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October 1 through December 31, 2009

Reduce Corruption and Impunity in Paraguay
Threshold Program II (Umbral)

Submitted to:

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I. INTRODUCTION

This Quarterly Report, covering the period 1 October through 31 December 2009, is being submitted by Casals & Associates, Inc. (C&A) in compliance with Contract Number DFD-I-02-08-00069-00, Threshold Program II.

This is the first Quarterly Report submitted by USAID under Contract DFD-I—02-08-00069-00 and shows the progress made in achieving the goals and objectives of the Threshold Program II. It's worth noting that progress of the Work Plan has been less than expected during the first three months of the Program. There is a variety of reasons for the delays experienced, mainly related to the difficulties encountered in the negotiation process and hiring of experts to begin assessments or to provide specialized technical assistance to the institutions participating in the six Components of the Threshold Program II. For example, the technical staff considered for the implementation of Component 3 of the Program - in regards to the activities that correspond to Casals & Associates (MECIP, IFMS, Communications, etc.) - will just now be incorporated during the first week of January, reason for which progress of this component has been affected. In the same manner, it is necessary to wait for the determination of the UTE institutional viability in Component 5; and in Component 6, the determination of the presence of ICITAP in the country. It is expected that by the second quarter of implementation, difficulties will be resolved and delays will be compensated for by accelerating the implementation process during the next three months.

However, in spite of the delays, the Work Plans were submitted for the First Quarter and the remaining twenty-one months of the Program. Likewise, the Program Monitoring and Assessment Plan, geared towards determining the specific indicators that will measure the effectiveness of the Program regarding meeting its goals and objectives, was developed and submitted to USAID. Additionally, important progress has been made in determining the communication strategy (crosscutting theme) of the Program, as well as in the commencement of assessments and the establishment of baselines in Components 1 and 2. Despite delays, Component 3 has advanced in determining the scope of work for technical assistance in the area of internal control – a subject it equally shares with Components 1 and 2.

In the same manner, contact as well as formal dialog and permanent communication mechanisms were established with the majority, if not all of the entities participating in the Threshold Program II. Consistent coordination and work meetings have been held with the Executive Board of the Program, the Public Ministry, the Supreme Court and its different instances, the Ministry of Health, the Department of Treasury, the Office of the Comptroller General of the Republic, the Customs National Directorate, the Ministry of Industry and Commerce and the National Police with the goal of advancing in the implementation of the Program. During the upcoming quarter, contact and coordination mechanisms will commence with the U.S. Government Agencies responsible for implementing the activities in Components 1, 3, 4 and 6 of the Program.

In regards to the crosscutting themes, civil society and citizen participation, although the strategic need to proceed slowly but surely has been set, contact was established with the participating institutions and terms of reference were created for a consultation that will result in a clear, feasible and efficient strategy to achieve the goal desired by the Threshold Program II. The consultant services will be contracted in the following quarter and advances will be made in the implementation of this strategy.

As was noted, and in spite of delays, the Program will continue to give its best efforts, without sacrificing quality or efficiency, to speed up the implementation of political and practical reforms that form part of its mandate in order to compensate for delays and move forward with the fulfillment of the Work Plans approved by USAID and the Executive Board of the Threshold Program.

II. COMPONENT 1: Strengthen the Investigative Capability and Internal Control of the Public Ministry & Citizen Support to the Prosecutor's Office

MAIN ACHIEVEMENTS OF THE QUARTER

- Working group created for the fiscal management control unit's assessment tasks.
- Working group created for assessment tasks of the baseline status in the Prosecutor's Office.

A. Progress Achieved Against the Work Plan and the Operational Plan (Completed Activities)

Activity 1

- Hiring of a local non-governmental organization (NGO) for the assessment of the fiscal management control and baseline.
- Hiring of a consultant specialized in auditing to provide guidance in the assessment tasks in the control areas in the Prosecutor's Office.
- Hiring of information technology consultant is underway.

Activity 2

- First work meeting with the Prosecutor's Office nexus regarding the participation of civil society in the areas strengthened by the Program.

B. Incomplete Activities

Activity 1

- Assessment of information technology aspect of the management control and baseline.

C. Results/Achievements (Against Component Objectives)

Activity 1

- Start of assessment of the fiscal management and baseline control areas.
- Commencement of consultation to assess control areas in the Prosecutor's Office.

Activity 2

- Development and discussion of the terms of reference for a civil society specialist.

