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***Paraguay Threshold Country Program
Fight against Corruption and Impunity***

Contract Number DFD-I-09-03-00139-00

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Paraguay Threshold Program Final Report, Executive Edition

I. Introduction

The Paraguay Threshold (*Proyecto Umbral*) Program was initiated in 2006. A final report, *Una Causa Nacional, Programa Umbral Paraguay*, was issued in late 2008. That report contains information on both the governmental and civil society aspects of the Program. Prepared for public use, though not actually distributed, *Una Causa Nacional* provides a good explanation of the Program and its achievements, including progress against the established benchmarks. Readers are referred to that report for its full accounting of the many, very impressive achievements of the Program

Because it originally was intended for public distribution, that earlier report omitted two key areas that will be critical to the planning and execution of any future accountability program. Those areas are the identification and analysis of problems encountered during implementation of the governmental side of *Umbral* and an assessment of what remains to be done to meet long-term sustainable objectives of the Program.

II. Overview of Paraguay Threshold Program Context

In 2003, Paraguay ranked fourth from last on Transparency International's Corruption Perception Index. Rampant corruption was a key aspect of the country's international image. Corruption took place in all three branches of government as well as in the state and bi-national enterprises. Both directly and indirectly, it impacted the lives of both the rich and poor citizens of the country. While petty corruption was all encompassing, it was grand corruption that captured attention and focus.

In 2003, Nicanor Duarte Frutos was elected President of Paraguayan on a strong, well-articulated anti-corruption platform. While he initially demonstrated the necessary political will to address corruption and made some progress in carrying out his promises, there was much more that remained undone (e.g. greater government transparency). Achieving the Government's stated anti-corruption objectives is pivotal to being better able to remove key barriers to sustainable economic growth and development in Paraguay.

To build on this momentum, the Millennium Challenge Corporation (MCC), along with USAID, initiated discussions with the Duarte government. While Paraguay fell short of qualifying for MCC compact status, it was considered for the one of the very first Threshold Programs. The objective of the Threshold Program was to be able to help advance the country's sustainable development in areas of key shortfalls, ultimately enabling Paraguay to qualify for an MCC compact agreement. Targeting corruption unquestionably would help meet this objective.

In 2005, the Paraguayan government developed a Threshold Country Plan (TCP) to address the most vital areas in trying to eliminate corruption. Five of those areas became the key focus of technical and material assistance to be provided through a contract funded by the MCC to Casals & Associates.

III. MCC Paraguay Threshold Program (*Proyecto Umbral*)

A. Paraguay Threshold Country Plan (TCP)

The October 2005 TCP was aimed at addressing Paraguay's weak performance on MCC's "Ruling Justly" and "Economic Freedom" indicators. Its strategy was to attack corruption head on. Succeeding in this would positively influence other indicators in which Paraguay was underperforming, such as Government Effectiveness and the Rule of Law, elements that impacted the investment environment and poverty issues. The TCP had two key focal points: (1) the Fight against Impunity and (2) Formalization of Economic Activities.

The TCP was the result of a planned process of information sharing and debate among representatives from the three branches of government. In addition, input also was received from key stakeholders in civil society, the business community, and multilateral development agencies, such as the Inter-American Development Bank, the World Bank, and the United Nations Development Program.

The key strategic component addressed by the Task Order held by Casals & Associates was Impunity. The TCP viewed the fight against impunity as a means to "implement an effective sanctioning system for corrupt practices." It highlighted "the lack of legal consequences that could deter corruption...." The TCP strategy sought to reduce impunity by strengthening (1) the investigative capability of the Public Ministry; (2) the capability of the disciplinary system of the Judiciary; (3) internal government control systems and civil society participation in government oversight activities at the Controller General's Office; (4) the integrity of public registry information; and (5) legislative oversight of public finances.

All TCP components were viewed as complementary with one another. With regard to Impunity, the goal was to provide improvement in the capacity of the judicial system to carry out investigations, process allegations of corruption, and strengthen internal controls and disciplinary capabilities. Prosecutors and judges would be subject to close scrutiny and face disciplinary action in the event they were found guilty of engaging in corrupt practices. Reforms in the internal auditing system of the public sector and improved connectivity between selected public registries would create the appropriate tools to detect and investigate corrupt practices inside and outside the public sector. Allegations or evidence of illegal actions generated by these new tools would be subject to investigation, indictment and due process of law by prosecutors and judges who would provide closer scrutiny and new disciplinary capabilities. Congressional oversight of public spending would be coordinated with civil society public budget oversight activities

to create a broader constituency demanding responsibility and accountability in the use of public resources.

IV. Threshold Program Results

A. Component #1: Increase the Investigative Capacity of the Public Ministry

1. Achievements

a. Human Resources: At the outset of the Program, a full review was done of the Ministry's available human resources based on skills, experience and education. This established an essential pre-condition for making merit-based personnel selections.

b. Office of Internal Control: This office was strengthened in various ways. First, a new internal control system was developed, designed and implemented. The goal of the system was to reduce corruption and improve efficiency in the conduct of officials in carrying out their responsibilities. This system established clear operating standards for the Ministry. The Internal Control Office was provided with improvements to its overall equipment and other infrastructure necessary to the effective achievement of its responsibilities. A pilot system was deployed to improve control of government prosecutors (*fiscales*) and other related officials.

c. Disciplinary System: A new system was designed, developed and implemented to reduce official impunity and improve efficiency within the Ministry. Properly implemented, the new system will lessen the number of disciplinary actions and the time it takes to process them. Additional assistance included the necessary infrastructure and equipment to implement the new system. By the end of assistance to this Component, ten new cases were being investigated by newly trained personnel using criminal investigative techniques. Sixty percent of those cases were completed by the Inspector General's Office using new procedures and equipment.

d. Office of Economic Crimes (*delitos economicos*): The purpose of this office is to improve the quality and uniformity of information and related evidence used in prosecuting corruption and related economic wrongdoing. The office was provided with specialized equipment. One important objective was to establish greater uniformity and standardization in working with and supplying information to government prosecutors. Better quality evidence will facilitate more effective sanctions for corrupt acts.

e. Forensics Laboratory: A modern forensics laboratory was designed, constructed and equipped. In addition to what was specified in the Task Order, with USAID approval, Casals also procured complementary equipment for the Ballistics Division and supported construction that will facilitate the future growth of the overall lab. This facility is the first of its kind, not only for the *Ministerio Publico*, but in all of Paraguay. It will make a major contribution to the investigation of all crimes by making more certain that accusations are based on reliable scientific evidence. The improved quality of evidence

will provide less discretion to judges who previously might have been able to question with impunity legitimate facts placed before them. In the development of this lab, a cooperation agreement was signed with the National Police to enable closer collaboration in future investigations with regard to use of the new facilities. As a result of this agreement, 20 police personnel have been assigned to work in the forensic laboratory of the Public Ministry.

f. Evidence Depository: A new evidence depository was designed and equipped by the program. The objective of the facility is to control and preserve effectively and efficiently evidence that results from criminal investigations so as to enhance the quality and effectiveness of the resulting prosecution. Paraguay's Attorney General issued Resolution No. 3933 (dated November 27, 2007), "Handbook for Evidence Handling by Prosecutors," which will greatly aid in the consistent management of evidence.

g. Connectivity: Connectivity between the IT systems of the Evidence Depository and the Forensic Laboratory was provided for by the Threshold Program. To this effect, the Program built two communications towers and installed the corresponding equipment. This improved communication will facilitate collaboration, making the prosecutorial process more effective.

