



## Paraguay and Millennium Challenge Corporation: Combating Corruption by Strengthening the Rule of Law and Building a Transparent Business Environment

Paraguay has an estimated 300,000 registered taxpayers, of whom only 1,500 actually paid taxes in 2004. Additionally, smuggling is a rampant problem, as is the length and cost of the business registration process. Paraguay signed a \$34.65 million Millennium Challenge Corporation Threshold program to initiate a multi-sectoral attack on corruption and create conditions conducive to economic growth and business development in Paraguay.

### Threshold Program Overview

The Government of Paraguay has requested MCC assistance to fund ten specific initiatives in two broad areas over 24 months, highlights of which are listed below:

#### Strengthening the Rule of Law:

##### *Increase the Investigative Capability of the Public Ministry (equivalent to U.S. Department of Justice)*

- Modernize and strengthen technical, scientific, and human resources in the Public Ministry.
- Produce more reliable evidence through specialized analysis.
- Strengthen safeguards for the handling and storage of evidence.

##### *Increase the Capacity of the Judiciary Disciplinary System*

Strengthen the Supreme Court's Superintendence Council ( Consejo de Superintendencia ) through the creation of a system of internal controls and disciplinary measures to hold those involved in corruption accountable.

##### *Strengthen Internal Government Auditing Systems and Civil Society Participation in Oversight Activities*

- Adopt an efficient and transparent internal and external control system in the Controller General's Office.
- Promote oversight activities carried out by citizen watchdog groups.

***Improve and Protect Integrity of Documents held in the Public Registry***

- Network and integrate the databases of the Motor Vehicles Registry, the Judiciary Court Records Registry and the Department of Identification of Persons Registry.
- Strengthen the System of Registration and Identification of Persons to maintain a more reliable system of personal identification.

***Increase Transparency and Effectiveness of Public Finance Legislative Oversight***

- Improve the efficiency and transparency of Congress's system of analysis and oversight of budgetary executions by public entities.
- Make information more accessible to the public in order to promote citizen oversight.
- Establish mechanisms that promote coordination on public budget oversight among Congress, other branches of government, the Controller General's Office, and interest groups from civil society.
- Increase the ability of members of Congress to represent the interests of their electoral constituencies in public budget issues.

**Building a Transparent Business Environment:*****Increase Operational Efficiency and Transparency of Government Tax Authority***

- Simplify, standardize, and expand the use of documents verifying sales in order to reduce informal business transactions and increase tax payment compliance.

***Strengthen Border and Customs Controls***

- Improve land and river border patrolling by creating a special rapid deployment unit.
- Monitor goods being transported within the national borders, through a system that will deter the smuggling of contraband.

***Increase the Ministry of Finance's Internal Investigation Capabilities***

- Develop and strengthen the agencies tasked with investigating customs fraud.

***Design and Implement "One Stop Shops" and Call Centers to Facilitate the Legal Establishment of New Businesses***

- Facilitate the legal establishment of new businesses and regularization of unregistered businesses.

***Promote Investment in Maquilas (duty-free assembly for re-export).***

- Formalize the registration of business in the tri-state region (border area where Brazil, Argentina and Paraguay meet) through the maquila regime. Maquilas are businesses with low cost structures, simplified businesses processes, and international customers.

**Expected Results:****Fighting Corruption**

- Increase the percentage of disciplinary measures, cases and accusations investigated and submitted to the Public Ministry and the Jury for the Prosecution of Magistrates
- Increase the number of audits yielding punishable offenses or administrative misconduct that are submitted and investigated by the Public Ministry and Congress
- Achieve a level of 20 public agencies subject to the budget execution and legislative oversight system from a current baseline of zero

**Business Development**

- Reduce from 74 to 36 the number of days to start a business.
- Increase from 38 to 53 the number of maquilas installed as a consequence of promotion activities.