

ANTI-CORRUPTION HELPDESK

PROVIDING ON-DEMAND RESEARCH TO HELP FIGHT CORRUPTION

PARAGUAY: OVERVIEW OF CORRUPTION AND ANTI-CORRUPTION

QUERY

Can you provide an overview of corruption and anti-corruption efforts in Paraguay?

CONTENT

1. Overview of corruption in Paraguay
2. Legal and institutional anti-corruption framework
3. References



Author(s)

Iñaki Albisu Ardigó, tihelpdesk@transparency.org

Reviewer(s)

Maíra Martini, Marie Chêne, Transparency International

Date: 9 February 2016

SUMMARY

Paraguay is a monolith in the study of corruption: experts agree and the literature on corruption confirms that Paraguay is an important case study of a state seeking to recover from decades of an authoritarian state that institutionalised corruption. From the end of Alfredo Stroessner's regime in 1989, Paraguay has struggled to fight systemic corruption in all sectors of the government. Perception surveys and local surveys show a bleak reality of the state of corruption in the country.

The progress in the fight against corruption has been slow as political instability and a strong business sector have deterred efforts. The last five years have seen the rise of laws and institutions aimed at fighting corruption. These initiatives have been praised internationally.

1 OVERVIEW OF CORRUPTION IN PARAGUAY

Background

Paraguay is a land-locked unitary republic in the centre of the Southern Cone of the Americas. It became independent from Spain at the start of the 19th century and evolved relatively isolated from its neighbours until the 1870s when it was drawn into a war against Brazil, Argentina and Uruguay. The war followed a period of international struggle: revolutions, counter revolutions and coups d'état occurred on a regular basis from the end of the war until 1954, when a military coup, headed by army general Alfredo Stroessner, took power.

Stroessner's autocratic government, backed by its neighbours and Western powers, ruled for the next four decades. Stroessner's government systematically violated human rights by imprisoning, torturing and executing political opponents. His government's most significant policy was the generalised acceptance and use of corruption as a consensus-building tool. In Stroessner's own words: "Corruption is the price for peace" (Nickson 1997).

Stroessner was overthrown in a military coup headed by Andrés Rodríguez Pedotti, who called for elections in 1989 and was elected president. The following decade led to the development of a weak civil service and a democracy mired with corruption scandals and accusations of electoral fraud. Stroessner's Colorado party has been in power for 23 out of the 27 years of the new democracy.

According to the Latinobarometer, 37.4 per cent of Paraguayans favour non-democratic systems of government in certain circumstances, and 26.6 per cent do not agree that democracy is the best system of government (Latinobarómetro Corporation 2015). In both cases, Paraguayan respondents have the lowest level of support for democracy in Latin America.

Paraguay's 6.8 million inhabitants are also among the least economically prosperous in South America.

Paraguay has a Human Development Index score of 0.679, the second lowest in the region after its neighbour Bolivia (United Nations Development Programme 2016). Poverty rates in urban areas are approximately 23.9 per cent, while poverty rates in rural areas reach 45 per cent (Peris Castiglioni & Cerna Villagra 2015, p87). Economic inequality is among the highest in the region, with a Gini coefficient of 48, compared to the Latin American average of 50 (The Economist 2012).

Paraguay's economy is dominated by agricultural exports of products such as soya beans and beef (Ordóñez 2014). It is the continent's biggest exporter of electricity (Ordóñez 2014), thanks to two hydroelectric projects on its eastern borders with Brazil and Argentina at Itaipú and Yacyretá (respectively).

Extent of corruption

International diagnostics show that corruption in Paraguay is widespread and involves multiple sectors of government and private enterprise. Paraguay ranks 130 out of 168 countries on the 2015 Corruptions Perceptions Index (Transparency International 2016), making it the second most corrupt country in South America after Venezuela. Paraguay received a score of 27 on a scale that ranges from 0 (highly corrupt) to 100 (very clean). This trend is also illustrated by the World Governance Indicators: Paraguay performs beneath the lowest 50 percentile on all six indicators and, noticeably, is in the lowest 15 percentile for control for corruption (where zero corresponds to the lowest rank and 100 to the highest) (Kaufmann & Kraay 2015).

These perceptions tend to correlate to national opinion surveys on corruption. In the 2013 Global Corruption Barometer (GCB), at least 36 per cent of respondents in Paraguay stated that they had paid a bribe in some form, and 61 per cent of respondents thought the corruption situation had worsened (Transparency International 2013).

According to the 2015 Latinobarometer survey, 36.6 per cent of Paraguayans surveyed experienced

corruption or knew someone that experienced corruption. This figure is much higher than the Latin American average of 20 per cent (Latinobarómetro Corporation 2015).

Likewise, a study carried out by Solís Delgado (2014 cited in Peris Castiglioni & Cerna Villagra 2015), found that 43.27 per cent of the population considered corruption to be “highly generalised” in the state.

The last public national inquiry into corruption was a survey by the Ministry of Finance in 2008 that showed that bribery and corruption were the most common criminal acts in Paraguay, with more than half of Paraguayans stating that they had paid bribes in the last year, out of which 54 per cent confirmed having paid bribes more than once (Rivarola 2012).

Interestingly, citizen reports to the police and the Ministry of the Interior officials tend to confirm such statistics since, as Aboal, Lanzilota and Vázquez note, reports of corruption are the most common type of report filed with 30.92 per cent of all complaints filed to the police being categorised as “corruption” (2013).

Forms of corruption

Bribery and extortion

Bribery permeates all levels of the Paraguayan state. An ample number of surveys demonstrates the expectation that citizens and companies pay bribes to access public services. The 2013 GCB shows that 36 per cent of respondents (or their household members) had paid a bribe to police, while 18 per cent of respondents had bribed registry and permit officials.

