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Paraguay Interagency Integrated Anti-Corruption Action Plan

I. Introduction

In August 2022, the Anti-Corruption IPC agreed to develop integrated anti-corruption action plans that would put in place near-term objectives for our anti-corruption activities in identified countries and the means to achieve them. This plan addresses Paraguay.

II. Context

Paraguay faces entrenched corruption because of the legacy of its political and economic development under the regime of President Alfredo Stroessner (1954-1989), during which Stroessner called corruption the “price of peace”. Corruption became infused in the country’s political and economic structures and remains a key component of higher-level politics in Paraguay. Former President and current head of the dominant Colorado Party, Horacio Cartes, runs what is essentially a party machine, funneling public funds and support to candidates that will back the party and ensure its ability to control the country’s levers of power. Cartes’ protégé Santiago Peña won the Presidency in elections in April 2023, and will take office August 15. Outgoing president Mario Abdo Benitez has generally been a good partner in the fight against corruption, though there is much work still to be done to address corruption in Paraguay. While Cartes’ corrupt political presence (and resentment of the United States) could infect the incoming administration, nevertheless, Peña has emphasized to media his intent to work closely with the United States, including on corruption.

While petty corruption exists, Paraguay’s culture of impunity for the country’s most powerful political actors - who also drive economic activity - is the main corruption challenge. This impunity is exploited by a range of

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powerful actors, including transnational drug traffickers who further entrench corrupt practices and impede accountability.

As a country only thirty years removed from dictatorship, Paraguay has only recently begun building the structures to monitor and expose corruption, and to enforce anti-corruption laws. Paraguay has some civil society and media actors prepared to investigate and publish information concerning corruption, but they lack financial and other resources necessary to mount a sustained, impactful campaign. Paraguay has specialized anti-corruption courts, investigators, and prosecutors; however, they lack both physical capabilities and legal cover to utilize all the various methods of investigation, such as lawful wiretaps, which permit effective enforcement. There are also persistent inefficiencies in the system that slow and delay the administration of justice. This can be especially toxic given a five-year statute of limitations for corruption-related crimes; defendants seek to slow-roll cases to win their dismissal. Paraguay's military also suffers from corruption stemming from legacy organizational structures, poor resourcing, and a lack of training and education, among others.

Paraguay is the only government in South America that recognizes Taiwan, rather than the People's Republic of China (PRC). Consequently, though Paraguay does not presently confront the pernicious influence of PRC economic institutions, it is likely the PRC will turn its sights on Paraguay with renewed vigor after the Paraguayan elections, which were held on 30 April, 2023. Strategic corruption may therefore be an emerging threat and one with importance to our broader position in South America.

Paraguay is also a corridor for the transit of narcotics and weapons, including to Europe. Transnational criminal organizations (TCOs) continue to exploit Paraguay's porous borders to expand their presence and direct operations from the country's overcrowded and under-resourced prisons. TCOs and smuggling networks already leverage corruption to facilitate their activities (e.g., through bribery of public officials), underscoring the risks

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that corruption poses to international stability and security. The United States has some partners in the country – including Spain, the UNODC, etc. – but international attention on Paraguay remains marginal and international partners are unlikely to substantially fund or actively support robust counternarcotics or anti-corruption campaigns in Paraguay.

Despite the lack of international attention, Paraguay is a state party to numerous international treaties including the UN Convention against Corruption (UNCAC) and the Inter-American Convention against Corruption (IACAC) and has participated in the peer review mechanisms for both treaties. Paraguay is also a member of the Financial Action Task Force of Latin America (GAFILAT) and the Open Government Partnership (OGP).

Paraguay's participation in international conventions is buttressed by the U.S. Mission's ongoing work with the Paraguayan government and civil society to combat corruption and strengthen transparency. The U.S. Mission's current work and established relationships with Paraguayan ministries, universities, judiciary, prosecutor's office, law schools, bar associations provide entry points for additional lines of effort to advance the rule of law and increase accountability. The U.S. Mission coordinates regularly on anti-corruption efforts. There is a USG interagency Anti-Corruption Working Group that meets regularly to discuss Post's anti-corruption activities under the Integrated Country Strategy (ICS) and their implementation. USAID leads the Democracy and Governance Donors Roundtable and has been doing so over the last decade.

III. Anti-Corruption Lines of Effort

This action plan defines specific, tangible objectives for our anti-corruption work in Paraguay over the next 6-24 months. The U.S. Mission in Paraguay has identified three complementary lines of effort (LOE) as well as a clear theory of change to advance U.S. anti-corruption efforts in the country that can be incorporated in the defining of objectives. These LOEs are:

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LOE 1: Support effective citizen oversight, with the intention that civil society organizations, the private sector, media, and others are empowered to play a robust and responsible watchdog role to prevent and bring to light public corruption.