2. Planned But Not Achieved

a. Assignment of Staff to the Forensics Lab: Despite the provision of sound technical advice and substantial amounts of equipment, supplies and related facilities, the Ministry has not designated the necessary staff. While training has been provided for the new equipment, the inadequately qualified personnel selected by the Government and the improbability that they will remain in their positions, puts into significant question how well – or even if – this equipment will be used in the future.

b. Absence of Political Will of the Attorney General (Fiscal General): While the AG allowed the project to operate in his Ministry, he never gave it his full support and backing. Clearly, he did not give priority to carrying out changes that were aimed at reducing corruption in the Government of Paraguay. One might also conclude that his superiors in the GOP, who apparently did not strongly urge his fuller engagement, shared the AG's lack of priority for the success of the program. Because of this, all the effort and resources invested under this component of the Threshold Program are at risk to produce little or no lasting result.

3. Status of Indicators

Component 1: Increase the research capacity of Public Ministry

Performance Indicators	Objectives					
	Baseline	1-4 Quarter	5th. Quarter	6th. Quarter	7th Quarter	8th. Quarter
1a. Number of cases investigated by using the forensic laboratory and criminal investigative techniques by the newly trained staff.	0 There is no forensic laboratory.	<ul style="list-style-type: none"> - GOP provided laboratory facilities - MOU signed between the Police and the Public Ministry. - Examined and trained police - Department of Investigation of Crime created by resolution - Appointed Forensic Laboratory Chief. 	<ul style="list-style-type: none"> - The construction of the laboratory started. - The laboratory equipment is in process of being purchased - Prosecutors were trained - Offices of Anti-Corruption and Economic Crimes fused and increased # of prosecutors. increased 	<ul style="list-style-type: none"> - Profiles of staff members defined - Forensic Laboratory incorporated to the organization of the PM - Tendering process for Lab equipment nearing completion - Renewal of laboratory facilities in progress - Manual of Procedures of use of computers approved - Approved procedures for the receipt of corruption cases in the Anti-Corruption Unit 	<ul style="list-style-type: none"> - Laboratory-Construction advanced in a 75% - Laboratory Legislation enacted - Intense training to the staff of PM continues (51 people) - Computer equipments were given to the beneficiary units of the Program - Functions, procedures and chart of EDU developed 	5 (10 cases up to Dec. 2008)

Performance Indicators	Objetives					
1b. Numbers of cases investigated by using the new design of the management of custody of evidence system.	<p>0</p> <p>The old system has unclear procedures and the # of cases is not available</p>	<ul style="list-style-type: none"> - The diagnosis of the current system of custody of evidence of the MP concluded - The design of a new model of custody of evidence began 	<ul style="list-style-type: none"> - General Guidance for evidence collection, handling and storage designed - Staff training in process 	<ul style="list-style-type: none"> - Rules of Internal Procedures of the Office of evidences, elaborated - The software based on new guidelines and regulations is being developed - Guidelines for evidence adopted and being implemented 	<ul style="list-style-type: none"> - PM acquired a building for model storage of evidence - Evidence Manual (functions, procedures) approved and signed by the GFE 	<p>10</p>
2a. Percentages of disciplinary cases concluded under the Inspector General of Public Prosecutions using the new procedures and equipment.	<p>Attorneys: Staff:</p> <p>Cases of 2005:</p> <p>21.4% (15/70) 39.5% (105/266)</p> <p>Cases of 2006:</p> <p>14.4% (16/111) 42.7% (61/143)</p> <p>Based on the old procedures.</p>	<ul style="list-style-type: none"> - The diagnosis of the current disciplinary system of the PM concluded 	<ul style="list-style-type: none"> - New Project of Rules of disciplinary system, presented - Space for the office, provided 	<ul style="list-style-type: none"> - Equipment and supplies, delivered - Training, in course - Reformed Offices - New Transparency Unit, created 	<ul style="list-style-type: none"> - Computers delivered to PM -Manual for Internal Regulations approved by the PM Inspector -Functions, procedures and organizational chart for the Inspectorate approved by the PM 	<p>40% prosecutors (60 % Dec. 2008)</p> <p>60% staff (80 % Dec. 2008)</p>
2b. Number of offices of the prosecutors and deputy prosecutors subject to internal auditing, including cases that were completed and forwarded	<p>0</p> <p>There are no internal control offices or control</p>	<ul style="list-style-type: none"> - The diagnosis of the current internal control system of the PM concluded - The design of a new 	<ul style="list-style-type: none"> - The internal control regulations and operational manuals are 	<ul style="list-style-type: none"> - The Internal control regulations and operational manuals are being validated - Equipment and 	<p>Objective 1</p> <ul style="list-style-type: none"> -Computer equipment provided to the 	<p>3</p>

Performance Indicators	Objectives					
<p>to the appropriate office for intervention (complaints, disciplinary action, removal of the person or dismissal of cases) against prosecutors and staff. Note: The We numbers and the status of cases will be monitored</p>	procedures	model of Internal Control began	developed	supplies, delivered - Refurbished offices	office of internal control	
					The Manual of functions of the new control system, approved	
					<u>Pending:</u> approval of the procedures manual	

4. Lessons Learned

a. Narrow Threshold Program time limits reduce leverage in gaining vital policy support for program activities. The two-year Threshold Program time span leaves little margin for policy-based delay. Under other circumstances, full implementation of this component could have been conditioned on a stronger display of GOP political will for its successful implementation.

b. There is an urgent need to develop a means for protecting the investment made by the program in physical and human capital. It would be a painful waste for both the USG and all Paraguayans to have made such a large and extensive investment in anti-corruption infrastructure only to have it suffer disuse or worse.

5. Conclusion

While most Component #1 implementation outputs were fully achieved, it is not possible to point to significant sustainable change in the anti-corruption practices or culture of the *Ministerio Publico*. A small window of opportunity for the achievement of this lies with policy dialogue and, perhaps, small-scale transitional technical assistance with the new leadership that will take of the Ministry at the outset of the Lugo Administration.

B. Component #2: Increase the Capability of the Judiciary Disciplinary System

1. Achievements

a. *Judicial Disciplinary System:* A disciplinary system designed and installed within the Judiciary aims at sanctioning the improper behavior of judges, judicial officers and court officers. This system seeks to reduce levels of corruption by accelerating the trials and administrative processes initiated against accused officials and judges. The time for processing disciplinary complaints and accusations was reduced from ten to four months under the new system. In addition, the number of disciplinary cases overturned based on procedural failures or administrative loopholes was reduced from 58.7% to 0% by the end of the implementation of the Component. The *Superintendencia General de Justicia* was reorganized and strengthened. Consequently, additional space and personnel were assigned to the *Superintendencia*. C&A refurbished the new office space and fully equipped it (furniture, IT equipment, phone/internet cabling).

b. *Internal Control System:* An internal control system was designed, developed and implemented within the judicial system. Its objective is to provide oversight of the management of the country's courts. Such a system did not previously exist. The system, approved by the Supreme Court, seeks to improve court management, thus avoiding legal delays and the sometimes corrupt reasons for them. Perhaps more importantly, the system includes the creation of a new control unit: the Directorate of Judicial Performance

Auditing, which is now fully staffed, equipped and functioning. At the end of Component #2 implementation, three judicial audits (compliance with procedural codes) had been performed at court offices utilizing the new internal control office and system.

c. *Complaints System:* This new mechanism, part of the internal control system and officially authorized by the Supreme Court, provides users of the judicial system with a means to present complaints and charges against judges and other officials or administrative staff of the judicial system. A new, easily accessed public office was set up and equipped. New interconnected software for this system and internal control was developed to enable effective administration and enhanced transparency.

d. *Training:* Training was provided for all judicial system staff involved with internal control and discipline/complaints. Related materials were distributed nationwide.

e. *Awareness:* The new regulatory framework for the Judiciary has been promulgated throughout the country. This has set the stage for a system that will promote only those officials and judges whose behavior demonstrates respect for the responsibilities of public servants and is free of corrupt or unprofessional interference.

