



OECD Public Governance Reviews

Paraguay

PURSUING NATIONAL DEVELOPMENT THROUGH INTEGRATED PUBLIC GOVERNANCE



OECD Public Governance Reviews: Paraguay

PURSuing NATIONAL DEVELOPMENT
THROUGH INTEGRATED PUBLIC GOVERNANCE

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Foreword

Paraguay has become one of the most dynamic economies on the continent, with annual economic growth rates well above the OECD and Latin American averages. Thanks to a strong macroeconomic performance and to important structural reforms, many Paraguayans have overcome poverty and the size of the middle class has grown significantly.

Despite this important progress, the country remains highly unequal. Poverty is far from eradicated and more needs to be done to create well-paying, formal jobs for all Paraguayans throughout the country. The National Development Plan Paraguay 2030, adopted in 2014, provides the country with a long-term strategic development vision and clear policy objectives for reducing poverty, achieving inclusive economic growth and strategically integrating Paraguay into the international community. The National Development Plan recognises that addressing the most pressing socio-economic challenges requires an effective, efficient, strategic, open and transparent state. Paraguay now has the unique opportunity to consolidate past achievements and create a state that is capable of steering the country's development and achieving its long-term strategic vision of a more inclusive and sustainable Paraguay for all Paraguayans.

The Government of Paraguay asked the OECD to conduct a Public Governance Review to obtain practical peer-driven advice and recommendations for tackling key public governance barriers to inclusive and sustainable growth. The OECD carried out this Review in close co-ordination with its Multi-Dimensional Review of Paraguay. The recommendations in this PGR should thus be read together with those in the Multi-Dimensional Country Review to obtain a more integrated, coherent picture of the reform advice being offered to Paraguay by the OECD.

This Public Governance Review advises Paraguay to pursue a comprehensive public governance reform agenda to enhance the capacity of its centre of government in the areas of policy co-ordination, strategic planning and monitoring and evaluation. This will, in turn, support more strategic whole-of-government decision making. The Review recognises that important efforts have been made to link strategic planning to budgeting, and recommends building on these efforts by strengthening the links between the multi-year planning system and Paraguay's nascent results-based budgeting framework. The Review recommends that Paraguay develop and implement an integrated decentralisation strategy in order to address acute regional disparities and to make sure that all Paraguayans benefit from economic growth. It commends Paraguay on progress made in implementing human resources management reforms and advises on how to pursue the professionalization of a merit-based, professional civil service. Finally, the Review recognises that reforms have been undertaken to foster open government, including the adoption of legislation on access to information, and recommends that Paraguay pursue its ambitious agenda to move toward becoming a more "open state".

This Review is one in a series of Public Governance Reviews carried out in member and partner countries, conducted under the auspices of the OECD's Public Governance Committee and managed by the Public Governance Directorate. The Directorate's mission is to help governments design and implement strategic, evidence-based, innovative policies to strengthen public governance and open government; to respond more effectively to diverse and disruptive economic, social and environmental challenges; and deliver on government's commitments to citizens, all through better governance systems that can lead to sustainable, inclusive economic and social development. This Review was produced with the generous financial assistance of the European Union¹.

Notes

1. The views expressed herein can in no way be taken to reflect the official opinion of the European Union.

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Table of contents

Executive Summary	11
Assessment and Recommendations.....	13
Chapter 1. Setting the scene: Good governance for a more sustainable and inclusive Paraguay	37
Chapter 2. Enhancing the strategic role of the Centre of Government of Paraguay	51
Chapter 3. Linking strategic planning to budgeting	77
Chapter 4. Multi-level Governance in Paraguay: reinforcing the territorial dimension for a more strategic administration	101
Chapter 5. Building a professional and performance-driven civil service	133
Chapter 6. Open Government in Paraguay	175