LOE 2: Strengthen judicial and law enforcement institutions, so that the Public Ministry, National Police, and Financial Intelligence Unit have the capacity to investigate complex corruption cases, the judiciary successfully concludes corruption cases, and the defense establishment can effectively counter the transnational criminal organizations funding corruption.

LOE 3: Improve effectiveness of government anti-corruption oversight agencies, with clear regulations, improved management capacity, and greater transparency for executive agencies charged with preventing public corruption.

IV. Theory of Change

The U.S. Mission's theory of change is that **if** the United States continues to take strong, unilateral actions against key entrenched interests through sanctions, visa restrictions, and similar tools, creating space for and empowering Paraguayan-led anti-corruption efforts, and **if** these actions are accompanied by an increase in technical and programmatic support for credible Paraguayan-led anti-corruption efforts, **then** accountability and rule of law will be strengthened and the culture of impunity reduced. The ongoing work the U.S. Mission in Paraguay is pursuing in support of these strategic lines of effort and theory of change can and should continue. Post efforts should also pursue the following four specific objectives. These objectives and near-term, subordinate activities (and resource requirements) are described in further detail below, along with a proposed timeline for action and proposed performance indicators.

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V. Objectives for Anti-Corruption Activities

Objective 1: Through the impending presidential and legislative transition, anti-corruption institutions remain credible and functioning, and the Paraguayan government continues to prioritize anti-corruption (both in absolute terms and as it relates to the United States relationship). Timeline: 6 months.

Objective 2: The United States holds corrupt actors accountable, including by initiating processes to levy U.S. sanctions and/or visa restrictions against those enabling Cartes's continued operations (and other corrupt actors). Timeline: 6 months

Objective 3: The government passes and/or implements legislative changes to strengthen the independence and operation of anti-corruption enforcement institutions and improve transparency and public integrity throughout government. Timeline: 18-24 months.

Objective 4: Non-U.S. partners agree to engage with Paraguay on a range of anti-corruption challenges, to ensure non-U.S. assistance is coordinated with and supports U.S. anti-corruption goals. Timeline: 18-24 months.

VI. Activities, Tools, and Timeline to Achieve Objectives

Objective 1 *Through the impending presidential and legislative transition, anti-corruption institutions remain credible and functioning, and the Paraguayan government continues to prioritize anti-corruption (both in absolute terms and as it relates to the United States relationship). Timeline: 6 months*

- Between 30 April and 15 August, 2023: Post will seek to host/moderate a public roundtable with the heads of anti-corruption institutions in the government to describe some of the achievements

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over the past five years and future goals. The priority of this engagement would be to ensure that there is public recognition for the institutions but also to underline that there is much work left to do.

- Participation from Washington (virtual or in-person) could be considered if useful.
- The core audience will be political elites, but it is also a priority to enter the news-cycle for the broader public.
- Future goals could include commitment to improved cooperation and information sharing among anti-corruption institutions and creation of an anti-corruption/AML task force in line with Paraguay's Summit for Democracy commitments.
- Between 30 April and 15 August: Post will seek to identify future heads of ministries and to schedule briefings with them concerning U.S. collaboration on anti-corruption work. Similar briefings could be conveyed to key members of Congress who could become anti-corruption champions..
- Between 30 April and 15 August: USAID will engage the new administration's transition team, to present the current Development Objective Agreement (DOAG) signed in 2020, with a special focus on anti-corruption activities. USAID will seek to identify reform champions in the transition team to engage in furthering our work.
- 15 August inauguration: Post will seek senior Washington participation in the inauguration of the new president.

Objective 2 *The United States holds corrupt actors accountable, including by initiating processes to levy U.S. sanctions and/or visa restrictions against those enabling Cartes's continued operations (and other corrupt actors).*

Timeline: 6 months

- See classified annex.

Objective 3: *The government passes and/or implements legislative changes to strengthen the independence and operation of anti-corruption*

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enforcement institutions and improve transparency and public integrity throughout government. Timeline: 18-24 months.