The latest (2010) Enterprise Survey reported that 50.8 per cent of enterprises surveyed considered corruption a constraint for their businesses. Meanwhile, 31.5 per cent of firms experienced a bribe request, and 24.1 of the firms surveyed noted the expectation to give gifts to win government contracts (World Bank and International Financial Corporation 2010).

A study estimated that the cost of corruption in 2010 in the form of bribery and extortion for companies operating in Paraguay was US\$474,459,000, about 2.37 per cent of the total national GDP. (Aboal et al. 2013)

Extortion is also commonplace when dealing with public servants, at the national and municipal level of government officials to municipal civil servants. Police generally extort businesses and citizens for “protection money” to assure the safety of themselves and their belongings, and have allegedly participated in drug rings, trafficking networks and criminal organisations (United States Department of State 2014). Pre-trial detention in Paraguay is also employed on a regular basis by police to extort citizens into confessing to crimes (Open Society Foundations 2011). These periods of pre-trial detention can last between six months and three years (United States Department of State 2014).

Judicial corruption

Paraguay’s current problems with corruption can be partly attributed to its widespread presence in the country’s judicial system. “Corruption cases languish for years in the court system without resolution, and offences often go unpunished due to political influence in the judiciary” (Freedom House 2015).

According to the 2013 GCB, 28 per cent of respondents said that they or someone in their household had paid a bribe to the judiciary (Transparency International 2013). Bribery and corruption between judges and prosecutors are reportedly commonplace in the country (Igarapé Institute & The International Security Sector Advisory Team 2015), to the extent that supreme court judges have allegedly partaken in corrupt acts. Members of the supreme court were accused of accepting US\$630,000 in bribes to favour the sentences of drug traffickers and to rule not to extradite them to Brazil (ABC Color (Paraguay) 2014).

Some experts consider the supreme court’s management of the administrative tasks of the entire judicial system to have slowed and corrupted it,

especially in terms of hiring practices: between 2011 and 2012 alone, the supreme court hired more than 11,000 employees without formal hiring procedures (MESICIC 2012, pp. 32-33). It should also be added that the national Civil Service Law could be applicable to the judicial branch of government but, as of 2012, the supreme court has not made a ruling about its application, thus foregoing the obligation to establish basic oversight mechanisms (MESICIC 2012, p. 36).

Political interference in the judicial system is also an important factor contributing to the country's problems with impunity. Politicians and public servants regularly interfere with judicial investigations and proceedings (Igarapé Institute & The International Security Sector Advisory Team 2015). The World Economic Forum's Global Competitiveness Report of 2014-2015 ranks Paraguay 142 of 144 countries in terms of judicial independence (Schwab 2014).

After a trial, corruption plays an important role in the types of treatment experienced by convicted individuals throughout the country. Corruption among prison wardens and guards ensures comfortable lifestyles for well-connected or wealthy individuals at the expense of the rest of the prisoners (Committee against Torture 2011).

Favouritism and patronage

Patronage and favouritism are common practices in Paraguay, especially in the civil service. The dominance of the Colorado Party in contracting procedure has led the civil service in Paraguay to be "considered to be synonymous with the Colorado Party" (Gephart 2012; Lambert & Nickson 2002). Before 2003, there was virtually no meritocratic hiring recorded in civil service records (Schuster 2013). With the support of the Inter-American Development Bank, former president (2003-2009) Nicanor Duarte pushed a Civil Service Reform Law that elevated the number of civil servants hired through meritocratic practices to 2 per cent. The successive president, Fernando Lugo, elaborated on his predecessor's initiatives and brought this number to 26 per cent (Lafuente & Schuster 2014). Both interim-president

Franco and the incumbent president Cartes have been criticised for hiring hundreds of new employees weeks after their ascension (Turner 2014).

On a positive note, during Cartes's presidency, the executive branch began publishing public employee lists, leading to a series of scandals involving members of his own party. The move received notable public approval and was later adopted for congress as well (Turner 2014).

Favouritism is also evident in government contracts and public procurement processes, which in Paraguay is colloquially known as *la patria contratista* (the contracting fatherland) (Auriol, Straub & Flochel 2016). Until 2003, procurement in Paraguay was unregulated and contracts were generally awarded without formal bidding processes, generally favouring companies friendly to the national government. In 2003, Law 2051 was passed with the goal of increasing transparency in procurement and promoting competition. Yet this law provided an exclusion clause for contracts under a certain value, allowing these processes to remain opaque (Auriol, Straub & Flochel 2016). This loophole permitted companies to divide their larger contracts into smaller ones to take advantage of these loopholes. In 2006, about 20.4 per cent of all procurement occurred in this manner (Auriol, Straub & Flochel 2016). These loopholes were partially closed thanks to a reform of the original law (Law 3439/07), but problems with overpricing and favouritism are still common in public contract bids (Auriol, Straub & Flochel 2016).

Tax evasion and money laundering

According to Global Financial Integrity, between 2003 and 2014, US\$3.75 billion¹ worth of funds left the country in an illicit fashion (Global Financial Integrity, Spanjer & Kar 2015). The Centro de Análisis y Difusión de la Economía Paraguaya (Cadep) estimated that in 2012, 38 per cent of taxes were evaded (cited in Sosa 2014).

Lax tax and bank secrecy laws, combined with seemingly porous borders and an underfunded and

¹ Note: Transparency International takes "billion" to refer to one thousand million (1,000,000,000).

understaffed National Customs Directorate (United States Department of State 2014) have led to Paraguay's reputation as a regional hub for money laundering and illicit financial operations. It is estimated that the unofficial export of contraband from Paraguay is around US\$4 billion (Council on Hemispheric Affairs 2012).