2. Planned But Not Achieved

a. *Formalization of Offences and Penalties:* The Court did not agree to publish a list of offenses and penalties for convicted Judiciary staff. Having such a list would expedite the judgment process and make it more transparent and accountable, i.e. a more effective tool of anti-corruption. The absence of such a list is very significant and will substantially jeopardize the future sustainability of both the complaints and internal control systems.

b. *Database Interconnectivity:* There is a disturbing lack of interconnectivity between the computerized systems of the Judicial Judgment System (*Jurado de Enjuiciamiento de Magistrados*), the Judiciary Council (*Consejo de la Magistratura*), and the Attorney General's Office (*Ministerio Publico*). This is the result of a lack of coordination in the development of databases. The consequence is that the full array of key information will not be readily available to investigators in any of the three entities, permitting latitude to miscreant officials and employees.

c. *Staff Selection:* The selection of staff for the internal control and complaints offices was poorly done, despite assistance provided by the *Umbral* program. The absence of such staff threatens the credibility and sustainability of such functions and the effective use of the equipment and facilities provided.

d. *Political Will:* The above and other issues significantly reflect a lack of priority (i.e. political will) for the new systems and procedures by the Supreme Court, which never gave them its essential full and open support. Most information distributed was the product of the Threshold Program itself.

3. Status of Indicators

Component 2: Increase the Capacity of the Judicial Disciplinary Systems

Performance Indicators	Objectives					
	Baseline	1-4 Quarter	5th. Quarter	6th. Quarter	7th Quarter	8th. Quarter
1a. Number of cases investigated by using the forensic laboratory and criminal investigative techniques by the newly trained staff.	0 There is no forensic laboratory.	<ul style="list-style-type: none"> - GOP provided laboratory facilities - MOU signed between the Police and the Public Ministry. - Examined and trained police - Department of Investigation of Crime created by resolution - Appointed Forensic Laboratory Chief. 	<ul style="list-style-type: none"> - The construction of the laboratory started. - The laboratory equipment is in process of being purchased - Prosecutors were trained - Offices of Anti-Corruption and Economic Crimes fused and increased # of prosecutors. increased 	<ul style="list-style-type: none"> - Profiles of staff members defined - Forensic Laboratory incorporated to the organization of the PM - Tendering process for Lab equipment nearing completion - Renewal of laboratory facilities in progress - Manual of Procedures of use of computers approved - Approved procedures for the receipt of corruption cases in the Anti-Corruption Unit 	<ul style="list-style-type: none"> - Laboratory-Construction advanced in a 75% - Laboratory Legislation enacted - Intense training to the staff of PM continues (51 people) - Computer equipments were given to the beneficiary units of the Program - Functions, procedures and chart of EDU developed 	5 (10 cases up to Dec. 2008)

Performance Indicators	Objetives					
1b. Numbers of cases investigated by using the new design of the management of custody of evidence system.	<p>0</p> <p>The old system has unclear procedures and the # of cases is not available</p>	<ul style="list-style-type: none"> - The diagnosis of the current system of custody of evidence of the MP concluded - The design of a new model of custody of evidence began 	<ul style="list-style-type: none"> - General Guidance for evidence collection, handling and storage designed - Staff training in process 	<ul style="list-style-type: none"> - Rules of Internal Procedures of the Office of evidences, elaborated - The software based on new guidelines and regulations is being developed - Guidelines for evidence adopted and being implemented 	<ul style="list-style-type: none"> - PM acquired a building for model storage of evidence - Evidence Manual (functions, procedures) approved and signed by the GFE 	<p>10</p>
2a. Percentages of disciplinary cases concluded under the Inspector General of Public Prosecutions using the new procedures and equipment.	<p>Attorneys: Staff:</p> <p>Cases of 2005:</p> <p>21.4% (15/70) 39.5% (105/266)</p> <p>Cases of 2006:</p> <p>14.4% (16/111) 42.7% (61/143)</p> <p>Based on the old procedures.</p>	<ul style="list-style-type: none"> - The diagnosis of the current disciplinary system of the PM concluded 	<ul style="list-style-type: none"> - New Project of Rules of disciplinary system, presented - Space for the office, provided 	<ul style="list-style-type: none"> - Equipment and supplies, delivered - Training, in course - Reformed Offices - New Transparency Unit, created 	<ul style="list-style-type: none"> - Computers delivered to PM -Manual for Internal Regulations approved by the PM Inspector -Functions, procedures and organizational chart for the Inspectorate approved by the PM 	<p>40% prosecutors (60 % Dec. 2008)</p> <p>60% staff (80 % Dec. 2008)</p>
2b. Number of offices of the prosecutors and deputy prosecutors subject to internal auditing, including cases that were completed and forwarded	<p>0</p> <p>There are no internal control offices or control</p>	<ul style="list-style-type: none"> - The diagnosis of the current internal control system of the PM concluded - The design of a new 	<ul style="list-style-type: none"> - The internal control regulations and operational manuals are 	<ul style="list-style-type: none"> - The Internal control regulations and operational manuals are being validated - Equipment and 	<p>Objective 1</p> <ul style="list-style-type: none"> -Computer equipment provided to the 	<p>3</p>

Performance Indicators	Objectives					
<p>to the appropriate office for intervention (complaints, disciplinary action, removal of the person or dismissal of cases) against prosecutors and staff. Note: The We numbers and the status of cases will be monitored</p>	procedures	model of Internal Control began	developed	supplies, delivered - Refurbished offices	office of internal control	<p>The Manual of functions of the new control system, approved</p> <p><u>Pending:</u> approval of the procedures manual</p>

4. Lessons Learned

While not as severe as in Component #1, sustainable Program achievement in Component #2 also was limited by the lack of essential political will to bring about improved accountability and transparency in the judiciary. Lack of committed, effective leadership (e.g. in the Supreme Court) sent mixed signals and, at the very least, caused some significant delays. Perhaps the best opportunity to ensure political commitment in a Threshold Program is at the time of the submission of the Threshold Country Plan (TCP). Integration of the information systems could have been achieved through higher-level government involvement. A more constructively proactive Coordination Unit also might have been able to accomplish this. Threshold Program anti-corruption activities not only require actions to provide assistance, procure goods and services and train people, their success requires changes in behavior and culture – quite an imposing goal within a usually no more than a two-year timeframe. Delays in implementation, due to gaps in political will – for example, leave little latitude for effective correction during the very limited time availability.

