

Attachment 1

Transparency and Accountability in Political Finance in Paraguay

Program Description

1. Background

The main goal of USAID/Paraguay's CDCS is to create "a more prosperous, well-governed democracy in Paraguay." This project aligns directly with the Mission's DRG strategy, which focuses primarily on improving the government's effectiveness by developing its institutional capacity and increasing accountability mechanisms, shifting the incentive structure and reducing opportunities for corruption. Once properly enforced, the Political Finance law will prove to be an effective mechanism to deter the prevailing corruption and patronage that currently undermine support for democracy in Paraguay. The current work under our DRG program with the Ministry of Finance and the Comptroller General will complement activities under the proposed project. The Mission is also currently working with the Electoral Tribunal in a project that seeks to facilitate the inclusion and participation of people of disabilities during elections, which will facilitate the start-up of the proposed project.

Paraguay's first Political Finance Law was enacted in 2012, with support from USAID/Paraguay's DRG program. The law sets forth limits to individual and corporate contributions and subsidies, mandates ceilings on electoral expenses, and includes reporting requirements for increased accountability. This important law has been only partially enforced due to the lack a comprehensive oversight system to enforce existing sanctions.

Under this program, the grantee will work with the Electoral Tribunal and other public institutions to develop and implement an improved regulatory framework to ensure proper enforcement of the Political Finance law. The project will place a strong emphasis on gender equality and citizen participation.

Paraguay's Electoral Code, which dates back to 1996, sets forth a quota for women's participation, mandating a minimum of 20% women candidates in the closed lists presented by political parties. Unfortunately, this legal mandate is not always complied with, nor is it enforced. Furthermore, when complying with this quota, political parties include women candidates towards the end of the list; which means that women have far less chances of actually making it into the legislative bodies. A recent UN Women assessment on the Electoral Political Participation of Women in Paraguay¹, has noted the need for an incentive structure to promote

¹ Electoral Political Participation of Women in Paraguay. UN Women, February 2015.

<http://lac.unwomen.org/~media/field%20office%20americas/documentos/publicaciones/diagnostico%20participacion%20politica%20electoral%20de%20las%20mujeres.pdf>

the political participation of women, and the commitment of political parties to their participation.

Furthermore, the Political Finance Law requires political parties to allocate 30% of the State's contribution to civic education. Unfortunately, there are currently no oversight mechanisms or sanctions for lack of compliance with these requirements. Under this program, the grantee will work with the Electoral Tribunal and other public institutions to develop the incentives that will lead political parties to comply with the law.

Paraguay's current thrive for transparency is the result of a lead ruling by the Supreme Court that recognized access to public information as a fundamental right, and the subsequent passing of a Freedom of Information Law. These events triggered unparalleled civil society oversight of public accounts, and laid the ground for more reforms. A recent change in leadership at the Electoral Tribunal, with a strong commitment to transparency, lays the ground for an effective enforcement of the Political Finance Law. Coincidentally, civil society has become increasingly frustrated with the dealings of political parties, and their lack of transparency and accountability to constituents. The project will aim to shift the incentive structure to make sure everyone plays by the rules. Given Paraguay's upcoming elections scheduled for 2018 and the unprecedented political and social environment, the time is ripe for to implement sustainable reforms in the area of political party financing. The government's commitment to freedom of information and transparency, and civil society is avid at conducting oversight and denouncing corruption will facilitate the implementation of the project. Once properly enforced, this law is meant to become a fundamental tool to eliminate opportunities for corruption. Additionally, political finance reforms are essential to sustaining other reforms currently taking place in Paraguay.

2. Objective

The objective of the project is to support the Paraguayan Electoral Tribunal and select public institutions in implementing and enforcing the political finance law. Using state of the art technology, and building on the current political openness to greater transparency and a robust civil society outcry, the program aims at increasing accountability and oversight to reduce opportunities for corruption, resulting in stronger support for democracy.

3. Illustrative Activities

To achieve the overall objective of implementing and enforcing a regulatory framework for the Political Finance Law, the Grantee will support the Paraguayan Electoral Tribunal to engage key public and private sector players in a collaborative effort for advancing electoral reforms. Implementation of activities will be divided into a three-pronged approach following the electoral timeline for the Paraguayan General Elections scheduled for April, 2018 (pre-election, election, and post-election periods).

The following are illustrative activities:

a) Regulatory framework

The Grantee will provide technical assistance to the Paraguayan Electoral Tribunal to establish the necessary requirements, procedures and mechanisms to oversee accounting, reporting, banking, internal controls and auditing, among others, of political parties and candidates. To this extent, the Grantee will conduct a thorough analysis of existing regulatory gaps, current legislative proposals to reform the Political Finance Law, and of needed procedures for full implementation of the Law. Based on this analysis, the Grantee will support the Electoral Tribunal in developing regulatory procedures and norms in a participatory manner, engaging political parties, Congress, the academia, civil society organizations, and other relevant stakeholders.

b) Incentives for gender equality

The Grantee will provide technical assistance to the Electoral Tribunal to develop a proper incentive structure to ensure women's participation under equal conditions. By linking the women's quota to the transfer of subsidies set forth in the Political Finance Law, the project can help the Electoral Tribunal enforce gender equality regulations. The Grantee will support the Electoral Tribunal in establishing a system/procedure whereby the transfer of subsidies for political parties is subject to the party's compliance with the women's representation quota. Additionally, the Grantee will support civil society engagement to raise awareness on the importance of women participation, and to foster citizen oversight of compliance with the quota.

c) Enforcing and coordinating mechanisms

The Grantee will strengthen the Electoral Tribunal's recently created Specialized Unit for Political Finance. This Specialized Unit is charged with enforcing the law, in coordination with the Central Bank, the Ministry of Finance, the Comptroller General, the Anti-Money Laundering Secretariat, and the Prosecutor's Office.

For the implementation of regulations and norms, the Grantee will take a unique and innovative approach using technology and information to improve decision making, enforcement and oversight of political finance. The Grantee will support the development of an on-line platform managed by the Specialized Political Finance Unit at the Electoral Tribunal, which will serve as a one-stop shop to access information for enforcement and policy research purposes. This tool will be used by political parties and candidates to comply with the law's reporting requirements. The platform will be linked to other public databases, such as those of the Central Bank, the Ministry of Finance and the Anti-Money Laundering Secretariat, to match financial records. The Grantee will facilitate regular coordination among the above-mentioned public to facilitate the exchange of information that will allow for an effective enforcement of the law. Training on the

use of this tool will be provided to Electoral Tribunal staff, as well as representatives from key public offices and political parties.

d) Civil Society Participation

The Grantee will engage civil society organizations, think tanks, the media, and political parties, in an open dialogue to raise awareness on the importance of political finance regulations and to support proper implementation of the law. The Grantee will also facilitate discussion and understanding of political finance technical issues, such as subsidies and accountability, among political parties the academia, and investigative journalists. Special attention will be given to engaging women and young voters in these discussions, and exploring incentives to increase women's representation and voters' civic education. In preparation for the general elections to be held in April 2018, the project will support civil society oversight of the law's compliance, using data available through the online portal.

e) Transparency and access to information.

The Grantee will take advantage and leverage Paraguay's increasing demand for access to information and the continuous commitment from the GOP to transparency and open government. The Grantee will support the Electoral Tribunal in complying with Paraguay's access to information law, by proactively making available to the public information on political finance in open data formats. In addition, the project will support the Tribunal in presenting information to the public, conducting rendering of accounts activities, and extending transparency efforts to political parties and candidates.