Money laundering is of notable significance in Paraguay as it has led to the rise of regional criminal organisations operating from Paraguay (Embassy of the United States Asuncion, Paraguay 2015). The border zone (*Zona de la Triple Frontera*) in the area around the borders shared by Paraguay, Brazil and Argentina, is considered to be a hotbed for criminal organisations, narco-trafficking, smuggling and international terrorism (Bello Arellano 2013). Corruption plays an important role in hindering the enforcement of laws and the crackdown of crime in this area, with some authors claiming that corruption in the zone has become institutionalised on a tri-national, local level to aid crime (Bello Arellano 2013).

Main sectors and areas affected by corruption

Corruption in Paraguay affects all sectors of state and business in a very similar way, with bribery, nepotism and gift giving being common practices to win contracts and to by-pass regulations and procedures. The literature shows that corruption is rampant in health, education, law enforcement, commerce and agriculture, among others. This query answer focuses on the hydroelectric, agriculture and education sectors.

Agriculture

The agriculture sector is subject to much controversy in Paraguay given the importance of agricultural exports to the country's economy and considering that it accounts for 30 per cent of the country's GDP (Ordóñez 2014). Paraguay's rural areas suffer from extreme inequality and are rife with human rights abuses. Only 1 per cent of the population owns 77 per cent of arable land (Davis 2013), and the poverty rate percentile in rural areas (as mentioned

previously) is in the mid-fifties.

Agro-industrial companies have considerable influence over the affairs of the country, in many cases affecting the policies that regulate the sector. Several congressmen and ex-presidents have been financed directly by agro-businesses during their campaigns (Howard 2009). By contrast, small-scale farmers (*campesinos*) in Paraguay have very low representation in congress (Davis 2013). Landless people's movements are highly persecuted in rural areas and have suffered numerous human rights violations at the hands of local land owners and authorities (United States Department of State 2014).

Government agencies responsible for rural areas and agriculture policies have been involved in several corruption problems. For instance, on 14 April 2014 the attorney general's office charged Senator Enzo Cardozo and Rody Godoy, former ministers of the Ministry of Agriculture and Livestock, with fraud and breach of trust along with 25 other former and current ministry employees. The ex-ministers allegedly misappropriated US\$832,000 from two ministry programmes meant to combat poverty and promote the raising of livestock (United States Department of State 2014). The same ministers were charged with fraud, embezzlement and breach of trust due to an illegal transfer of US\$15.3 million to the National Federation of Fruit Producers (United States Department of State 2014).

Hydropower and energy sector

Hydropower is an important source of income and energy for Paraguay. In total, 99.9 per cent of the country's electrical product comes from hydropower and it is the world's fifth largest exporter of electricity (Central Intelligence Agency 2016). Most hydroelectric energy in the country comes from two large hydroelectric projects on the Paraná River, the Yacyretá dam (constructed between 1989 and 1999) and the Itaipú dam (constructed between 1973 to 1984.) Both of these projects were bilateral initiatives (with Argentina and Brazil respectively) to be controlled by bi-national companies between the state parties.

Many Paraguayans (as well as Argentines and Brazilians) have nicknamed the Yacyretá project a “monument to corruption” (Straub 2015) and Itaipú the “cathedral of corruption” (ABC Color 2007). The construction of the projects was mired in corruption at all points of their development. Accusations of undue influence and bribery were significant during the evaluation period for both these projects (Mello Sant’Anna & Villar 2015), as well as during the procurement phase. While detailed contract level information was never made public, numerous studies (Straub 2015) show that Colorado Party partisans and allies tended to be favoured for contracts. Stroessner himself allegedly made US\$1.6 billion in relation to Itaipú (Straub 2015).

Bribery and corruption were also involved in the bidding for contracts for these projects, and was considered “order of the day” for the ex-directors (United Nations Development Programme & Vos 2011, p. 23). The resulting million-dollar construction contracts were generally considered to be overpriced, with Yacyretá originally costing US\$2.5 billion and Itaipú being billed at US\$3.4 billion (International Rivers 2015; Straub 2015). Yet the overpricing did not end with the initial bidding: contracts were amended at several stages of construction. Yacyretá and Itaipú both took years to complete, missing their completion timeline and going notoriously over-budget. Yacyretá and Itaipú ended up costing approximately US\$15 billion and \$19.6 billion respectively (Straub 2015). Nevertheless, even after construction, Paraguayans lost major concessions and advantages in the final energy distribution contracts with respect to their neighbours.

In the case of Itaipú, Paraguay agreed to sell 100 per cent of the energy it did not use to Brazil at “wholesale prices” (Straub 2015) significantly below market prices.

Administration of the two bi-national companies responsible for the management of the dams has also been mired in accusations of mismanagement and embezzlement on the part of their directorates. For instance, in 2008, an ex-administrator of the Itaipú bi-national company blew the whistle on an

internal corruption network that used overpricing of services to finance the Colorado Party (Última Hora 2008). In 2009, the director of the Yacyretá bi-national company was accused of spending US\$20,000 on a youth retreat for his own party (Última Hora 2009). In June 2011, a group of civil servants in the Itaipú bi-national company confessed to contracting generic transport companies for US\$5 million for five years, only to embezzle the funds in the first year (Paraguay.com 2011).

Recently, it was alleged that several ex-directors of the bi-national company had been involved in the Petrobras scandal in Brazil. The Brazilian Accounts Tribunal (*Tribunal de Cuentas de la Unión*) called for an audit of the Itaipú project in late 2015 (ABC Color 2015).

The effects of corruption within these projects are not simply economic but also social and environmental. A World Bank study found that Yacyretá is operating at 60 per cent capacity because of mismanagement and faulty construction processes (International Rivers 2015). Other studies have found that a lack of project evaluation is having serious environmental problems downstream in the Iberá wetlands, causing the death of thousands of native species (International Rivers 2015).

Education

Corruption is common in education and recruitment. Students in both private and public universities have reported having to pay bribes to pass classes or get higher grades, gain access to courses or simply to process their diplomas upon graduation.