5. Conclusion

There is more progress that can be realized in increasing accountability in the judiciary system. All the needed infrastructure is in place. Better qualified professional staff and empowered, committed leadership will be important to any future progress.

C. Component #3: Strengthened Internal Control Systems and Civil Society Participation in Oversight Activities in the Controller General's Office

1. Achievements

a. *Ethical Practices Standards*: Packages of standards were designed, developed and adopted for all seven participating institutions. Each package is unique to the institution that it represents and is the product of full consultation within that entity, reflecting a broad level of buy-in to the standards established. This achievement constitutes value added by Casals to the Program

b. *Quality Management Systems (QMS)*: QMSs were designed, developed, approved and implemented in each of the Component's seven participating entities. In each instance, progress has been excellent. All seven entities are seeking certification under the international ISO 9001 program. This is one of the Program's best examples of positive political will. This also is part of the value added by Casals to the Program.

c. *Standard Model of Internal Control for the Public Sector (MECIP)*: One of the main achievements of Component #3 was the development and implementation, of the GOP approved Standard Model of Internal Control (MECIP) for all Government institutions. MECIP is a tool for good management, that is, ensuring that public resources are used in the best way possible for the economic and social objectives of the Paraguayan people. It

establishes permanent control standards that are key to the planning, operation, evaluation and continuous improvement of all public institutions. As a management instrument, it allows real time control of all processes, activities, actions, decisions and performance of public entities. MECIP establishes a framework of integrity, transparency and administrative efficiency and ensures compliance with the corporate objectives of each public organization.

MECIP will provide the government of Paraguay with 1) continuous monitoring of the ethical conduct of officials who are employed in public institutions and are expected to perform in the service of the community, 2) strategic control for all economic, social, environmental and financial planning, and management of the risks implicit in carrying these out in the public interest, 3) comprehensive, ongoing monitoring of government operations at all levels, providing specific control for each with the goal of optimizing the results for the public, 4) use of MECIP to take measures to prevent, detect and correct potential and actual problems and to ensure the implementation of related management improvements, and 5) a culture of control in all public institutions which in turn builds public confidence and credibility for the government.

d. *The General Audit Office of the Executive Branch:* This Office was restructured and Threshold Program refurbished the new office.

e. *Government Auditing Standards Manual:* A unified manual was developed and is now being used by the three independent supervisory institutions (the Controller General, the Auditor General of the Executive Branch, and the Internal Audit Institutions). The existence and use of such a manual will result in greater audit consistency, which is certain to produce less ambiguous, more enforceable results.

f. *The Integrated Financial Management System (SIAF):* The program completed the development and installation of the budget formulation module and the development of approximately 30% of all other modules. Source codes were provided plus all materials developed at the time of termination of this activity in order to enable future cooperation activities continue and complete the SIAF.

g. *Law to Strengthen the Punitive and Oversight Capacity of the Controller General:* The initial program was planned to support an improvement in the external and internal regulations and related processes of the Controller General to ensure the proper use and care of public resources and property. During the related work, clear agreement was established that all of these regulations and procedures could be more effective and sustainable if they were put into law. *Proyecto Umbral* provided assistance to the CGR in drafting the law, which is being submitted to Congress for review and approval.

h. *Civil Society Social Audit Unit:* The unit was established with the assistance and close collaboration of the office of the Controller General. It provides support and encouragement for civil society oversight of public expenditures. The Threshold Program has provided training, technical assistance and infrastructure support to this effort. More

involvement of civil society in expenditure oversight can have a very significant impact on improving overall government accountability.

h. *Methodology for Accountability to Citizens:* The Program, as further explained under Section VI, Additional Results, below, designed and developed a citizen accountability methodology that was implemented in seven of the Program's participating government entities. In July 2008, six of those entities successfully held public accountability hearings, an unprecedented occurrence in Paraguay. This established a new standard for openness between the GOP and its constituents that is expected to be continued in the future.

2. Planned But Not Achieved

a. *Need for Formalized Orders:* The Standard Control Model should be carried out under the official order of the President of Paraguay. In the absence of that, its implementation is done under the much less powerful instruction of the Controller General, leaving its future sustainability more vulnerable.

b. *Integrated Financial Management System (SIAF):* The SIAF was only partially completed. As stated above, Casals' sub contractor, INDRA, delivered a complete budget formulation sub module, but all other modules were only about 30% s developed. While Casals had requested that the SIAF and the sub-contract with INDRA be included in an extension of the TP from December 1, 2008, to May 31, 2009, both the GOP (Ministry of Finance) and USAID, for valid reasons, decided that extending INDRA's sub-contract would probably not produce the desired results and denied the extension. It will be up to future USAID interventions or to the Ministry of Finance to complete the SIAF. INDRA delivered the source codes, as well as all the necessary documents to move forward with the development of the SIAF in the future.

3. Status of Indicators

Component 3: Strengthening Internal Control Systems and Civil Society Participation in the surveillance activities of the Offices of the Comptroller General

Performance Indicators	Objetives					
	Baseline	1-4 Quarter	5th. Quarter	6th. Quarter	7th Quarter	8th Quarter
1. Number of public entities implementing the new internal control standards.	0 No standard model	-6 Codes of Ethics -7 Models of Good Govt. - Standard Model of internal control designed - Decree designed, approved by the GOP and submitted to the Presidency - 500 people trained	- Presidential Decree modified and signed with defects and / or deficiencies - Training in 5 ministries in the standard model of internal control - Partial-Stop of activities	-Trainer of trainers are providing instruction - Partial-Stop of activities	- Codes of Good Governance and Codes of Ethics are edited. - SGC designed, developed at each beneficiary institution and in process of being implemented. - Internal Audit Standard implementation in process. -	5

					Computer equipment provided to the CGR - Continuous Training	
2. Number of public institutions using the Integrated Financial Management System (IFMS) improved to strengthen their financial operations and to generate reports of internal and external control in the areas of Budget, Accounting, Treasury, Investment, Credit and Public Debt.	0 Insufficient solid control mechanisms within the current IFMS as the control aspects that are not part of the existing system. Many institutions use their own software, one they developed.	- Concluded diagnosis and initiated tendering process	- Macro IFMS design began and ended	- Diseño detallado del software SIAF iniciado - Desarrollo de subsistema de presupuesto en progreso - Detailed design of the initiated IFMS software - Development of budget subsystem in process.	- Design of the new IFMS officially prepared and submitted for approval - Budgetary formulation module in testing stage - Agreement to expand the budget	I

					module to 80 entities	
3. Number of new citizen monitoring activities coordinated with the Comptroller General of the Republic.	0	- Competition open to donations	4 (objective) 6 (result) New office of citizens created by the CGR	5 -Architect hired to design new office of citizens	Objective : 6 Result: 6	6
4. Number of internal audits undertaken and recommendations of audits that are being overseen by the Audit General of the republic.	0 The Auditor General has no authority and has a limited staff.	- Completed diagnosis and initiated training on internal control model	- Standardized audit manuals for all 7 institutions, developed.	- Audit plan for the year 2008 in accordance with the new developed model	Objective :5 Result: 10	10
5. Number of ministers conducting public hearings accountabilities	0	- Ministers agree to conduct public hearings accountabilities	Participatory design of public hearings accountability for 7 institutions	Agreement with 6 institutions, within the framework of public hearings accountabilities.	Regulation, structure and communicational framework of accountability conducted	4

4. Lessons Learned

a. Component #3 is a good example of what can be achieved in anti-corruption in Paraguay when there is strong political will among the key players. The Office of the Comptroller General is a notable example of political will and commitment.

b. The absence of an empowered decision making authority on the GOP side of the component (i.e. among those particularly interested and engaged) at times slowed the velocity of implementation. The establishment of such an authority in any future effort could make a significantly positive difference.