D. Future Activities

- Assessment of the degree of knowledge of Judicial Branch officials regarding the Paraguay Internal Control Standard Model (MECIP)
- Creation of a plan to implement the MECIP in the Judicial Branch.
- IT assessment of the Administrative and Financial Audit Directorate.
- Creation of a road map for the implementation of tasks in the Complaints and Accusations Office, the Judicial Management Audit General Directorate, the Disciplinary Office and the Contentious-Administrative Tribunal
- Creation of terms of reference and hiring of consulting services for the execution of tasks recommended in the road map.

E. Performance Monitoring (Against Component Indicators)

1a. Increase in the number of performance audits per year

Development of an assessment of the Fiscal Management Control Unit is in progress.

2a. Increase citizen perception

Internal meetings and with USAID to define the execution of a survey in order establish a baseline.

F. Difficulties/Obstacles (Problems Found)

No difficulties or obstacles have been encountered.

G. List of Training Events in the Country

No training events were held during this quarter.

a. COMPONENT 2: Strengthening of the Contentious-Administrative Tribunal as well as the Judicial Branch control and disciplinary systems.

MAIN ACHIEVEMENTS OF THE QUARTER

- Working group created for tasks in the disciplinary and judicial management control areas.
- Working group created for tasks in the financial and administrative internal control areas.
- Working group created for tasks in the Contentious-Administrative Tribunal area.

A. Progress Achieved Against the Work Plan and Operational Plan (Completed Activities)

Activity 1

- Hiring of a local NGO for the assessment of the disciplinary area.
- Hiring of a Paraguayan national consultant and international consultant for the assessment of complaints and accusations.
- Hiring of a specialized auditing consultant to conduct the assessment of the Judicial Management Audit General Directorate (JMAGD).
- Technical assistance for the creation of a risk map for the Judicial Management Audit General Directorate
- Hiring of an IT consultant for the customization of the complaints and accusations software.

Activity 2

- Hiring of a consultant specialized in auditing for the assessment of the Administrative and Financial Audit General Directorate.
- Creation of terms of reference for hiring an international consultant specialized in internal control.
- Creation of terms of reference for hiring an IT consultant for the assessment of the IT area of the Administrative and Financial Audit General Directorate.

Activity 3

- Hiring of a Paraguayan national consultant and an international consultant for the assessment of the Contentious-Administrative Tribunal.
- Hiring of a local NGO to assess the requirements to implement a Case Law Library.
- Creation of terms of reference for the hiring of an IT consultant for the assessment of the Contentious-Administrative Tribunal IT area.

B. Incomplete Activities

Activity 1

- Assessment of the disciplinary and management control areas.
- Customization of the complaints and accusations software.

Activity 2

- Assessment of the Internal Audit General Directorate (IAGD) and the degree of knowledge of the IAGD staff as well as the degree of implementation of the Paraguay Internal Control Standard Model (MECIP)

C. Results/Achievements (Against Component Objectives)

Activity 1

- Start of an assessment of the disciplinary area.
- Start of an assessment of the complaints and accusations office
- Start of an assessment of the Judicial Management Audit General Directorate.
- Start of the customization of the complaints and accusations software.

Activity 2

- Start of the assessment of the Administrative and Financial Audit General Directorate.

Activity 3

- Start of the assessment of the Contentious-Administrative Tribunal.
- Start of the assessment of the necessities of the implementation of a Case Law Library.

D. Performance Monitoring (Against Component Indicators)

1a Increase the number of complaints in the interior of the country

Assessment report on the Complaints and Accusations Office is in process.
Coordination event with the mandates from Complaints and Accusations offices in the interior of the country.

1b Reduce the time it takes to solve cases in the interior of the county and standardize their duration

Assessment report on the disciplinary area in process.
Coordination event with the disciplinary system nexus in the interior of the country.

2a Number of financial and administrative audits conducted based on the MECIP

Data-gathering has begun for the assessment of the administrative and financial internal control.

2b Creation of risk maps based on audits

The gathering of data has begun pertaining to the management tools used by the Administrative and Financial Audit Directorate.

3a Improvement of public perception of the administrative efficiency of Tribunal services.

Internal meetings as well as meetings with USAID to determine the execution of a survey in order to establish a baseline.

4a Number of communication campaigns implemented

Submission of the Program's comprehensive communication strategy and the start of a communication plan for the Judicial Branch.