Figures

Figure 1.1. The strategic framework of Paraguay's National Development Plan	44
Figure 2.1. Centre of Government – Change in terms of size (staff numbers) between 2012-2016	54
Figure 2.2. Top responsibilities delegated to the centre of government across OECD countries	55
Figure 3.1. Percentage of OECD countries with MTEF in place	81
Figure 3.2. Budget calendar of Paraguay	85
Figure 3.3. Differences between the aggregated expenditure in the budget bill presented by the executive, the budget law approved by Congress, and actual expenditure (2013-2015).....	88
Figure 3.4. Example of expected results under the POI	93
Figure 3.5. Example of indicators under the POI	93
Figure 4.1. Population per departments (2015)	102
Figure 4.2. Population and density per departments (2015)	103
Figure 4.3. GINI, unemployment and poverty in departments (2016)	104
Figure 4.4. Paraguay's multi-level governance system	105
Figure 4.5. Paraguay Public Expenditure	107
Figure 4.6. Subnational government expenditure as a % of total Public Expenditure in OECD countries and Paraguay (2015)	108
Figure 4.7. Evolution of National Transfers to Departments and Municipalities 2013-2016 in millions of Guaraníes	111
Figure 4.8. Perceptions of co-ordination among public institutions, 2016.....	119
Figure 4.9. National Development Plan Paraguay 2030: strategic axes and transversal lines	122
Figure 4.10. Departmental and Municipal Development Councils (DMDCs)	123
Figure 5.1. Employment in public sector as a percentage of total employment, 2009 and 2014	136
Figure 5.2. Government expenditure by economic transaction as a share of total expenditures 2014	137
Figure 5.3. Legal map of the Public Service	140
Figure 5.4. Integrated system for Administrative Career (SICCA).....	141

Figure 5.5. Merit-based recruitment in the selection process.....	151
Figure 5.6. Groups hard to attract into the civil service (OECD 35, 2016).....	153
Figure 5.7. Merit and transparency of the promotion system (OECD 35, 2016)	154
Figure 5.8. Key factors affecting base salary in OECD countries.....	156
Figure 5.9. The ability, motivation and opportunity (AMO) model of performance	159
Figure 5.10. Training priorities in OECD countries.....	161
Figure 5.11. Objectives of mobility programmes (OECD 35, 2016)	163
Figure 5.12. Differences between the employment framework for senior managers and other civil servants	164
Figure 5.13. Classification of the highest hierarchical positions.....	165
Figure 5.14. Ensuring merit in political appointments of civil servants.....	165
Figure 6.1. Countries with and without official definitions of open government	179
Figure 6.2. The central role of an Open Government Strategy	181
Figure 6.3. The role of a National Open Government Strategy – providing the link between the NDP and the NAP	184
Figure 6.4. Responsibilities of the co-ordinating office	191
Figure 6.5 Hierarchical level of the horizontal co-ordination office	192
Figure 6.6. Mechanisms used to co-ordinate open government initiatives	194
Figure 6.7. Members of the horizontal co-ordination mechanism on open government.....	195
Figure 6.8. Countries that evaluate the impact of open government initiatives	199
Figure 6.9. The imaginary ladder of participation practices: Levels of stakeholder participation	203
Figure 6.10. The OECD Open State Approach	206

Boxes

Box 1. Recommendations on strengthening the Centre of Government’s co-ordination capacity.....	15
Box 2. Recommendations on linking national planning and budgeting	19
Box 3. Recommendations on decentralisation and multi-level governance.....	24
Box 4. Recommendations to strengthen the strategic management and planning of the government’s workforce.....	28
Box 5. Recommendations to broaden and deepen Open Government Policies and Frameworks ion Paraguay	33
Box 2.1. What is “whole-of-government”?.....	53
Box 2.2. Delivery units: Finding new ways to improve implementation.....	58
Box 2.3. Strategic Foresight in OECD countries.....	62
Box 2.4. Colombia’s superior councils: Institutional arrangements to assist integrated decision making	65
Box 2.5. Colombia’s SINERGIA	71
Box 3.1. OECD Budgetary Governance Principle 2	79
Box 3.2. OECD Budgetary Governance Principle 8	80
Box 3.3. French programme budgeting system.....	82
Box 3.4. International models of Performance Budgeting	84
Box 3.5. Tensions between branches of government: 2017 and 2018 presidential vetoes to the Budget Law	86
Box 3.6. Fiscal Rules in Paraguay	87
Box 3.7. Key challenges in implementing programme budgeting in OECD countries.....	91
Box 3.8. Key performance indicators and public policy	94
Box 3.9. Levels of development of medium-term budgeting.....	95
Box 3.10. The recently created Fiscal Advisory Council.....	96