The 2013 Global Corruption Barometer shows that 32 per cent of Paraguayans thought the education system to be corrupt (Transparency International 2013). The barometer also shows that 11 per cent of those surveyed who were in contact with officials in the education system reported having paid a bribe (Transparency International 2013).

Favouritism and collusion between university staff and politicians is similarly common, especially in universities in the interior of the country. For

example, the chancellor of the Universidad Nacional de Caaguazú (Unca), Pablo Martínez Acosta, recognised that every time there were vacancies in the university, local politicians were invited to “propose” candidates for the positions (Lezcano F 2015).

The National University of Asunción came under the regional spotlight when it was discovered that the chancellor of the university had allegedly provided 12 people with “ghost positions” within the university administration. Further investigation proved that those hired were all relatives of the chancellor's ex-secretary who, in turn, received US\$890 to give two lectures and received regular bonuses as well as a “parallel salary” (Telesur 2015). The event led to protests and a major investigation by the National Prosecutor's Office into abuses in the education sector nationwide.

2 LEGAL AND INSTITUTIONAL ANTI-CORRUPTION FRAMEWORK

Transparency is generally perceived to be lacking in the Paraguayan state, to say the least. According to the Latinobarometer, 69.6 per cent of Paraguayans surveyed believed there was little or no transparency in the state (Latinobarómetro Corporation 2015). However, a number of anti-corruption and transparency laws have been approved over the last 10 years. Nevertheless, enforcement of these laws is weak due to political opposition, especially from factions within the legislative and judicial powers. Some legislation, including the Access to Information Act and the political finance laws have faced opposition with regards to their implementation and are going through reform procedures that would lessen their impact (United States Department of State 2014; Semillas para la Democracia 2015).

Legal framework

International conventions and initiatives

Paraguay is party to both the United Nations Convention against Corruption (UNCAC) and the Inter-American Convention to Combat Corruption (since 1996).

In 2012, Paraguay joined the Open Government Partnership. The government and several civil society organisations have developed two action plans (in 2012 and 2014) and are currently evaluating the implementation of these plans.

Domestic legal framework

Criminalisation of corruption

Corruption in Paraguay is criminalised under the Article 300 of the national criminal code which states that civil servants cannot “solicit, accept or let themselves be promised” any undue benefit derived from their post. Articles 302-303 define and prohibit offering and accepting bribes and Article 30 implicates all accomplices in these acts (Departamento de Derecho Internacional & OAS 2008). Articles 57 and 60 of the Public Function Act (Law 1626) expressly prohibit undue influence on citizens through the utilisation of entrusted power and state resources as well as the reception of gifts and the swaying of elections by influence from official posts. Similarly, Articles 313 of the criminal code and Article 1 of Decree 448/40 prohibit embezzlement and illicit enrichment.

When it comes to money laundering, however, the situation is more complex. While Article 196 of the national criminal code stipulates against money laundering, legal experts consider that the complexity of the article makes its application difficult and very situational (Preda 2013). Prosecutor Federico Espinoza noted to US authorities in a press conference in early 2016 that since this criminalisation does not exist, legal processes against money laundering cannot be undertaken unless they are also violating other laws, noting that not even private sector bribery is a punishable offence (La Nación (Paraguay) 2016).

Political party and campaign financing

Law 834/96 within the electoral code establishes a system of public financing for political parties in elections. Political financing is regulated by Law 4.743, which establishes restrictions on donations, prohibits anonymous donations above a fixed value, establishes expenditure limits, obligates parties to

publish their expenses on their websites and gives the High Tribunal for Electoral Justice the authority to exercise expenditure control. The law also establishes a limit to the resources a single donor can donate to a campaign.

Despite the existence of laws regulating political financing, local civil society organisations CSOs and the European Union's electoral observation mission found that, in the 2013 elections, electoral laws concerning financing were not respected and have not ensured an equal playing field for parties as, in many cases, expenditure and donation amounts were exceeded and enforcement of the law was lax (Semillas para la Democracia 2015).

Access to public information

Law 5.189, referred to as the Transparency Act, applies to all state actors and private people contracted by it. The law obligates state organisms to proactively publish information about internal structures, their patrimony, and information about all civil servants it contracts, including their salaries, dates of entry and work-related travel. The law also obligates private entities who administer or execute public resources to provide organisational information regarding board members and their appointment process as well as details about the execution of state funds.

There has been criticism of this law because it reduced the harsh penalties stated in the original bill (Freedom House 2015). The bill's original draft called for imprisonment of civil servants who violated the law, while the final draft only inflicted five years' administrative leave as punishment.

In 2014, Law 5282, or the "Free Citizen Access to Public Information Act and Government Transparency Act" was passed by congress to be enacted as of January 2015. The law not only establishes the right and protocols to request information but defines "information minimums" for different institutions within the judicial, executive and legislative branches, which are effectively basic levels of information official websites must provide.

The law is considered to be a great advance for

transparency in Paraguay. As part of a compromise within the framework of the Open Government Partnership, the government launched a web portal to allow digital access to information. In the first three months of operation, more than 450 requests were made through the portal (Gobierno Abierto Paraguay 2016)

Conflicts of interest and asset declaration

Law 5.033/13 obligates civil servants to present sworn patrimony declarations upon assuming and leaving their posts and also on an annual basis. There is generalised adherence to the law at the national level, but at the municipal level many council-members have not respected the protocol (Última Hora 2016).

Paraguay does not have a law that regulates conflicts of interest nor does it have official procedures to systematically declare conflicts of interest. Nevertheless, the Presidential Council on Modernisation of the Civil Service (*Consejo Presidencial de la Modernización de la Administración Pública*), with the assistance of USAID and the Millennium Challenge Corporation, has published a manual for public ethics, applicable to all levels of government, which aims to establish a code of conduct for citizens with entrusted state power (USAID & Consejo Presidencial de la Modernización de la Administración Pública 2008).