5. Conclusion

For all the great success of Component #3, it also is a good case study of the limitations of what can be achieved within the short two-year Threshold Program timeframe. All of the work in this component is of unquestionable value. However, much of it – especially SIAF, will require immediate follow up to ensure sustainability.

D. Component #4: Strengthening Oversight of the Public Registry to Safeguard the Integrity of Public Records

1. Achievements

a. *Coordination Among Data Developers and Users:* A major program achievement was the signing of an agreement between the Ministry of the Interior's Identification Department and the Ministry of Justice's Civil Registry Directorate. The purpose of this agreement was to integrate the databases of those institutions and establish the parameters for coordination and interoperability. A key component of the agreement was the establishment of joint offices by the two organizations as a means of providing better, more efficient services to users. With such offices, citizens now can obtain key identification documentation at one locale, making the process easier, quicker and less subject to corruption.

b. *Motor Vehicle Registration:* The motor vehicle registration database was modernized and its management improved. This will result in better/more reliable information and improved service to the public. Program efforts in developing procedures and manuals also reduced the vulnerability of the motor vehicle database to abuse or unauthorized use. Unfortunately, some of the controls included in the manuals were watered down through actions taken by the Supreme Court.

c. *Criminal Records System:* New organization, procedures and structures were designed with the Department of Criminal Justice Statistics. The Supreme Court approved these without modification. *Proyecto Umbral* purchased IT equipment for all the Criminal

Records Offices (Asuncion and departments), achieving connectivity among them at the national level. A new criminal background statistics module was developed and the database updated. By the end of the Program, the criminal records database had been integrated at the national level.

d. *Connectivity*: Interconnectivity of the various databases was analyzed and a proposal made for the most effective software architecture for linking them. This included an assessment of current security practices and vulnerabilities. The results of this survey raised important vulnerabilities and issues that should be addressed immediately. The Program also developed specific software to implement the connectivity; but a decision was made by the GOP not to pursue immediate implementation.

e. *Civil Registry*: Originally, the civil registry was not included in the scope of the Threshold Program. Shortly following start-up, Casals recognized that this would be a major omission in terms of the achievement of Threshold Program transparency objectives. Working with the GOP and USAID, Casals obtained an amendment to the Program to include the Civil Registry. In addition to the upgrading and integration of this key database, an extensive public and student awareness program was undertaken to make citizens aware of the system and its importance to them and how to use it to their best advantage.

f. *Department of Identifications*: The Threshold Program provided the Department of Identification with a fast and secure computer system that will benefit all Paraguayans. Assistance was provided in the designs of new identity cards and passports that are in full compliance with ICAO standards. Identification Department staff was given training in the issuance of both documents. In addition, all the fingerprint records were computerized, thus providing a digital database for future implementation of an AFIS system. The Threshold Program worked with Department of Identification's home office in Asuncion as well as branch offices in Ciudad del Este, Encarnación and Caaguazú.

2. Planned But Not Achieved

a. *Vehicle Registration*: The non-approval of standard procedures for vehicle registration or for recording serial, VIN and chassis numbers will undermine the integrity of the work that has been done. As a result, the system that exists will not provide the targeted reliable security.

b. *Criminal Records*: Work was not completed by Judiciary officials on data cleanup in several regional centers. This prevented full integration of data at the national level. As a result, records still cannot be fully certified as correct or complete.

3. Status of Indicators

Component 4: Strengthening the Supervision of the Public Registry to Safeguarding Public Records

Performance Indicators	Objectives					
	Baseline	1-4 Quarter	5th Quarter	6th Quarter	7th Quarter	8th Quarter
1. Number of governmental institutions exchanging data of the Public Registry online through information networks.	0	- Diagnosis and needs identified - Memorandum of Understanding between 2 institutions (ID & CR), signed	- Department of Identifications and Civil Registry share database	- Ministry of Finance and Treasury gave technical requirements for connectivity	Objective: 2 Result: 2 MOU between the RC and DI to simplify the registration process. It will be accessed electronically by the DI	3
2. The average time needed to request and receive identity cards and passports in Asuncion.	To request: 90 min. for first issued identity cards. To receive: I.C: 39 days Passports: 33 days	- Diagnosis of the Office of ID, in process - Design of TOR - Computer operations training for staff.		- Tendering process initiated - Training conducted in key areas: fingerprinting, computer operations and registration		To request: 45 min. for first issued identity cards To receive: I.C.: 10 days Passports: 10 days
3. Number of procedures of automatic data validation of the Automotive Registry made on line with other databases (Customs,	0	- Manual design of procedures - Analysis of computer system	Proceso de licitación para IT iniciado - Tendering	- SC approves a questionable resolution. - SC approves modified manual of procedures.	- IT system will not be provided because of	3

Performance Indicators	Objectives					
Verifiers Plants, National Police, Identifications)		technology and needs	process for IT, initiated.	- IT System awarded but held up due to concerns about the decision of the SC related to the regulatory framework	the regulation of the SC and the estimated time (7 months)	
4. Number of Criminal History Offices using a new unified database for national criminal records. Note: There are 15 regional offices and 19 satellite officinal across the country.	Regional: 0 Satellite Office: 0 (There are two different systems and multiple disconnected databases)	- A new policy of criminal records / written	- SC adopted new policies and guidelines for criminal records.	- Provision of IT supplies for 3 regional offices - SC approved new manual of operations of criminal records - Process of information validation initiated in the Gran Asunción area to unify identities of processed and condemned with the database of the Department of Identifications.	Objective: Regional: 3 Satellite Office: 3 Result: 2 implemented and 1 partially implemented. Satellite: 0 Pending IT equipment.	Regional: 6 Satellite Office: 6
5. Number of joint offices of Civil Registry and Identifications providing services to citizens.	0		2 (objectives) 3 (results)	4 (objectives) 5 (results)	Objective: 6 Pending: 1	8

4. Lessons Learned

- a. Several GOP-requested, USAID approved procurement changes slowed the acquisition process. In a two year Threshold Program, any unplanned delay can rapidly create a significant implementation issue. Procurement needs should be clarified and finalized early on and only exceptionally be subject to modification during a program of such short duration.
- b. A number of the individuals designated as official counterparts for this Component's participating entities were not sufficiently empowered to make a number of essential decisions. This sometimes resulted in confused communications and delays not helpful to successful, efficient implementation.
- c. The experiences gained in the implementation of the new IT system for the issuance of passports and identity cards with the Department of Identifications and – to some extent – with the development of SIAF IT in the Ministry of Finance clearly demonstrated, two aspects must be taken into account in future endeavors of a similar nature: 1) the need to undertake a comprehensive IT human resources availability assessment in order to make provisions to improve/upgrade personnel to ensure that there is staff fully capable of managing and maintaining new IT systems; and 2) a communications strategy between the IT developer and the beneficiary organization must be included as a requirement in the scope of work for any sub-contractor in order to ascertain full ownership and understanding of new IT systems by the beneficiary organizations. A coherent and systematic process of technology transfer is to be part of the communications strategy.