- Up to and past the June 30, end of the legislative session: Post will engage with Congressional contacts to advocate for the approval of pending bills. Status as of 10 July:
 - Conflict of Interest Law: Approved.
 - Public Procurement Law: Approved, pending implementing regulations.
 - Conflict of Interest Law: Approved.
 - Bill to create a Ministry of National Integrity and Transparency: Pending in Senate.
 - Police Reform bill: Pending in Senate. Would strengthen the internal affairs units for the national police.
 - SENABICO Asset Monetization bill: Not yet introduced to Congress, believe this is drafted and with the Presidency. Would improve the ability to manage seized assets more efficiently by monetizing them.
 - Bill to strengthen oversight by Comptroller's office. Approved by lower house, pending with Senate.
 - If/when passed, USAID can provide technical assistance to the Comptroller's Office to improve risk management and conduct preventive audits.
 - Enhanced Investigative Techniques for Corruption bill: Not yet drafted. Would authorize use of all investigatory techniques presently authorized for counternarcotics and counterterrorism and then provide equipment for same purposes.
 - On 15 July end of the current congressional term: Post will report back on the status of the above legislation, activities undertaken thus far to implement bills that have been passed and what additional steps would be helpful from Washington such as, for example, including Paraguay in the Global Procurement Initiative of USTDA.
 - By 1 September: INL/GPP, in coordination with UNODC, to develop a proposal for provision of any necessary technical assistance to

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Paraguay to implement passed legislation, particularly if there are technological tools for anti-corruption investigation such as data extraction equipment and licenses and case management software. This proposal will draw on support from the UNODC's regional anti-corruption hub, the FBI and DOJ/OPDAT, and the Anti-Corruption Solutions Through Emerging technologies (ASET) initiative.

- By December 2024: Post will explore the possibility of and political will to create a task force with information sharing systems, including SENAC, SET, SEPREAD, Customs, the Public Ministry, and the Central Bank that builds upon current USAID facilitated roundtable meetings to support improved coordination.
- 1 October: CGAC, Post, INL and EB will review the list of UNCAC and MESICIC recommendations as the basis for suggestions for the new government on improvements to the regulatory and legislative system in addition to those laws passed during the previous legislative session.
 - This review would also include GAFILAT mutual evaluation report recommendations as well as draw from recommendations in the OECD Anti-Bribery Convention and other OECD standards (e.g., on public integrity).
 - Given the risk of future strategic corruption risks, special attention will be paid to issues of asset disclosure and connections to foreign financial involvement in the political system and complement ongoing USAID support to the Electoral Tribunal's and civil society's oversight of political party financing.
 - This exercise would be coordinated with UNODC, which has prepared its own synthesis of recommendations through the regional hubs project supported by INL.
 - Key elements could include, as identified above, reforms to the investigatory techniques permitted for anti-corruption, strengthening of the asset forfeiture agency (SENABICO), and implementation of the recently passed public procurement law

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that builds upon current USAID support for civil society oversight efforts in public procurement.

- After consultations with the government up to 1 November: INL/GPP will provide expertise (possibly via a TDY expert from FBI/DOJ or from the INL-GPP-funded, UNODC-led anti-corruption hub project) to work with Paraguayan civil society, Congress, and government officials to develop proposals for official submission on legislation and regulatory changes. 1 May 2024: Post reports back on progress/lack of progress on proposed legislation.
- [If passage of proposed legislation seems likely and therefore after 1 May 2024] INL/GPP, in coordination with UNODC, to develop a proposal for provision of any necessary technical assistance to Paraguay to implement proposed legislation.
 - Emphasis is on technological tools for anti-corruption investigation to aid in implementation of the new legislation, such as data extraction equipment and licenses, and case management software.
 - This proposal will draw on support from the UNODC's regional anti-corruption hub, the FBI and DOJ/OPDAT, and the Anti-Corruption Solutions Through Emerging technologies (ASET) initiative.
 - IHSI or FBI to develop an approach for a full-time/significant part-time presence at Embassy Asuncion to aid implementation, to include an in-country corruption assessment, as appropriate.
- By March 2024: USAID will begin to provide ongoing support to judicial independence by improving the Judiciary's and the Prosecutor's Office disciplinary systems, and the selection and removal processes for judges and prosecutors, working with the Supreme Court, the Prosecutor's Office, Council of Magistrates (CM) and the Jury for the Prosecution of Magistrates (JEM).
- January 2024: DoD will explore ways to professionalize the Paraguayan officer and non-commissioned officer corps – aligned with existing

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authorities, available resources, and competing requirements, and report on their findings to the Ambassador.

- January 2024: DoD will explore ways to help modernize Paraguay's Ministry of Defense and Military Forces organizational structures, create accountable and transparent procurement processes, and improve defense policy and planning processes, among others – aligned with existing authorities, available resources, and competing requirements. DoD will report on their findings to the Ambassador.