Whistleblowing

The Standard Model for Internal Control for Public Institutions (*Modelo Estándar de Control Interno para las Instituciones Públicas del Paraguay* or MECIP) is an initiative launched in 2008 to promote accountability within the public service by establishing internal auditing mechanisms. The programme was expanded to provide mechanisms for whistleblowers to file corruption complaints (Ministerio de Hacienda 2015). There is scarce literature about the performance of this programme.

Institutional framework

Paraguay has several institutions whose objectives are to fight corruption, promote transparency and monitor public processes. Most of these organisms

are the result of presidential initiatives supported by international financial institutions.

Secretaría Nacional Anti-Corrupción (SENAC)

SENAC was established in 2012 as part of ex-president Franco's anti-corruption commitments. SENAC remained relatively inactive during the first two years of its inception, not figuring in the public budget during 2012 and 2013 (Secretaría Nacional Anti-Corrupción 2014). In 2014, a series of reforms were launched aimed at stabilising and increasing the productivity of the SENAC, including a change of authorities, formalisation within the budget and a new law which gave the secretariat new functions.

SENAC acts as a conventional anti-corruption office offering an anti-corruption hotline for citizens and civil servants to file complaints, as well as serving as a monitor for the implementation of anti-corruption policies. It also evaluates and promotes anti-corruption policies and has implemented many of the recommendations it makes to other organisms. However, SENAC lacks the ability to prosecute corruption cases, significantly limiting its investigative role.

Unidad Delitos Económicos y Anti-corrupción (UDEA)

UDEA was created in 2005 to establish an economic crimes unit for national authorities, as per the Mechanism for Follow-Up on the Implementation of the Inter-American Convention against Corruption (MESICIC) recommendations. UDEA is a unit within the public prosecutor's office (Fiscalía) aimed at investigating and prosecuting crimes related to corruption, economic mismanagement and tax evasion.

UDEA was the first organism in Paraguay to create a methodology and protocol for receiving corruption complaints. It operates using a network of 41 units designed to receive and investigate corruption allegations throughout the country. UDEA is also responsible in matters of asset recovery for the state.

In terms of performance, UDEA is considered to operate efficiently despite its limited resources within

the Fiscalía. Its most important challenge does not come from its own capacities (or lack thereof) but from legal loopholes. Monroy and Aguirre note that accused persons exploit the complexity of the legal system so as to not be tried for corruption or to have their trial delayed (2012). The authors note that these situations are reflected in the statistical performance of the UDEA, despite its general approval by state and civil society actors.

National Directorate of Public Procurement (DNCP)

DNCP was created as a public procurement watchdog within the national procurement organism (Procuraduría de la Nación), which is responsible for collecting, controlling and publishing information related to public procurement. The organism publishes all calls, providers and awards on a website and an online application (Auriol, Straub & Flochel 2016). The DNCP has improved awareness and transparency around procurement, but still does not cover all procurement in the country in a comprehensive manner: by June 2015, the website featured procurement information for only 34 of the 248 municipalities (or 14 per cent of municipalities in the country) (Gonzalez Maldonado 2015).

Defensoría del Pueblo

Defensoría began in 1992 as a generic ombudsman and in 1996, expanded its duties to cover investigation of human rights abuses by the Stroessner regime. The Defensoría del Pueblo acts as an ombudsman in cases related to human rights violations on the part of the state and can act as a plaintiff on behalf of victims. Defensoría has followed and investigated several cases of corruption and denial of rights since its inception.

From 2010 till 2015, Defensoría was presided over by Manuel Páez Monges, whose mandate had finished in 2009, but was extended due to disagreements in congress over the appointment of his successor. Páez Monges has been accused of mediocre management and relative inactivity in procedures involving human rights cases (Paraguay Ñande Retá, 2014). Recently, he was accused of orchestrating suspicious transactions for

embezzlement, awarding Defensoría employees bonuses which they would have to use to buy computers which would have to be donated back to the Defensoría (Última Hora 2015).

Controlaría General de la República (CGR)

CGR is the supreme auditing institution in the country. It is responsible for auditing and inspecting public finances, management, and operational procedures of government entities, department and municipal governments, state-owned companies and other organisations with government financial interests. CGR is responsible for monitoring the sworn patrimonial declarations of public servants.

The real capacities of CGR must not be overstated, however, as it has suffered periodical budget shortages. For one, CGR has had a budgetary limit imposed since 2005 (CGR 2012). In 2005, the general controller of the republic only had enough resources to control and audit 20 per cent of the public institutions in the country. Municipalities, for example, were hardly audited during that year (Bareiro 2005). In the last five years, the CGR has been more favoured in budgetary allocations and is considered by the US Department of State to be “adequately funded” (United States Department of State 2014).

Other stakeholders

Media

According to Reporters Without Border's 2015 World Press Freedom Index, Paraguay is ranked at a low 109 out of 180 countries, with a score of 33.74 (Reporters Without Borders 2015). Investigative journalists researching corruption are constantly at risk, suffering extortion, abuse and, in some cases, assassination. Such violations have occurred on several occasions and is exemplified by the case of Gabriel Bustamante who was investigating corruption by the director of the Yacyretá energy company. In July 2010, Bustamante was attacked and left in a critical condition (Versteegh & International Press Institute 2010).

A more recent case occurred in 2014 when ABC En Color journalist Pablo Medina and his assistant were

assassinated for investigating ties between drug traffickers and local mayors in the north of the country (Freedom House 2015). While assassination is less common, threats and attacks on journalists continue to deter investigations into corruption in Paraguay. In April 2014, the Inter-American Commission on Human Rights released a report calling on Paraguay to prevent and investigate violations of journalists' freedom of expression (Freedom House 2015).