5. Conclusion

Conflicting interests among the various Paraguayan entities limited progress in this Component. These conflicts clearly involved differences in political will and commitment to the objectives of the Threshold Program. An example of the dubious political will of several key players in this component were the dilution of the standard procedures for processing motor vehicle registrations and actions that interfered with the procurement of equipment for the Identifications Department. However, in addition to political will, a USAID IG Audit of the Department of Identifications procurement process found evidence that there were those who sought to use anti-corruption program resources to direct certain major procurements to preferred providers.

E. Component #5: Increasing Transparency and Effectiveness of Public Finance Legislative Oversight

1. Achievements

- a. ***Budget Reporting:*** With assistance from the Threshold Program, a new model for reporting budget usage was designed, developed and implemented. The performance report, prepared by the Ministry of Finance, includes indicators, highlights any issues and

is sent to Congress for review and approval. The existence of this standardized report will improve the transparency of government expenditures and increase overall accountability, while better informing the legislative budgeting process.

b. *Standardized Controller General (CG) Budget Opinion:* Under law, the CG must report to the Congress on the government's execution of the budget. The new format includes more analytical criteria than had been previously applied. This input is used by the Congress in deciding on the allocation of future budgetary resources. Its use makes government entities more accountable for the resources allocated to them.

c. *Creation of the Technical Unit for Budgetary Evaluation and Monitoring (USEP):* This entity was created by Congress to assist its committees in all matters relating to issues of analysis and studies of budgetary issues. This is not a capacity the Congress had previously possessed.

2. Planned But Not Achieved

a. *Sustainability:* The models for reporting and analyzing the execution of the previous budget, while in use, have not been officially approved. The lack of such approval questions their future application. Thus, the sustainability of the reports' impact on improving transparency and accountability in the budgetary process is a concern.

b. *Transparency in USEP Staff Selection:* For the Unit to perform its designed function, its staff must be transparently selected in an apolitical manner according to merit. This has not been the case to date in USEP. Accordingly, the level of Program planned training and equipping of the Unit did not take place. As a result, the sustainable impact of USEP has been put at risk.

3. Status of Indicators

Componente 5: Aumento de la Transparencia y Eficiencia en la Administración de las Finanzas Públicas para legislación.

Performance Indicators	Objetives					
	Baseline	1-4 Quarter	5th. Quarter	6th. Quarter	7th Quarter	8th Quarter
1. Number of public institutions subjected to the control of budget implementation by Congress.	0	- Considerable Congressional delays and working pauses.	- Re-initiated Technical Assistance - New work plan agreed - Recruitment Process, completed - Technical assistance provision, initiated	Objective: 5 Result: 7 - Study Tour to USA - Congress approves budget for new Office of Budget	This indicator has already been accomplished in the previous quarter; having accomplished more than the original goal	NA
2. Number of public institutions subject to the new redesigned financial report financial.	0	- Working pause	- New models of financial reports for the Ministry of Finance and Treasure and CGR, drafted.	- New models of financial reports for the Ministry of Finance and Treasury and CGR completed and awaiting approval.	Objective: 5 (It is still awaiting approval via resolution of new models of financial reporting).	Ministry of Finance and Treasure has incorporated indicators of macro economic procurement and information Could not attach personal and public entities

4. Lessons Learned

Congressional politics substantially interfered with the implementation and, therefore, the success of this component. While some members of Congress seem to support change, others do not. Clearly, the preponderant absence of congressional political will to address issues of transparency and accountability was a major obstacle to the achievement of the objectives of this component. At one point in implementation, Congressional will to work with the program reached such a low level that USAID temporarily suspended assistance under this component.

5. Conclusion

Perhaps in more than in any other, Component #5 was affected by the lack of political will to address anti-corruption issues. This experience should be taken into careful account in the planning of any future assistance efforts.

V. Cross Cutting Accomplishments

1. Promoting human resource development

In a globalized and competitive world, the development of human resources in public administration is a fundamental priority. An essential management strategy and one of the major transformation efforts that has to be carried out in the Paraguayan Government is the training and development of those people in charge of the Civil Service. The rapid advance of technology and the reliance on a labor force that is capable of addressing new demands constitute an important challenge for public administration in general.

The Threshold Program and the Paraguayan Government put emphasis on the qualitative and quantitative improvement of technical and scientific capacities of public servants in all areas of public sector intervention that were within the scope of the Threshold Program. Technical teams were formed within the participating and beneficiary institutions. Over the life of the Program, they facilitated a learning and training process that involved more than 15.000 Civil Servants involved in a wide range of activities. To improve the standards of service to citizens, a new vision was promoted among public officials, with an emphasis on new communication and interaction techniques for public service.

Approximately 177 courses and training events were conducted, representing more than 2.000 hours of training, on a wide variety of topics. A good number of these events included the participation of local universities. The program promoted a process of feedback and constant evaluation between teachers and students, in addition to securing a very high level in the transfer of knowledge.

It is impractical to propose reform-oriented training if it is not preceded by a transparent merit-based mechanism of selection, promotion and retention in the Civil Service. The

current system in Paraguay lacks these principles, a factor that has a direct negative impact on the efficiency and integrity in public administration.

Transparent, merit-based selection of the men and women that form the Civil Service was a priority objective of the Threshold Program. As a result of this effort, most of the positions that were created within the framework of the promoted institutional reforms were awarded to individuals after a competition-based selection process. This included the appointments made by the Department of the Interior and the National Police Command for the new Forensic Laboratory. The same procedure was used to cover the positions required as a result of the creation of the Directorate of Judicial Management Auditing within the Supreme Court.

In many cases, the Threshold Program has contributed to the elaboration of the required personnel profiles and the mechanisms for evaluating the candidates. The objective of this assistance was to establish a sustainable methodology for the personnel recruitment systems of beneficiary organizations.

In the context of seeking the sustainability of Threshold Program results, groups of Civil Servants committed to imparting knowledge to the rest of the members of their institution's staff has been established - and in some cases – formalized. This also was the case of training of trainers events and capacities that were built into some beneficiary institutions as a means of providing a multiplier effect to the training activities implemented by the Threshold Program. As a result, there exists now a chain of wills and skills that seek to expand the gained knowledge to the greatest possible number of members of the Civil Service. The implementation of this policy has been particularly successful in the case of the Ministries of Finance, Health, Education, Agriculture and Public Works.

For the future, there are still steps that are required to consolidate the gains obtained through the implementation of the Threshold Program in the area of human resources development. Specifically, an element that undermines the human resource development of Government offices is the politically based, high turnover rate of Civil Servants that exists in the public sector, a situation that works against the desired sustainability of Threshold Program efforts. Reversing this practice in the near future is a challenge to the administrative authorities.

2. Technology and Infrastructure

Implementation of processes and institutional reforms pursued under the Threshold Program required a systemic approach to underpin all aspects related to the good performance of the intervention areas. Thus the program not only supported normative, procedural and human resources reform and enhancement, but also improved physical infrastructure and information technologies. This assistance was aimed at positioning the participating institutions as modern examples of institutional development and operational capacity.