Objective 4: *Non-U.S. partners agree to engage with Paraguay on a range of anti-corruption challenges, to ensure non-U.S. assistance is coordinated with and supports U.S. anti-corruption goals. Timeline: 18-24 months.*

- By January 2024: USAID will create a special sub-working group with a focus on anti-corruption at the ongoing Democracy and Governance Donors Roundtable.
- By October 1: CGAC, working with Post and EB, will develop a list of specific proposals for other existing Paraguayan partners – Colombia, Taiwan, the IDB, Latin American Development Bank (CAF) and others – to potentially pursue with Paraguay.
 - Proposals could include technical assistance (for example, with judicial reform) or engagement on legislative proposals under Objective 3. These will be conveyed to prospective government partners either by Embassy Asuncion to other local embassies, by CGAC in Washington, or by U.S. representatives to their specific partners. Specific modalities for engagement will be worked out with country desks.
 - Post should engage locally with partners to discuss anti-corruption questions and concerns during regular engagement with IMF and WB country teams including through USAID's Democracy and Governance donors' roundtable.
- By October 1: CGAC, working with Post and other stakeholders, will develop a list of potential other partnership arrangements and potential asks.

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- Possible potential additional partners could include the EU (either as a whole or with individual member states, such as Spain) and UK.
- As above, proposals could include technical assistance (for example, with judicial reform) or engagement on legislative proposals under Objective 3; however, given the importance of countering narcotics trafficking through Paraguay into Europe, this may be a fruitful area of concentration with European and other trade route partners.
- By November 30: If amenable, existing partners will have conveyed their interest to work with Paraguay in the areas specified. Likewise, new potential partners could be identified for engagement, with specific modalities to be determined by the countries in question and interest areas.
- By December 31: Post will convene a quarterly working group of likeminded partners to begin implementation.

VII. Performance Metrics/Indicators

A full exercise led by the working parties will separate out indicators and milestones and gather a baseline where relevant once the objectives are agreed. As this still has not happened, these are still the draft indicators from the concept note submitted to NSC to develop the action plan concept. Comments are welcome but please note that these indicators are not/not yet formally decided. Ideas about good indicators are more than welcome.

CGAC will convene working party meetings (to include working level officers from Post, State, USAID, and other interested agencies) approximately every one to two months after action plan approval to review progress on inputs using the activities/deadlines articulated in the plan. Senior leaders from WP offices and the NSC will convene at the mid-point of the plan (one year) and end-point of this plan to take stock and revise the plan as needed. The

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working party will also use the below performance indicators to assess progress on this action plan. This will include a verbal check in on indicators in working party calls, and CGAC will organize an annual written report articulating progress on indicators, drawing on the sources listed.

This list of indicators will be further refined (including more specificity) during implementation of the action plan.

Objective 1: Through the impending presidential and legislative transition, anti-corruption institutions remain credible and functioning, and the Paraguayan government continues to prioritize anti-corruption (both in absolute terms and as it relates to the United States relationship). Timeline: 6 months

Indicators:

- Level of support for anti-corruption institutions and activities from the cabinet.

Objective 2: The United States holds corrupt actors accountable, including by initiating processes to levy U.S. sanctions and/or visa restrictions against those enabling Cartes's continued operations (and other corrupt actors). Timeline: 6 months

Indicator:

- Public or private changes in behavior because of sanctions action.

Objective 3: The government passes and/or implements legislative changes to strengthen the independence and operation of anti-corruption enforcement institutions and improve transparency and public integrity throughout government. Timeline: 18-24 months.

Indicators:

- Assessment of strength of legislation
- Draft legislation introduced by 30 June 2024
- Assessment of resourcing for special prosecutor
- Feedback from prosecutors on their ability to bring cases.

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- DR.2.4-4 Number of anti-corruption measures proposed, adopted, or implemented due to USG assistance, to include laws, policies, or procedures.

Objective 4: Non-U.S. partners agree to engage with Paraguay on a range of anti-corruption challenges, to ensure non-U.S. assistance is coordinated with and supports U.S. anti-corruption goals. Timeline: 18-24 months.

Indicator(s):

Indicators:

- Reduction in limitations to civil society and demonstrated capacity to engage in advocacy.
- Improvement in yearly score on anti-corruption policy indicator (if actionable policy indicator exists, for example on corruption in procurement)
- Findings of FATF or FATF-style regional bodies (FSRBs) in Mutual Evaluations (if conducted in the last five years or less and under the FATF “Fourth Round”/2013 methodology)

VIII. Annexes

Annex A – Ongoing Embassy Asuncion and USG Anti-Corruption Programs in Paraguay

Annex B – Classified Information (Available on CLASSNET)