E. Difficulties/Obstacles (Problems Encountered)

No difficulties or obstacles were encountered.

F. List of Training Events in the Country

No training events were held during this quarter.

G. Other Activities

The three Judicial Branch working groups have been meeting weekly to coordinate activities and make necessary decisions for the implementation of the abovementioned activities. All of these activities are carried out under the coordination of the Program.

IV. COMPONENT 3: Strengthening of Control Systems

MAIN ACHIEVEMENTS OF THE QUARTER

- Joint working agreements with the Executive Board of the Threshold Program pertaining to the vision of the Component's implementation.
- Progress in defining the overall strategy for Component 3 and the implementation of the MECIP
- Appointment of the Integrated Financial Management System (IFMS) Project Leader by the Treasury Department.
- Decision of the Comptroller General of the Republic (CGR) of Paraguay to begin to accept technical support from the CGR of Colombia for the implementation of the MECIP in the Office of the Government Auditor General.

A. Progress Achieved Against the Work Plan and Operational Plan (Completed Activities)

Activity 1

- Meetings held with the Threshold Program Executive Board to determine work strategies and methodologies.
- Discussions with the CGR to determine an operational strategy for the implementation of the MECIP
- Progress in the consensus to create an Internal Control Advisory Board
- Creation of Terms of Reference for the contracting of Internal Control Assessment and Technical Diagnostic Consultancy Services
- Creation of Work Plans
- Creation of Monitoring and Evaluation Plans
- Start of groundwork to ensure that additional technical support is given to the CGR of Paraguay by the CGR of Colombia for the implementation of the MECIP

Activity 2

- Panel discussions held with the Treasury Department to determine understanding and scope for the completion of the Integrated Financial Management System (IFMS)

B. Incomplete Activities

Activity1

- Assessment of progress made in the implementation of the MECIP
- Selection of the Program's beneficiary entities

Activity 2

- Creation of Terms of Reference for the completion of the IFMS

C. Results/Achievements (against Component objectives)**Activity 1**

- Preliminary discussions with the Executive Board of the Threshold Program and the CGR to coordinate activities
- Work plans created.
- Monitoring & Evaluation plans created.

Activity 2

- Start of discussions with the Treasury Department to determine orientation and scope for the completion of the IFMS

D. Future Activities

- Assessment, on-site verification and diagnostic of the elements that allow for the current status of MECIP implementation.
- Assessment of the quality of the CGR's Audit Recommendations for supervised entities as well as of the level of implementation of these recommendations in a small number of supervised entities.
- Assessment of the current status of the CGR Forensic Audit Directorate. Creation of a Plan of Action for its improvement.
- Assess the current status of Public Communication, Accountability, Complaints and Accusations processes in the Ministry of Public Health and Social Wellbeing (MPH&SW) to guide its improvement plan.
- Begin MECIP implementation processes focused on executives and institutional internal auditors.

E. Performance Monitoring (Against Work Plan Indicators)**1a Improve the quality and quantity of responses of Paraguay's government institutions to the CGR audit recommendations.**

In initial stage or data-gathering

1b Increase the responses to citizen complaints from 0 (no feedback mechanism in 2007) to 75%.

In initial stage or data-gathering

2a 12 Paraguay Government Internal Audit Offices utilizing the new reports generated by the Integrated Financial Management System (IFMS) to conduct audits based on the MECIP

In initial stage or data-gathering

2b Daily automatic bank reconciliations of the state and of the Paraguay Government's bank accounts. Starting Date (2008)

In initial stage or data-gathering

2c 12 civil and social organizations executing supervision activities based on information generated by the IFMS available on the Treasury Department's website.

In initial stage or data-gathering

2d Increase in the number of responsible politicians that use reports provided by the IFMS for decision making at a management level

In initial stage or data-gathering

3a Increase in the number of public hearings

In initial stage or data-gathering

3b Increase in responses to citizen complaints

In initial stage or data-gathering

F. Difficulties/Obstacles (Problems Encountered)

No difficulties or obstacles were encountered.

G. List of Training Events in the Country

No training events were held during this quarter.

V. Component 4: Strengthening of the Customs National Directorate (CND)

MAIN ACHIEVEMENTS OF THE QUARTER

- Meetings with DNA authorities with the objective of determining the activities that will be carried out in the area of communication and civil society.
- Meetings with the U.S. Government Department of Treasury and the persons-in-charge of communication in the U.S. Embassy to determine the areas of action pertaining to communication.