Accordingly, the Program evaluated the state of public facilities where the planned institutional reforms were to be implemented. As a result, building renovations were undertaken to improve working conditions for public sector employees working in Program-relevant activities. The main Program supported technology and infrastructure improvements are summarized below:

a. In the Attorney General's Office:

- Refurbishment of the physical facilities for the Inspectorate and the Office of Prosecutor Performance Control, which are responsible for the investigation and sanction of corrupt or irregular practices inside the Public Ministry.
- Design, construction and installation of Paraguay's first forensic laboratory. The new and modern facilities are equipped with security and prevention systems, plus essential state-of-the-art equipment to ensure the availability of reliable scientific evidence during trials.
- Construction of a model facility for the systematized custody, handling and storage of evidence. The facility is equipped with security systems for the proper custodial control of evidence used in criminal proceedings.

b. In the Judiciary:

- Refurbishment and upgrading of the offices of the General Superintendency of Justice, the Office of Complaints and Grievances and the new the Judicial Performance Auditing Directorate. This assistance provides the working environment essential to both employees and users.

c. In the Office of the Comptroller General:

- Complete reconstruction, provision of furniture and equipment for the headquarters for the recently created Office of Support to Citizen Control. Since its inauguration in late 2008, this Office has become the main venue for contact and work between the Office of the Comptroller General and Paraguayan citizens and civil society, who may denounce acts of corruption involving public entities.

d. In the Executive Branch:

- The new headquarters for the Office of the Auditor General was completely refurbished to facilitate its internal control functions within the Executive Branch.

The effectiveness of the government and the prevention of corruption require adequate, modern technological tools. In many cases, Government offices use outdated technology, which provides opportunities for corruption and creates a risky environment for impunity.

The Threshold Program devoted significant resources to improving the security and connectivity of public sector computer systems. Principal development in this area were:

1) A More Secure National Automobile Registry:

- The Automobile Registry now has modern software that provides more reliability and security to the vehicle registration process. The software keeps a record of all persons (employees) who access and modify the registration of vehicles or the issuance of license plates, identifying any irregularities and making the system less vulnerable.
- The database for the management of the automobile registry was transferred from the Supreme Court to the offices of the National Automobile Registry. This ensures that entry into the database is the sole responsibility of the institution in charge, giving it greater independence in using its tools.

2) Fast Issuance of Reliable Criminal Records:

- The Communications and Technology Directorate of the Judiciary has developed a module for Criminal Statistics and Judicial Records within JUDISOFT – a software package that enables the Court to record all procedures under trial. The Threshold Program has made technological contributions, which quickly will enable the utilization of JUDISOFT in all the offices handling penal statistics and criminal background records. This will enable the Supreme Court to issue criminal background certificates using a unified database at the national level.
- Principally as the result of a Supreme Court resolution promoted by the Threshold Program, the penal statistics database is now centralized. This will allow for the more reliable and expedient issuance of background certificates, better information for criminal courts and a more credible legal process.
- New functions and procedures manuals for Criminal Statistics and Judicial Records have been approved by the Supreme Court as a result of Threshold Program technical assistance. These are currently in force and under implementation.

3) Safe Issuance of Identification Cards and Passports:

- The Threshold Program, working in conjunction with the Department of Identifications, has designed a new, state-of-the-art system for the issuance of ICAO-compliant passports and identity cards that will benefit users and will improve the inviolability of these documents. With modern information technology and data processing systems, the waiting time for people seeking services will decrease. Moreover, the Government of Paraguay will now be able to better control its database and also will be able to introduce any necessary modifications in the future.

Another central issue is the vulnerability of information security that exists in five of the monitored institutions: the Civil Registry, the Department of Identification, the Attorney General's Office, the Criminal Records Bureau of the Judiciary and the National Automotive Register. To address this, the Threshold Program provided a computer security consultancy, which fully informed the urgent need to take measures to prevent opportunities for the misuse of information, especially in situations that could facilitate and/or abet corruption in state institutions. The analysis and actions needed to correct identified problems were given to the authorities are expected to generate concrete actions.

V. Additional results

In the implementation of the Fight Against Impunity and Corruption program element, the Threshold Program included the participation of institutions that were not originally contemplated in the Program. This reinforced action areas that emerged as critical to the achievement of the expected results. Both the work that was done with the Civil Registry and the implementation of a System for Public Officials' Accountability are important additional outcomes of the Threshold Program.

A. Civil Registry

The Civil Registry is an entity within to the Ministry of Justice and Labor. It was not originally included as a recipient of technical assistance under the Threshold Program. However, during program implementation, it became evident that, because of its direct relationship with the Department of Identification (birth certificates issued by the Civil Registry are required for the issuance of ID Cards and passports), there was a clear need to include assistance to the Civil Registry and to promote joint and coordinated activities between the two institutions. Both entities are responsible for critical public documents that enable Paraguayans to exercise their democratic rights as citizens, and both must work together to insure the reliability and security of their records.

As a result of Threshold Program efforts, in an unprecedented inter-institutional effort and through interagency agreements and coordination mechanisms, joint offices were established by the Department of Identification and the Civil Registry which are now enabling users to obtain identity cards and birth certificates in one place. The first five joint offices were established in the cities of Paraguarí and Benjamin Aceval as well as in the headquarters of the Department of Identification, the Civil Registry and the Institute of Social Welfare.

Interagency communications capabilities were increased to facilitate data exchange between the Department of Identification and the Civil Registry, as well as to improve the speed and quality of record updates. The expectation is that, through continued combined efforts, full reliability of the information ultimately will be achieved.

B. Accountability

"For the first time, public hearings on the subject of fiscal accountability were held by high level (Ministers) public officials with the Paraguayan citizenship at large. This was implemented through a series of public events that were key to providing credibility and transparency to the management of public affairs and resources and, in addition, established a valid methodological approach for the dialogue between authorities and citizens." John Kohn, Institute of Comparative Studies in Social and Criminal Sciences (INECIP).

Access to public information is a priority tool in fighting corruption. Hence, it is vitally important to help citizens and users of public services know and understand how the public sector operates and spends public funds.

At the beginning of the program, Paraguay, at the central government level, did not have a system of accountability to the general public. However, there were some useful precedents in municipal governments. Public institutions are in the habit of publishing an annual report of their activities; but this mechanism has not included any correlation between what is planned, what is done and what is spent. These are indispensable elements when assessing the level of institutional performance.

Among the objectives that it pursued, the Threshold Program identified the need to implement an accountability process directed at keeping citizens adequately informed about how the GOP manages public resources. As a result, six Threshold Program participant institutions carried out public hearings to account for how they used public funds in CY 2007. The Program delivered a specific methodology to enable GOP institutions to continue this practice in the future.

