

**case 1-429-216**  
**December 2, 2011**

## Fundación Paraguaya (A): The San Francisco School

Martin Burt always enjoyed the end of the day as he took time to stop and reflect on that day's activities and what they meant for the work of Fundación Paraguaya and its ability to help the poor. Today, however, Martin's thoughts revolved on a more current and pressing issue: the ability of his organization to replicate the remarkable success they had enjoyed at the San Francisco Agricultural School. Martin had co-founded a new school in the Mbaracayu, a Paraguayan National Forest Reserve. Everyone in the organization had known that the new school would operate with a different focus but they believed the core business model used at the San Francisco School would transfer to the new location. Now, several months into the new project and facing decisions about substantial investments in infrastructure, Martin wondered just how replicable the model would be and what his next steps should be.

### Fundación Paraguaya

Landlocked and located in the center of South America, Paraguay obtained independence from Spain in 1811; however, numerous wars with its neighbors—Brazil on the east, Argentina on the west, Bolivia to the north, and Uruguay to the south—hampered growth and development by claiming many lives as well as economically valuable territory. In the War of the Triple Alliance of 1865-70, Paraguay lost two thirds of all adult males.<sup>1</sup> After 35 years of dictatorships Paraguayan's went to the polls in 1989 and democratically elected a president and parliament; the country has maintained a constitutional democracy ever since.

The World Bank classifies Paraguay as a "lower middle income country." **Exhibit 1** provides more detailed data on life in Paraguay. About 60% of Paraguay's roughly 6.4 million residents reside in cities with the remaining 40% spread over the roughly 400,000 km<sup>2</sup> of countryside. Average annual income for Paraguayans is \$2,270 (US), or about \$6.25 per day, and 40% live under the country's poverty line, defined as around \$5.30 per day. The formal economy is largely service-driven, with 55% of the labor force and 61% of GDP working in this sector, followed by agriculture with 26.5% and 20.1%, respectively, and then industrial production with 18.5% of the labor force and almost 19% of output. The formal economy depends not only on domestic demand but on trade with its neighbors, often complicated by less than equal trade policies, another result of the years of conflict with its neighbors.

Paraguay contains a substantial underground economy. According to research by Guillermon Vuletin for the International Monetary Fund Paraguay has the largest informal sector in Latin America, accounting for



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