A. Progress Made Against the Work Plan and Operational Plan (Completed Activities)

Activity 1

- Creation and discussion of terms of reference for the assessment of the complaints and accusations office.
- Meetings with DNA authorities geared towards conducting the first survey about of the offices that are receiving complaints within the institution.

Activity 2

- Submission of the communication strategy for all public institutions participating in the Threshold Program II.
- Interviews conducted for the creation of the DNA communication assessment.
- Creation of assessment is in progress.

Activity 3

- Creation and discussion of terms of reference for the hiring of a civil society specialist.
- Meeting with DNA authorities geared towards conducting the first survey of activities executed by civil society.

B. Incomplete Activities

- Assessment of the current complaints and accusation system in the Customs Office.
- Creation of a committee to organize activities with civil society organizations

C. Results/Achievements (Against Component Objectives)**Activity 1**

- Began discussions with customs authorities to identify other efforts aimed at receiving citizen complaints and accusations.

Activity 2

- General communication strategy submitted and in discussion with USAID and the Executive Board
- Creation of the Customs Office communication assessment is in process

Activity 3

- Began discussions with customs authorities to identify previous activities carried out with civil society organizations.

D. Future Activities

- Initial survey for the implementation of a Complaints and Accusations Office in the Customs National Directorate (DNA).
- Submission, validation and approval of the DNA Communication Plan.

E. Performance Monitoring (Against Component Indicators)**1a Increase the percentage of complaints processed in a period of time**

Terms of reference developed to contract agreed upon specialized consultant services.

2a 2 (two) communication campaigns implemented

Communication strategy submitted and in discussion. Communication assessment in process.

F. Difficulties/Obstacles (Problems Encountered)

No difficulties or obstacles were encountered.

G. List of Training Events in the Country

No training events were held during this quarter.

H. Other Activities

Constant coordination with the U.S. Department of Treasury technical group

VI. Component 5: Strengthening of Intellectual Property protection**MAIN ACHIEVEMENTS OF THE QUARTER**

- Meetings with *Unidad Technico. Especializado (UTE)* (Specialized Technical Unit) authorities and Ministry of Industry and Commerce (MIC) representatives to create work groups.

A. Progress Made Against the Work Plan and Operational Plan (Completed Activities)

Activity 1

- Meetings held with UTE authorities to discuss activities that will be executed.
- Creation, discussion and consensus of terms of reference for the use of specialized consulting services in intellectual property for UTE assessment.

Activity 2

- Analysis of the AmCham surveys on the informality of the business sector.
- Creation of a working group to discuss policies and communication strategies.

Activity 3:

- Creation of a working group to discuss the activities that will be executed with the citizens.
- Analysis of perception surveys conducted on the economic and social costs associated with falsification and piracy.
- Creation and discussion of terms of reference for the hiring of a civil society specialist.

Activity 4:

- Creation of a working group to coordinate activities with other public institutions in order to facilitate the UTE's access to information.

B. Incomplete Activities

Activity 1

- Assessment and comprehensive diagnostic/evaluation of the UTE and the current norms.

Activity 2

- Identification of existing company formation and development policies.
- Creation of policies that promotes new company formation and development.

Activity 3:

- Assessment of existing websites for filing complaints regarding intellectual property crimes.
- Design of a strategy aimed at educating citizens on the importance of protecting intellectual property rights.

Activity 4:

- Creation of an inter-institutional commission aimed at improving coordination systems and access to information.

C. Results/Achievements (Against Component Objectives)

Activity 1

- Creation of a working group for the strengthening of the UTE.
- Creation, consensus and approval of terms of reference for the assessment of the UTE.

Activity 2

- Analysis of the surveys conducted by AmCham on the informality of the business sector.

- Technical group formed for the discussion of policies and communication strategies.

Activity 3:

- Technical group created for activities that involve citizen participation.
- Analysis of surveys conducted by AmCham on the economic and social costs associated with falsification and piracy.
- Creation and discussion of terms of reference for the hiring of a civil society specialist.

D. Future Activities

- UTE assessment and comprehensive diagnostic/evaluation
- Utilization of a consultant for the submission of a policy to reduce informality in the business sector.
- Surveys conducted of students' level of knowledge of intellectual property rights.
- Training and awareness workshop during Intellectual Property Week.

E. Performance Monitoring (Against Component Indicators)

1a Increase the average annual value of counterfeit goods seized by operation.