The 2013 Global Corruption Barometer found that 21 per cent of Paraguayans found media organisations in Paraguay to be corrupt (Transparency International 2013). Media conglomerates have close ties to oligarch groups in Paraguay, and their ties to business are obscure to the general public (Galeano Monti 2012). Numerous studies have noted the strong links between Colorado Party congressmen and judges and private media organisations (Galeano Monti 2012; Segovia 2013).

Civil society

Civil society organisations (CSOs) were prohibited during the Stroessner regime, but since the return to democracy, CSOs have been steadily growing in number (Jänefelt 2013). Freedom of association and assembly are constitutionally guaranteed rights, which are generally respected in the country (Freedom House 2015).

Civil society organisations primarily consist of small operations primarily based in urban centres financed by international donors or rural movements based on small-scale farmers' (*campesino*) rights (Jänefelt 2013). A particularly important pro-democracy movement, called the After Office Revolucionario, began in 2012 around a political standoff between then-president Lugo and congress (Lambert 2012). Congress had approved funds from the national budget to add 5,000 people to the legislative civil service, which congress members could arbitrarily assign. Lugo vetoed the decision. The decision to veto was formally challenged by congress and was greeted by a spontaneous protest in front of congress by students and young urban professionals. The movement evolved to protest against the “closed list”

electoral system, claiming it was a way for wealthy Paraguayans to buy their way into politics (Jänefeldt 2013; Lafuente & Schuster 2014).

Despite widespread poverty in rural areas, these farmers' movements are poorly organised and are primarily communal movements. These movements are not professionalised, are underfunded and have very little impact on Paraguayan politics, including at the local level (Jänefeldt 2013; Freedom House 2015). Some authors have noted the use of "citizen audits" among certain farmers' groups in the central region, these are not common (Hetherington 2011).

In the last decade, several transparency and anti-corruption CSOs have gained prominence in public policy making and have developed into professionalised think-tanks and advocacy organisations. The Open Government Partnership facilitated contact between these organisations which lead to coordinated efforts in anti-corruption and electoral observation. These include [Semillas Para la Democracia](#), Paraguay Transparente (defunct since 2009), [Centro de Estudios Paraguayos Antonio Guasch](#), [Transparencia Legislativa Paraguay](#), [Museo de la Corrupción](#), [Coordinadora de Derechos Humanos Paraguay](#), [Centro de Análisis y Difusión de la Economía Paraguaya](#), [Centro de Estudios Judiciales](#), [Instituto para la Consolidación del Estado de Derecho](#), [Centro de Información y Recursos para el Desarrollo](#), [reAcción](#) and [Decidamos Paraguay](#).

3 REFERENCES

ABC Color. 2007. *Senador Ayala califica a Itaipú de una "catedral de la corrupción"*. <http://www.abc.com.py/edicion-impres/politica/senador-ayala-califica-a-itaipu-de-una-catedral-de-la-corrupcion-1010494.html>

ABC Color. 2015. *La corrupción en Itaipú* [Editorial]. <http://www.abc.com.py/edicion-impres/editorial/la-corrupcion-en-itaipu-1405129.html>

ABC Color (Paraguay). 2014. *Paraguay: Fiscal investiga a ministros de Corte Suprema por presunta corrupción*.

América Economía. <http://www.americaeconomia.com/politica-sociedad/politica/paraguay-fiscal-investiga-ministros-de-corte-suprema-por-presunta-corrupcion>

Aboal, D., Lanzilotta, B. & Vázquez, V. 2013. *Los costos del crimen en Paraguay*. <http://desarrollo.edu.py/uploads/2015/03/Los-Costos-del-Crimen-en-Paraguay-05082013-para-divulgar.pdf>

Auriol, E., Straub, S. & Flochel, T. 2016. Public Procurement and Rent-Seeking: The Case of Paraguay. *World Development*, 77, 395-407. <http://dx.doi.org/doi:10.1016/j.worlddev.2015.09.001>

Bareiro, C. B. 2013. *Participación ciudadana en el control de la gestión pública en Paraguay*. Lecture presented at X Congreso Internacional del CLAD sobre la Reforma del Estado y de la Administración Pública in 18-21 October 2005, Santiago.

Bello Arellano, D. 2013. *La Triple Frontera como polo de atracción de actividades ilícitas: Condiciones endógenas institucionales e ilegalidad*. *Atenea*, (508), 101-120.

Castilleja, L., Garay, P. V. & Lovera, D. J. 2014. *Diagnóstico de crecimiento de Paraguay* (Publication No. IDB-TN-666). Washington DC: Inter-American Development Bank.

Central Intelligence Agency. 2016. *The World Factbook: Paraguay*. <https://www.cia.gov/library/publications/the-world-factbook/index.html>

Committee against Torture. 2011. Forty-seventh Session of the Committee against Torture (Rep. No. CAT /C/PRY/CO/4- 6). http://tbinternet.ohchr.org/_layouts/treatybodyexternal/Download.aspx?symbolno=CAT%2fC%2fPRY%2fCO%2f4-6&Lang=en

Council on Hemispheric Affairs. 2012. *En Route to a Failed State: Corruption in the Paraguayan Legal System, the Illicit Market, and Transnational Security*. <http://www.coha.org/en-route-to-a-failed-state-corruption-in-the-paraguayan-legal-system-the-illicit-market-and-transnational-security/>

Davis, M. M. 2013. *Resigned to Corruption: Paraguayans Have Little Faith in Upcoming Election* [Web log post]. <http://www.worldpolicy.org/blog/2013/04/19/resigned-corruption-paraguayans-have-little-faith-upcoming-election>

Departamento de Derecho Internacional & OAS. 2008. *Estudio Final: Paraguay*. http://www.oas.org/juridico/spanish/agendas/estudio_final_paraguay.htm

The Economist. 2012. *Gini Back in the Bottle*. <http://www.economist.com/news/special-report/21564411-unequal-continent-becoming-less-so-gini-back-bottle>

Embassy of the United States Asuncion, Paraguay. 2015. *Volume II: Money laundering and financial crimes*. http://paraguay.usembassy.gov/volume_2.html

Freedom House. 2015. *Freedom in the World: Paraguay*. <https://www.freedomhouse.org/report/freedom>

[world/2015/paraguay](#)

Galeano Monti, J. 2012. *Lo que leemos y creemos: Análisis de la información de la prensa escrita paraguaya durante el golpe de estado parlamentario a Fernando Lugo*. Revista Paraguay Desde Las Ciencias Sociales, (1), 79-91.

