



TOBATÍ, PARAGUAY

### EVALUATION OF VULNERABILITIES TO CORRUPTION

REPORT

#### INTRODUCTION

The International Republican institute is a nonprofit and nonpartisan organization based in Washington DC. IRI Works with civil society and government around the world to strengthen democratic institutions and empower emerging leaders. With the help of the National Endowment for Democracy (NED), IRI created a Vulnerabilities to Corruption Assessment (VCA) to help local governments identify administrative weaknesses that may lead to corrupt practices as a first step towards improving transparency and accountability at the municipal level.[[1]](#footnote-2)

Paraguay has made remarkable progress in consolidating democracy since the 1992 transition. However, corruption remains a serious challenge that weakens the rule of law and limits the country's development potential.[[2]](#footnote-3) Since 2017, IRI has been supporting six municipalities in the Central Department in diagnosing administrative weaknesses and supporting public management capacities. For this project, the Institute has partnered with the Paraguayan Institute for the Consolidation of the Rule of Law (ICED). In 2019 it decided to extend support to municipalities in other departments, starting with the application of the VCA to identify and address possible vulnerabilities to corruption.

The municipality of Tobatí is located in the department of Cordillera, 60 kilometers east of Asunción, the capital of Paraguay. The population is around 32,000[[3]](#footnote-4), which makes it the second largest in the department. The main industries of the municipality are building materials, the most important of which are the olive groves dedicated to the production of bricks and tiles, as well as agriculture and handicrafts. As in the rest of the Paraguayan municipalities, the municipality receives funds from the State through two main sources: FONACIDE and royalties, although it also raises its own funds, mainly through the real estate tax and commercial patents.

#### METHODOLOGY

This evaluation represents the results of a visit by a three-member team composed of IRI's Washington-based Governance Manager and two ICED municipal management experts based in Asunción. On July 15th and 18th, the team interviewed a total of 12 people, seven of whom were women. The interviewees included local government representatives, municipal employees, civil society organizations (CSOs) and representatives of the productive sectors. Four individual and one group interviews were conducted in Spanish. The interview protocol used for this evaluation is based on a similar methodology successfully used by IRI in Mongolia, Indonesia, Ukraine, Ecuador, El Salvador and Tunisia.

IRI determined the scope of this evaluation in association with ICED. Prior to carrying out the assessment mission, IRI conducted a brief political economy analysis at the municipal level in order to identify windows of opportunity as well as possible bottlenecks for reform. The fieldwork was subsequently completed by sending additional questions to municipal staff.

#### PROGRAM CONTEXT

IRI has carried out governance-related programming in Paraguay since 2017. At the beginning of the program, IRI developed a scoring system to identify strengths and weaknesses of certain municipalities in Paraguay's Central Department in the following areas: 1) rule of law; 2) public administration; 3) transparency; and 4) citizen participation and accountability. IRI and ICED then worked with the municipalities of Ñemby, Guarambaré, Itauguá, Capiatá, Fernando de la Mora, and Ypacaraí through a municipal technical assistance program to address these weaknesses and risks.

Potential public administration reforms introduced through the lessons learned are expected to signal to businesses, firms, and investors that a municipality has a governance infrastructure to prevent and combat corruption and cronyism, ensure that public resources are invested responsibly, engage communities and the private sector in policy dialogue, and participate in planning and decision-making processes.

#### FINDINGS AND RECOMMENDATIONS

##### Principle Strengths

1. ***In general, the administrative and financial processes, including public procurement, are functioning satisfactorily.*** Most interviewees, including opposition council members, agreed that there are no major problems with the way the municipality is managed. Many of them agree that the mayor is open to trying to solve citizens' problems and value their efforts to improve things.

##### Principle Vulnerabilities

1. ***Management of the collection of municipal taxes.*** While the municipality of Tobatí is making efforts to improve tax collection, the mismatch of cadastral information and the culture of avoiding payment means a significant loss of state resources. On the other hand, it seems that the exemption from fines and the reduction of the taxes owed, although they are a prerogative of the mayor, they are all carried out ad hoc. This could generate comparative grievances and lead to possible favoritism if there is not enough transparency. In addition, there have been allegations of cases of bad procedures in municipal land leases.
2. ***Effective enforcement of ordinances***.Although Tobatí complies with national standards for accountability, some interviewees lack a similar zeal for the effective implementation of municipal ordinances. One of the reasons for this insufficient enforcement is the accountability process itself which requires the submission of 95 forms per year. The municipality does not carry out public announcements or advertising campaigns on municipal procedures but publishes them through the municipality's social networks pages.
3. ***Information asymmetries.*** According to the description of several interviewees on the requirements for access to investment projects financed by the municipality, there are important information asymmetries that can affect the integrity of the process. On the one hand, some habitual beneficiaries consider the necessary formalities very onerous, and regret that the forms change from year to year. On the other hand, it seems that there are no public calls that allow all citizens to know the existence of these opportunities. Despite the administration's efforts to help applicants, situations of comparative grievance may arise between neighbors, which ultimately result in decisions that suffer from favoritism, albeit involuntary.
4. ***Inadequacy between personnel and positions.*** Some of the key positions in the municipal organization chart, such as the production and environment secretary, are occupied by people who do not have the appropriate technical background to hold the position. Beyond the opportunity cost of not having an agronomist who could offer sustained technical assistance to local farmers, for example, this mismatch between profiles and roles contributes to mistrust among citizens, which can exacerbate perceptions of corruption. This is also influenced by the limited budget available to the municipalities, which often does not allow them to hire professionals in the area.

##### Recommendations

1. **Take advantage of the opportunities for improving tax collection by the signing of the agreement offered by the Ministry of Finance**. By signing the exchange agreement between the Secretary of State for Taxation, (SET) the Ministry of Finance, and a group of municipalities, including Tobatí, the municipality can adapt its strategy to improve tax collection in areas such as real estate and commercial patents.
2. **Continue to experiment with and measure the effectiveness of the measures implemented to encourage tax payments.** Tobatí has introduced innovative mechanisms to encourage the payment of taxes. It would be positive to analyze and detail the impact of the measures taken, as well as experiment with alternatives such as introducing different messages and testing their effectiveness. These experiments have been carried out in other countries with very interesting results. Likewise, any measure that alleviates the economic burdens of taxpayers must be effectively and equitably publicized in its application.
3. **Open project concessions to all citizens.** Information regarding the opportunities for access to funds that neighbors may receive must be public. The municipality should publicize the terms, amounts, requirements, etc. Active transparency is more effective in facilitating citizens' access to information that is relevant to them.
4. **Review existing transparency and accountability mechanisms, such as public hearings.** To maximize their impact, some of the current initiatives to promote transparency and accountability should be strengthened. For example, public hearings could include national institutions such as Educational Supervision, or non-governmental actors such as associations receiving investment projects financed by the municipality. This allows citizens to have an overview of the initiatives and investments that take place where they live. They should also follow a set schedule at the beginning of the year and make their results available on the city's website.
1. The VCA is a methodology developed by IRI that supports local efforts to improve open government and the fight against corruption by partnering with local leaders through a steering committee composed of government and civil society representatives. The VCA identifies administrative gaps that may lead to fraudulent practices in government processes and supports government responses to these problems. It comprises four steps: explore, evaluate, enact, and display. This report represents the outcome of the evaluation step. [↑](#footnote-ref-2)
2. Paraguay ranks 132nd in Transparency International's 2018 Corruption Perceptions Index. [↑](#footnote-ref-3)
3. 26,625 inhabitants according to the 2002 census of the General Directorate of Statistics, Surveys and Censuses. [↑](#footnote-ref-4)