Over the period of a week, the Ministries of Agriculture, Education and Culture, Health and Welfare, Public Works and Communications, Finance and the Comptroller General's Office publicly carried out the above mentioned hearings which were attended by large audiences composed of Paraguayans from all sectors of society. These hearings constituted a landmark in public sector accountability in Paraguay. This approach to implementing accountability was very well received by the population at large and should be pursued as an ongoing GOP practice in the future

The accountability process demonstrated that if the public sector and the users of government services continue to work together, it is possible to disseminate and expand the accountability process through the entire public sector. There is a methodological instrument now available as a result of technical assistance provided by the Threshold Program. It is expected that the public sector will end up adopting this methodology and will make it a mandatory requirement for all public institutions, thus contributing to enhance transparency in the management of public affairs and resources

VI. Overall Lessons Learned

A. Short Duration of MCC Threshold Anti-Corruption Effort

Corruption is not uprooted quickly in any country, especially not one such as Paraguay where the practice has such profound historical roots. In a project space of only two years, much can be accomplished in designing and installing systems of control and audit, training hundreds in administrative, ethical and technical skills, and in procuring and making operational computer and data systems that offer improved transparency, accountability and control. However, the sustainable elimination or reduction of corruption requires changes in behavior and culture. Expectations must be transformed both among the corrupt and those who are victimized by corruption. The corrupt must be made to feel more vulnerable to being identified and sanctioned. That the sustainability of the investment made into some of this Program's internal control, judicial oversight, motor vehicle registration and other systems was ultimately watered down or not fully implemented by GOP officials, potentially sends a cynical message to the corrupt and would be corrupt that nothing really has changed. It sends a similarly cynical message to those who have been the victims of the corrupt practices of these organizations.

In addition, the short planned two-year duration of this MCC Threshold Program sharply reduced the ability to leverage program implementation with progress in key areas by counterparts. While counterparts were virtually always anxious to receive the material support provided by the Program (e.g. computers, software, lab equipment, office upgrades), they often were less motivated to follow through on the key systemic and policy actions that these things were purchased to support. On occasion, putting the procurement cart before the systemic horse, did not serve to maximize the strategic interests of the Program.

Even where implementation generally proceeded quite well, as it did in Component #3, making necessary, critical systemic changes within the brief Program time allotted was a major challenge. Truly sustainable results in many cases will require urgent follow on assistance.

B. Utility of having an MCC-financed Coordination Unit

The Paraguay Threshold Country Plan (TCP) included the concept of an MCC-funded Coordination Unit. According to the TCP, "this unit will monitor the program on a daily basis, ensure inter-institutional coordination, report on program progress and delays, and problem solve. The Coordinating Unit will also be the government's liaison with USAID." While the principle of having such an entity seemed sound, the actuality was that the Unit served more often to interfere than it did to coordinate sound, sustainable program implementation.

There were many lost opportunities for the Coordinating Unit to play a constructively catalytic role in maximizing program achievement. For example, given that the Unit was located in the Office of the President, it could have stimulated the political will of the

Ministerio Publico to formally adopt Program developed and piloted internal control measures. Similarly, it could have been an effective advocate for maintaining the integrity of the standards developed for the motor vehicle registry.

On several occasions, the leadership of the Coordination Unit interfered with Program procurement procedures. The most egregious case of this took place with the procurement for the Identifications Department. On different occasions, Coordination Unit personnel indicated vendor preferences and sought to have Casals provide them privileged opportunities. In one instance, a member of the Coordination Unit removed key procurement documents from Casals' Paraguay office. When Casals resisted behavior outside of established clearly delineated USAID rules, the Coordination Unit went to the media in an open attempt to politically manipulate the procurement procedures. In response, the USAID Inspector General (IG) was called in to review what had taken place. The IG report stated as follows:

Our audit confirmed that the procurement process for the national identity card and passport system was conducted in accordance with the Federal Acquisition Regulation. No evidence was found that would indicate that USAID's contractor acted with favoritism, but there is evidence that six GOP officials engaged in inappropriate behavior during the procurement process:

- One member of the technical evaluation committee behaved in a manner that created an appearance of favoritism toward a specific offeror.
- Four members were present during an incident where a copy of the draft terms of reference for the procurement was removed from the contractor's premises. At this stage of the procurement, the terms of reference were confidential in nature and were not to be removed from the contractor's offices.
- A sixth member who we interviewed had a copy of the committee's minutes with the scores assigned to each proposal. These scores were sensitive information that was not to be removed from the contractor's office.

C. Role of Civil Society or the Social Auditing Competitive Fund

While the main focus of the Threshold Program was to work with public sector institutions, it was always clear that the elimination of corruption and impunity would require the involvement of organized civil society. Civil society fulfills a dual role of: a) performing oversight of how public sector institutions manage public affairs and resources and, b) proposing alternative avenues to advance anti-corruption objectives in Paraguay. The Program aimed to provide limited, but key, support to meeting these objectives in at least four of its components.

The development of a social auditing competitive fund was the most significant Program vehicle for involving civil society and universities. Ten organizations were selected from over 100 applicants as grant beneficiaries. Grantees not only provided oversight of government institutions and programs, but also provided helpful solutions to the problems and issues they encountered.

There are a number of good examples of civil society accomplishments under the grant program. Grantees advised the Ministry of Public Works on ways of diminishing costs due to delays in the implementation of public works contracts. The Ministries of Agriculture and Finance benefited from the analysis of the process for implementing cotton subsidies and the transfer of royalties from hydroelectric companies to local governments.

Another example of useful contributions that resulted from the *Umbral* grants to civil society was the oversight of the performance of judges in the jurisdictions of Lambaré, Luque and San Lorenzo. The civil society review led to the development of software aimed at reducing the time for processing legal actions in these jurisdictions.

All ten grantees coordinated their activities with the Program-created Civil Society Support Office in the Office of the Controller General. This office is now in full operation, utilizing the building and equipment provided by the Program.

VII. Recommendations for the Future

A substantial investment in time, money and expectations has been made in the Paraguay Threshold Program. Much has been accomplished. Looking forward, a **first priority is sustainability**. It is especially important to maintain the implementation and the viability of the many institutional reforms that have been designed and only have just begun to be implemented. These reforms are fundamental to ensuring that opportunities for corruption are progressively eliminated and that the government and the legal system effectively address any corruption that does occur. Related is the assurance that the many people trained, the large amount of equipment purchased and the several facilities that have been renovated continue to be used and used well for the intended purposes. The effective confrontation of corruption is not a single “fight” or project’ it is an ongoing effort that can never end.

In this context, there are **several pieces of legislation that should be developed** or strengthened by Congress, to ensure the existence of structural reforms and a legal framework that contributes to the establishment of an “anti-corruption prone environment” that effectively promotes transparency and facilitates the control of impunity and corruption:

- a) A **Freedom of Information Law** to ensure the right of citizens to have timely access to information from the government.
- b) A **Citizen Participation Law** to promote and guarantee ongoing civil society involvement in monitoring how the public sector manages public resources.
- c) A **Political Party Finance Law** to allow transparency and control of how and from what sources political parties receive financing and to ensure that special interest groups do not corrupt the democratic system.

d) An **Accountability Act** to require all state agencies to make an annual presentation to the citizenry, explaining how and in what public resources have been invested.

e) A **Financial Disclosure Law** (including non-compliance sanctions) to make information publicly available on the financial and other assets of government officials to ensure that they have not benefited from illicit acts.

f) A **Civil Service Law** (to include the judiciary) to establish clear rules and transparent procedures for selecting government personal and regulate promotions based on merit, and to avoid the means that are used to exert political patronage.

In addition to laws, there are **administrative policies and actions** that could be implemented without the involving the Congress, allowing immediate entry into force. Key examples include:

a) A public access to information decree

b) A conflict of interest decree

c) A decree to regulate information systems security

d) Mechanisms developed to ensure transparency and accountability of the two hydropower facilities

e) A permanent system for monitoring and implementing the recommendations of the OAS and UN Anti-Corruption Conventions.