Gephart, M. 2012. Contested Meanings of Corruption: International and Local Narratives in the Case of Paraguay. GIGA Working Papers, (191), 1-31.

Gobierno Abierto Paraguay. 2016. *Logros y desafíos de Gobierno Abierto*. <http://www.gobiernoabierto.gov.py/logros-2015-desafios-2016>

Gonzalez Maldonado, M. A. 2015. La contratación pública en Paraguay. Aletheia, Cuadernos Críticos Del Derecho, (1).

Hetherington, K. 2011. *Guerrilla Auditors: The Politics of Transparency in Neoliberal Paraguay*. Durham: Duke University Press.

Howard, A. 2009. Saying No to Soy: The Campesino Struggle for Sustainable Agriculture in Paraguay. *Monthly Review*, 61(2). <http://monthlyreview.org/2009/06/01/saying-no-to-soy-the-campesino-struggle-for-sustainable-agriculture-in-paraguay/>

Igarapé Institute & The International Security Sector Advisory Team. 2015. Paraguay Country Profile. <http://issat.dcaf.ch/Learn/Resource-Library/Country-Profiles/Paraguay-Country-Profile>

International Rivers. 2015. Yacyretá Dam. <https://www.internationalrivers.org/es/campaigns/yacyreta/C3%A1>

Iturburu, M. 2014. *Diagnóstico institucional del servicio civil en América Latina: Paraguay* (Publication No. IDB-TN-675). Washington DC: Inter-American Development Bank.

Jännefelt, P. 2013. *¿Una democracia transparente? La destitución del ex presidente Fernando Lugo en Paraguay?* Institutionen För Spanska, Portugisiska Och Latinamerikastudier. <http://su.diva-portal.org/smash/get/diva2:629503/FULLTEXT01.pdf>

Kaufmann, D. & Kray, A. 2015. 2015 Worldwide Governance Indicators. <http://info.worldbank.org/governance/wgi/index.aspx#home>

La Nación (Paraguay). 2016. *Conmebol: Fiscalía reitera que soborno privado no es delito en Paraguay*. La Nación (Paraguay). <http://www.lanacion.com.py/2016/01/08/conmebol-fiscalia-reitera-que-soborno-privado-no-es-delito-en-paraguay/>

Lafuente, M. & Schuster, C. 2014. *Estrategias para la profesionalización del servicio civil: Lecciones aprendidas del caso paraguayo*. (Publication No. IDB-TN-687). Washington DC: Inter-American Development Bank.

Lambert, P. 2012. The Lightning Impeachment of Paraguay's President Lugo. E-International Relations RSS. <http://www.e-ir.info/2012/08/09/the-lightning-impeachment-of-paraguays-president-lugo/>

Latinobarómetro Corporation. 2015. Latinobarómetro 2015. <http://www.latinobarometro.org/lat.jsp>

Lezcano F, J. C. 2015. *Corrupción e irregularidades reinan en las universidades del interior*. ABC Color. <http://www.abc.com.py/edicion-imprensa/notas/corruptcion-e-irregularidades-reinan-en-las-universidades-del-interior-1411111.html>

Mello Sant'Anna, F. & Villar, P. C. 2015. *Gobernanza de las aguas transfronterizas: Fragilidades institucionales en América del Sur*. América Latina Hoy, 69. <http://dx.doi.org/10.14201/alh2015695374>

MESICIC. 2012. Republic of Paraguay: Final Report (Rep. No. SG/MESICIC/doc.334/12 rev. 4). Washington DC: Organization of American States.

Ministerio de Hacienda. 2015. *Modelo estándar de control interno del Paraguay*. <http://www.hacienda.gov.py/web-hacienda/index.php?c=463>

Monroy, G. & Aguirre, L. 2012. *Perfil de la unidad fiscal especializada de delitos económicos y anti-corrupción* (Serie Conociendo las Instituciones Públicas Relacionadas a la Tributación, Publication No. 3). Asunción: Ministerio de Justicia and Proyecto Alianza Ciudadana para la Transparencia y el Desarrollo Paraguay.

Nickson, A. 1997. Corruption and the Transition. In P. Lambert & A. Nickson (Eds.), *The Transition to Democracy in Paraguay*. New York: St. Martin's Press.

Nickson, A. & Lambert, P. 2002. State Reform and the 'Privatized State' in Paraguay. *Public Administration and Development*, 22(2), 163-174.

Open Society Foundations. 2011. Pretrial Detention and Torture: Why Pretrial Detainees Face the Greatest Risk (Rep.). <https://www.opensocietyfoundations.org/sites/default/files/pretrial-detention-and-torture-06222011.pdf>

Ordóñez, D. 2014. Euler Hermes Economic Research (Rep.). <http://www.eulerhermes.com/mediacenter/Lists/mediacenter-documents/Country-Report-Paraguay.pdf>

Paraguay.com. 2011. *Para sindicalista, Lugo es "cómplice" de la corrupción en Itaipú*. Paraguay.com. <http://www.paraguay.com/nacionales/para-sindicalista-lugo-es-complice-de-la-corrupcion-en-itaipu-71707>

Paraguay Ñande Retá. (2014, January 13). *Diputada anuncia que urgirá conformación de nueva terna para elegir Defensor del Pueblo*. Paraguay Ñande Retá. <http://www.paraguaymipais.com.ar/paraguay/diputada-anuncia-que-urgira-conformacion-de-nueva-terna-para->

elegir-defensor-del-pueblo/

Peris Castiglioni, C. & Cerna Villagra, S. 2015. "Insecure, poor and happy." Private security in response to increased perception of insecurity in Paraguay. *Revista Mexicana De Análisis Político Y Administración Pública*, 4(1), 85-102.