Contracting of an intellectual property specialist for the comprehensive assessment of the UTE is in progress.

1b Increase in the number of operations

Contracting of an intellectual property specialist for the comprehensive assessment of the UTE is in progress.

2a Improvement of percentage of students' educational level in regards to intellectual property rights

Technical working group was created.

F. Difficulties/Obstacles (Problems Encountered)

- Delay in the designation of MIC representatives for the creation of working groups.
- UTE budget status is undetermined.
- UTE institutional viability is undetermined.
- Regularizing of the UTE's legal status

G. List of Training Events in the Country

No training events were held during this quarter.

VII. Component 6: Strengthening of the National Police

MAIN ACHIEVEMENTS OF THE QUARTER

- Meetings with National Police authorities to determine the activities that will be executed in the areas of communication and civil society.

A. Progress Made Against the Work Plan and Operational Plan (Completed Activities)

Activity 1

- Creation and discussion of terms of reference for the assessment of the complaints and accusations offices.

- Meetings with National Police authorities to conduct a preliminary survey of the National offices which receive complaints as well as of the Ministry of the Interior.

Activity 2

- Submission of a communication strategy for all public institutions participating in the Threshold Program II.
- Interviews conducted for the creation of the National Police communication assessment.
- Creation of assessment is in progress.

Activity 3

- Creation and discussion of terms of reference for the utilization of a civil society specialist.
- Meeting with State Police authorities to conduct the first survey of activities executed by civil society.

B. Incomplete Activities

- Assessment of the current complaints and accusations system in the National Police and Ministry of Interior.
- Specification of tools to use to survey the baseline for learning the citizens' perception of the National Police management and services.

C. Results/Achievements (Against Component Objectives)

Activity 1

- Began discussions with the National Police authorities to identify efforts aimed at receiving citizen complaints and accusations.

Activity 2

- General communication strategy submitted and discussed with USAID and the Executive Board.
- Creation of the National Police communication assessment is in progress.

Activity 3

- Beginning of talks with the National Police to identify activities previously executed with civil society organizations.

D. Future Activities

- Initial survey of the implementation of a National Police Complaints and Accusations Office
- Submission, validation and approval of the National Police Communication Plan.

E. Performance Monitoring (Against Component Indicators)

1a Increase in citizens' level of trust in the National Police

Terms of reference were created and agreed upon for the use specialized consultancy services

F. Difficulties/Obstacles (Problems Encountered)

No difficulties or obstacles were encountered

G. List of Training Events in the Country

No training events were held during this quarter.

VIII. Cross-Cutting Component: Communication

MAIN ACHIEVEMENTS OF THE QUARTER

- Final Program communication strategy was drafted, including strategic lines, objectives, key messages and proposals for internal and external communication activities.
- Creation and implementation of a mechanism to gather information for the communication assessments of the participating institutions. The mechanism was the use of direct interviews with key stakeholders.

A. Progressed Made Against the Work Plan and Operational Plan (Completed Activities)

- Meetings held with USAID and the Executive Board to determine mechanisms, strategic lines, focus, principal activities and limitations in the area of communication.
- A workshop held with communication representatives from the institutions for the creation of a general communication strategy.
- 27 interviews thoroughly conducted with the authorities from the participating institutions within the communication assessment framework and establishment of working networks.
- A Communication Plan proposal was submitted for the first implementation phase of the MSPyBS's new list of medical products.
- Proposal of a computer skills training schedule for the MSPyBS Regional Communication Team.
- Terms of Reference created for the creation of the Program's webpage.

B. Incomplete Activities

- Communication strategy design for Component 5.

C. Results/Achievements (Against Component Objectives)

- A workshop held with communication representatives from the institutions to create a general communication strategy for the program.
- Communication assessment of all institutions is in progress.
- Submission of a communication plan for the first implementation phase of the MSPyBS's new list of medical products.

D. Future Activities

- Approval of the Program's communication strategy and plan.
- Creation of a communication assessment for the institutions participating in the Program.
- Creation of Communication Plans for participating entities.
- Building of the Program's webpage
- Development of the "Intellectual Property Week" campaign

E. Performance Monitoring (Against Component Indicators)

The indicators are detailed within each of the components.

F. Difficulties/Obstacles (Problems Found)

The use of approved brands and logos is still undetermined.

G. List of Training Events in the Country

No training events were held during this quarter.