: Desarrollo del mercado interno de bonos

Gracias por sus respuestas. A continuación, hablaremos sobre el desarrollo del mercado de bonos doméstico

<ul style="list-style-type: none"> ● Resultado 1.1 Hacienda detalló Plan de Endeudamiento para incrementar la actividad de los inversionistas.
<ul style="list-style-type: none"> ● Resultado 1.2 Hacienda actualiza el proceso de subasta.
<ul style="list-style-type: none"> ● Resultado 1.3 Calendario de subastas del DPE para aumentar la participación.
<ul style="list-style-type: none"> ● Resultado 1.4 Estudio de mercado de DPE para emitir vencimientos demandados.
<ul style="list-style-type: none"> ● Resultado 1.5: La nueva seguridad de referencia del gobierno del DPE conduce a un aumento de las inversiones.
<ul style="list-style-type: none"> ● Resultado 1.6 Los planes de endeudamiento y la emisión de deuda del DPE aumentan la confianza del mercado.
<ul style="list-style-type: none"> ● Resultado 1.7 La estrategia de comunicación conduce a aumentar las inversiones y la confianza del mercado.

5. Describa cualquier estudio de mercado del que tenga conocimiento que haya proporcionado información para los planes de préstamo.
 2. *¿Cuándo y cómo se llevaron a cabo?*
 3. *¿Los resultados de la encuesta figuran en algún informe? Si es así, solicite una copia o referencia.*
 4. *¿En qué medida las encuestas se centraron en el mercado de deuda pública nacional? ¿El mercado internacional de deuda pública?*
 5. *¿Se celebraron reuniones periódicas con posibles inversores (por ejemplo, fondos, bancos locales)?*
 - *Si es así, ¿fueron presenciales o remotos/en línea?*



6. ¿Ha contribuido el proceso de subasta en línea a aumentar la actividad o la confianza del mercado en el mercado de deuda pública?
4. *¿Es más regular el calendario de subastas ahora? ¿Mejor publicitado?*
 5. *¿El impacto es más pronunciado en el mercado denominado en el mercado nacional (Gs)?/¿En el mercado denominado internacionalmente (USD y otras denominaciones)?*
 6. *¿Ha contribuido este proceso de subasta mejorado a ampliar el acceso al financiamiento y reducir los costos de endeudamiento para el gobierno? Si es así, ¿cómo? Si no es así, ¿por qué no?*

7. *¿El DPE prepara un Plan Anual de Endeudamiento formal de forma regular, que incluya un cronograma de subastas, los tipos de valores que se espera que se emitan y los montos de financiamiento que se recaudarán?*
- *¿Los nuevos inversores, que no participaban en las subastas antiguas, pujan en las nuevas subastas en línea? ¿Son en su mayoría inversores locales?*
 - *¿Han aumentado las proporciones entre las pujas y las colocaciones?*
 - *¿Ha comenzado el DPE a emitir valores de referencia, con reaperturas periódicas? ¿Cuál fue la respuesta de los inversores ante estos acontecimientos?*

8. *¿Es probable que el mercado de bonos en moneda local aumente con el tiempo? Si es así, ¿por qué? Si no es así, ¿por qué no?*
- *¿Ve potencial para mayores emisiones de bonos en moneda local? ¿Qué tipo de inversores (nacionales o externos) estarán interesados en los valores en moneda local?*



9. *¿Cómo se manejan actualmente las relaciones con los inversionistas?*
- *¿Cuenta el Ministerio o el DPE con personal con suficiente experiencia en transacciones de mercado y mercados?*

10. *¿Qué se debe hacer, si es que se debe hacer algo, para desarrollar una estrategia de comunicación diseñada para mejorar las relaciones con los inversionistas?*

11. *¿Qué resultados diría, si es que no se logró algún resultado relacionado con la emisión de deuda en moneda local? ¿A la emisión de deuda en moneda internacional? ¿Por qué?*

- *Por ejemplo, cuestiones estructurales relacionadas con las fuentes de financiación y los patrones de financiación pública, la falta de experiencia en el Ministerio, la falta de interés de los inversores).*



12. *¿Cuál considera que es la contribución más importante de las OTA en las reformas relacionadas con la emisión de deuda pública?*

- *Denominados en el país (Gs).*
- *Denominados internacionalmente (USD y otras denominaciones).*

13. *¿En qué áreas, si las hubiera, podría haber brindado más apoyo a las OTA?*

14. *¿En qué medida es sostenible avanzar en los procesos de emisión de deuda pública?*



Componente 2: Ley y Reglamento de la Deuda Pública

Gracias por sus atentas respuestas. A continuación, hablaremos de las leyes y regulaciones relacionadas con la emisión de deuda pública.

