

MCC Initiates Stage II Threshold Program with Paraguay

Paraguay's second, or "stage II," Millennium Challenge Corporation (MCC) threshold program will build upon the substantial achievements of Paraguay's initial threshold program by targeting improved performance on MCC's Control of Corruption and Rule of Law indicators. The \$30.3 million program will focus on anti-corruption efforts in law enforcement, customs, and the healthcare and judicial sectors. The objective of the program is not only to reduce opportunities for corruption and increase successful prosecution of wrongdoers, but also to improve public opinion of the government's efforts in these areas and reinforce Paraguay's commitment to combating corruption.

Highlights of the results achieved in Paraguay's initial MCC threshold program, aimed at reducing informality in the economic sector, impunity, and corruption, include the following:

- ★ The time to process complaints was reduced from an average of ten months to an average of less than three months.
- ★ A forensic laboratory was built to help improve the reliability and scope of information provided to prosecutors.
- ★ The number of days to start a business was reduced by half, from 74 days to 35.
- ★ The Standardized Model of Internal Control was developed and is being implemented in five major ministries to improve auditing mechanisms and management of financial information.

Paraguay's stage II threshold program will expand on these successes and others to continue to fight corruption and strengthen the rule of law through the following program components and activities:

Component 1: Strengthening the Investigative Capacity of the Prosecutor's Office

Objective: To increase the investigative capacity of the Prosecutor's Office to address highly-complex corruption cases.

Activities:

- ★ Improve the capacity of the Economic Crimes and Anti-Corruption Unit through training, creation and coordination of task forces, and improved connectivity systems.
- ★ Implement internal control systems in the Prosecutor's Office and its Disciplinary Office.
- ★ Expand the capabilities of the Forensic Laboratory and provide technical assistance to its personnel and management.
- ★ Restructure the Office of Crimes against Intellectual Property Rights.
- ★ Implement a communication plan focused on awareness campaigns, civic education activities, and civil society participation in monitoring and evaluation of corruption.

Component 2: Strengthening the Administrative Tribunal and the Judicial Control and Disciplinary Systems

Objective: To reduce corruption in the judiciary by strengthening its disciplinary, internal control, and financial systems, and to improve the judiciary's ability to dispose of corruption cases at the administrative tribunals.

Activities:

- ★ Implement internal control mechanisms in the judiciary.
- ★ Standardize administrative procedures and quality management systems in the judiciary's General Internal Audit Office.
- ★ Conduct organizational and regulatory reforms in the Administrative Tribunal.
- ★ Design and implement awareness campaigns on judicial reforms targeted toward judges, judicial staff, lawyers, public notaries, and nongovernmental organizations.

Component 3: Strengthening Control Systems

Objective: To improve internal control mechanisms in Paraguay public institutions by expanding the use and impact of the Standardized Model of Internal Control in public institutions, in particular at the Ministry of Health, and expanding the Integrated Financial Management System's coverage and integration with other systems.

Activities:

- ★ Implement the Standardized Model of Internal Control in additional ministries through training and technical support, including the Ministry of Health, the Customs Office, and the judiciary.
- ★ Develop a system to track key findings and audit recommendations.

- ★ Provide technical assistance to promote civil society participation and improve mechanism to receive and process citizen complaints.
- ★ Expand the Integrated Financial Management System to cover additional entities, including local governments.
- ★ Provide information technology support to improve the Ministry of Health procurement system.
- ★ Establish a management unit to oversee the storage and distribution system of the Ministry of Health.
- ★ Hold public hearings and increase avenues for filing complaints as a part of the communication campaign.

Component 4: Strengthening the Customs Office

Objective: To increase the capacity of the Customs Office in order to fight smuggling and tax evasion.

Activities:

- ★ Establish a central base of operations for the anti-smuggling offices in Asunción, in addition to the development of branch offices and a database for tracking investigations and seizures.
- ★ Increase the number of audits conducted, and digitalize cargo manifests and records of depositories.
- ★ Implement the Standardized Model of Internal Control in the main offices of the Customs Office, and establish a specialized team for internal investigations.
- ★ Implement a one-stop shop mechanism for the import and export of goods.
- ★ Implement awareness campaigns on the progress of reform and establish a central office for complaints.

Component 5: Strengthening the Protection of Intellectual Property Rights

Objective: To strengthen Paraguay's fight against counterfeiting and violations of intellectual property rights, thereby reducing corruption in these areas.

Activities:

- ★ Provide technical assistance for organizational and structural reform of the Specialized Technical Unit, including creation of a regional office in Ciudad del Este.
- ★ Promote citizen participation through a whistler-blower program and a civic education strategy.
- ★ Create a mechanism to improve coordination with relevant institutions.

Component 6: Strengthening the National Police

Objectives: To increase transparency and integrity within the National Police, to reduce corruption within the National Police by strengthening internal control and disciplinary mechanisms, and to improve services provided by the National Police.

Activities:

- ★ Reform the selection, evaluation, management and training of the National Police.
- ★ Implement the Standardized Model of Internal Control through drafting of procedural manuals and job descriptions, and increase transparency in senior management.
- ★ Conduct an assessment of the current police communication system in Asunción, and provide priority systems to improve response services.
- ★ Develop and implement communication and civic education activities on reforms, including procedures and mechanisms for filling complaints.

Highlights of Expected Results of the Program

- ★ Increase the number of performance audits per year from 42 to 56 in year 1 and to 72 in year 2;
- ★ Increase the number of complaints from the countryside from 40 to 65;
- ★ Improve the public's perceptions of the Administrative Tribunal's efficiency and services;
- ★ Increase the number of responses to recommendations from the Controller General's Office from 23 to 60; responses should receive an average quality ranking of 3 (based on a 0-6 scale);
- ★ Increase the number of civil society organizations performing oversight activities with information generated by the Integrated Financial Management System and posted to the Ministry of Finance website;
- ★ Reduce stock outs and oversupply of medicine and supplies from 77 percent to 23 percent;
- ★ Increase imports using the customs-designated green channel from 37 percent to 70 percent;
- ★ Increase the annual average value and number of counterfeit products seized per operation from \$678,930 to \$825,516 and from 50.5 (average operations in 2007 and 2008) to 76, respectively; and
- ★ In year 2, selection of new police staff by the National Police Academy based on new admission criteria and a new evaluation system.

Implementation

The United States Agency for International Development will administer Paraguay's stage II MCC threshold program. The U.S. Department of Justice will be involved in implementing components 1 and 6 of the program and the U.S. Department of Treasury Office will be involved in implementing components 3 and 4.