Reporters Without Borders. 2015. 2015 World Press Freedom Index.
<https://index.rsrf.org/#!/index-details/PRY>

Rueda, R. 2013. *El lavado de dinero como hecho punible*. ABC Color.
<http://www.abc.com.py/edicion-impres/suplementos/judicial/el-lavado-de-dinero-como-hecho-punible-598017.html>

Schembori, M. (Director), Rivarola, M. (Writer) & Figuéres, A. (Producer). 2012. *País integro, país digno* [Television broadcast]. In *País Integro, País Digno*. Asunción: 2 Red Guaraní.
http://www.youtube.com/watch?v=dYAC_AgrEA4

Schuster, J. 2013. *Clientelismo y el juego político de profesionalizar el empleo público en Paraguay*. Working paper. Asunción: CADEP.

Schwab, K. (Ed.). 2014. The Global Competitiveness Report 2014–2015 (Rep.).
http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2014-15.pdf

Secretaría Nacional Anticorrupción. 2014. *La SENAC*.
<http://www.senac.gov.py/pagina/2-la-senac.html>

Segovia, D. 2013. *Paraguay 2013: Los medios y el consenso reaccionario*. Perspectiva, (13). Semillas para la Democracia. (2015, July). Los problemas del financiamiento político en Paraguay y las urgentes reformas -y no reformas- de la ley.

Sosa, R. 2014. *Estudios coinciden en que evasión fiscal del Paraguay ronda el 40%*. ABC Color.
<http://www.abc.com.py/edicion-impres/economia/estudios-coinciden-en-que-evasion-fiscal-del-paraguay-ronda-el-40-1236121.html>

Straub, S. 2015. The Story of Paraguayan Dams: The Long Term Consequences of Wrongdoing in Procurement. In S. Rose-Ackerman & P. Lagunes (Authors), *Greed, Corruption, and The Modern State: Essays in Political Economy* (pp. 161-179). Cheltenham, UK: Edward Elgar Publishing.

Spanjer, J. & Kar, D. 2015. Illicit Financial Flows from Developing Countries: 2004-2013 (Rep.). *Global Financial Integrity*.
<http://www.gfintegrity.org/report/illicit-financial-flows-from-developing-countries-2004-2013/>

Telesur. 2015. *Paraguay: Universitarios protestan contra corrupción financiera*. Telesurtv.net.
<http://www.telesurtv.net/news/Paraguay-universitarios-protestan-contra-corrupcion-financiera-20150925-0082.html>

Transparency International. 2013. Global Corruption Barometer 2013: Paraguay.
<http://www.transparency.org/gcb2013/country/?country=paraguay>

Transparency International. 2016. Corruption Perceptions Index 2015.
<http://www.transparency.org/cpi2015#map-container>

Turner, B. 2014. *Paraguay: la vuelta del partido Colorado al poder*. *Revista De Ciencia Política* (Santiago) Rev. Cienc. Polít. (Santiago), 34(1), 249-266.
<http://dx.doi.org/doi:10.4067/s0718-090x2014000100012>

Última Hora. 2008. *Brasil apañó la corrupción en Itaipú*. Última Hora.
<http://www.ultimahora.com/brasil-apano-la-corrupcion-itaipu-n172929.html>

Última Hora. 2009. *Jóvenes de izquierda usaron siete vehículos de las FFAA*. Última Hora.
<http://www.ultimahora.com/jovenes-izquierda-usaron-siete-vehiculos-las-ffaa-n222153.html>

Última Hora. 2015. *Defensor del Pueblo otorgó llamativas gratificaciones a 40 funcionarios*. Última Hora.
<http://www.ultimahora.com/defensor-del-pueblo-otorgo-llamativas-gratificaciones-40-funcionarios-n940484.html>

Última Hora. 2016. *Más de 200 concejales no presentaron declaración*. Última Hora.
<http://www.ultimahora.com/mas-200-concejales-no-presentaron-declaracion-n965419.html>

United Nations Development Programme & Vos, J. 2011. *Fighting Corruption in the Water Sector: Methods, Tools and Good Practices*.
<http://www.undp.org/content/dam/undp/library/Democratic%20Governance/IP/Anticorruption%20Methods%20and%20Tools%20in%20Water%20Lo%20Res.pdf>

United Nations Development Programme. 2016. *Human Development Reports: Paraguay*.
<http://hdr.undp.org/en/countries/profiles/PRY>

United States Department of State. 2014 *Country Reports on Human Rights Practices: Paraguay*.
<http://www.refworld.org/docid/559bd54812.html>

USAID & Consejo Presidencial de la Modernización de la Administración Pública. 2008. *Manual de ética pública*. República de Paraguay, Instituto Nacional de Tecnología, Normalización y Metrología, Consejo Presidencial de la Modernización de la Administración Pública.

Versteegh, A. & International Press Institute. 2010. *Paraguay: Journalists Face Intimidation and Harassment from Corrupt Officials and Criminal Leaders*.
<http://www.freemedia.at/newssview/article/paraguay.html>

World Bank & International Finance Corporation. 2010. *Paraguay Country Profile 2010* (Rep.).

<http://www.enterprisesurveys.org/~media/GIAWB/EnterpriseSurveys/Documents/Profiles/English/paraguay-2010.pdf>

“Anti-Corruption Helpdesk Answers provide practitioners around the world with rapid on-demand briefings on corruption. Drawing on publicly available information, the briefings present an overview of a particular issue and do not necessarily reflect Transparency International’s official position.”