- Resultado 2.1: El Partido Republicano aprueba una nueva Ley de Deuda Pública que aumenta la confianza en los valores
- Resultado 2.2: El nuevo Reglamento de Deuda Pública del DPE aumenta la confianza y la participación

15. *¿Cuáles fueron las principales innovaciones de la ley de deuda pública que facilitaron el manejo de la deuda pública, especialmente en términos de deuda denominada en moneda nacional?*

16. *¿Cuáles fueron los principales cambios implementados, especialmente en las áreas a las que se apuntó la deuda denominada en moneda nacional?*

- *¿Qué obstáculos, si los hubo, hubo para la aprobación de leyes o reglamentos?*
- *En su opinión, ¿las nuevas regulaciones han establecido procedimientos operativos que mejoren la actividad de emisión y la contratación de préstamos, así como que mejoren la información y la transparencia de la deuda?*

17. *¿Qué tipo de resultados lograron las nuevas leyes y reglamentos?*

- *¿La nueva ley y/o reglamento de la deuda pública ha establecido disposiciones que asignen mejor la autoridad para las aprobaciones, negociaciones, contrataciones y reporte de obligaciones financieras?*



18. *¿Todavía se requieren modificaciones en las leyes y/o regulaciones para garantizar un mayor impacto y/o sostenibilidad?*

- *Si se sugieren modificaciones: ¿Cómo facilitarían esas leyes y/o reglamentos nuevas iniciativas para el desarrollo de mercados nacionales de valores gubernamentales?*

19. *¿Es probable que los procesos actuales para las emisiones de deuda continúen siendo continuados por las nuevas y futuras administraciones?*

20. *¿Qué resultados dirías que no se lograron, si es que hubo alguno? ¿Por qué?*



Componente 3: Proyecto Componente #3: Programa de Gestión de Pasivos

Gracias por sus atentas respuestas. A continuación, hablaremos de la gestión de pasivos.

- Resultado 3.1 DPE reestructura y mitiga los riesgos de la cartera

21. *¿Existe una evaluación periódica de los riesgos de refinanciación y de tipos de interés? ¿Se supervisan estos riesgos y se establecen objetivos como parte de la estrategia de gestión de la deuda a mediano plazo y/o del plan anual de endeudamiento? Si es así, ¿cómo?*

22. *¿En qué medida el DPE ha reestructurado sus obligaciones financieras (de forma voluntaria) para mitigar los riesgos de refinanciación y de tipos de interés en su cartera de deuda? ¿Se han ejecutado canjes o canjes de deuda considerables en los últimos años? En caso afirmativo, ¿qué motivó la reestructuración?*

23. *¿Cuáles son las deficiencias que persisten, en su caso, en las estrategias actuales de mitigación de riesgos?*



24. *De cara al futuro, además de las estrategias implementadas en la última administración, ¿qué otras estrategias de mitigación de riesgos debería considerar el DPE?*

Recomendaciones y cierre

Gracias por sus atentas respuestas. Por último, hablaremos del proyecto de forma más general.

25. *¿Qué recomendaciones o ideas adicionales tiene para los proyectos de OTA en Paraguay en el futuro?*

Este es el final de mis preguntas para ustedes. Gracias por tomarse el tiempo y proporcionar sus pensamientos hoy.



Annex E: OTA Response

Office of Technical Assistance Response

Paraguay: Government Debt & Infrastructure Finance Project

May 24, 2024

The Office of Technical Assistance (OTA) welcomes the opportunity to provide comments on the Bixal Solutions (Bixal) evaluation, “Office of Technical Assistance: Government Debt & Infrastructure Finance (GDIF) Project in Paraguay,” dated March 1, 2024. Comments in this response build on OTA’s earlier written comments to the draft evaluation report and discussions with Bixal representatives in February 2024. The dialogue was informative and OTA appreciates that Bixal incorporated technical corrections provided by the program.

The evaluation’s key finding relate to OTA’s engagement with Paraguay’s Ministry of Finance and Debt Management Office from 2018 to 2022. A resident advisor provided the assistance to Government of Paraguay (GOP) officials continuously during this period, which spanned three government administrations. As noted in the evaluation, key accomplishments included:

- Strengthened government capacity to auction government securities on the stock exchange, allowing the market to set prices and improving investor confidence;
- Increased investor participation in the government securities market, facilitated by the modernization of the auction process, the availability of new government benchmark securities offerings, and more transparent issuance and communications practices;
- Reduced government borrowing costs and extended maturities, facilitated by capacity support that helped the counterparts undertake complex external borrowing transactions for liability management purposes; and
- Improved government capacity to implement its liability management program.

OTA notes the evaluation’s findings, including that the “project significantly contributed to its outcomes” and that “all project components and subcomponents were fully achieved, with only one subcomponent partially achieved.” Bixal concluded that the project “contributed to the GOP’s development of a modern, marketable security-based financing model” and “helped to modernize the market infrastructure required for primary auctioning and secondary trading,” among other conclusions.

Regarding the evaluation’s nine recommendations, which Bixal divides into two broad categories: role of the resident advisor and project scoping and planning, OTA acknowledges Bixal’s observation that because all components were either fully or partially achieved, the recommendations highlight OTA best practices. In this context, OTA welcomes the lessons that the evaluation draws out regarding:



- The important role that resident advisors play in building consensus, advocating for reforms, providing the connective tissue to mid-level management and technical staff, and adapting approaches; and
- The value of well-structured project planning and development, including with respect to identifying key needs in advance, tailoring the modality of assistance to country context, properly scoping work for each advisor, ensuring advisors have the right skillsets, and identifying quick wins to increase commitment to reform.

OTA appreciates the effort that Bixal devoted to the preparation of this evaluation. Its findings and key recommendations will help inform future programs.