Box 3.11. The Spanish Independent Authority for Fiscal Responsibility and its impact in revenue projection.....	99
Box 4.1. Paraguay's National Fund for Public Investment and Development (FONACIDE)	112
Box 4.2. Overview of fiscal equalisation systems in OECD countries	113
Box 4.3. Multi-level governance reform challenges	115
Box 4.4. The experimentation of asymmetric and gradual regionalisation in Sweden	116
Box 4.5. Main mechanisms for vertical and horizontal co-ordination in OECD countries.....	120
Box 4.6. Recommendation of the OECD Council on Effective Public Investment Across Levels of Government	125
Box 5.1. The SFP's Institutional Strategic Plan 2015-2019.....	139
Box 5.2. SFP's Personnel Management Index.....	142
Box 5.3. Piloting experiences in HR management system in Canada and The Netherlands.....	143
Box 5.4. Using HR networks to support the effectiveness of the civil service system in Poland	146
Box 5.5. Paraguay's administrative career	147
Box 5.6. National and Public Competition for induction into the Diplomatic Career in Paraguay	148
Box 5.7. Recruitment process through the <i>Paraguay Concursa</i>	149
Box 5.8. Selection commission for public competitions	150
Box 5.9. Promoting inclusive opportunities for people with disabilities in Poland	152
Box 5.10. Salary system in Paraguay	157
Box 5.11. Senior Civil Service Recruitment and Selection in Chile: <i>Sistema de Alta Dirección Pública</i>	166
Box 6.1. OECD work on Open Government in Paraguay	177
Box 6.2. Country examples of single official definitions of open government.....	179
Box 6.3. Provision 1 of the OECD Recommendation of the Council of Open Government	180
Box 6.4. Whole-of-government frameworks in Costa Rica and Ontario, Canada	183
Box 6.5. Provision 2 of the OECD Recommendation of the Council of Open Government	185
Box 6.6. Examples of bodies that provide oversight to transparency laws: Chile and Mexico	187
Box 6.7. The Colombian law for the promotion and protection of the right to democratic participation.....	188
Box 6.8. Provision 4 of the OECD Recommendation of the Council on Open Government.....	190
Box 6.9. Provision 3 of the OECD Recommendation of the Council on Open Government.....	196
Box 6.10. Provision 5 of the OECD Recommendation of the Council on Open Government.....	198
Box 6.11. Principles 6, 7 and 8.....	200
Box 6.12. Costa Rica's Transparency Index of the Public Sector.....	202
Box 6.13. Civic Participatory Service Design Team in Korea	205
Box 6.14. Provision 10 of the OECD Recommendation of the Council on Open Government.....	205
Box 6.15. ReAcción – Monitoring of government spending through access to information and open data	208

Executive Summary

The government of Paraguay has identified public governance reform as an important tool for implementing the objectives in its National Development Plan (NDP) “Building the Paraguay of 2030” (*Construyendo el Paraguay del 2030*). This multi-year, multidimensional strategic plan, formulated in 2014, aims to address the country’s key challenges and articulates the government’s strategic long-term development vision. The NDP frames the engagement of the executive branch with other levels of government, civil society, the private sector and the legislative and judicial branches. The NDP seeks to create a “democratic, supportive state, subsidiary, transparent and geared towards the provision of equal opportunities”.

This Public Governance Review examines governance reform themes identified as priorities by Paraguay for bolstering the state’s strategic agility to set, steer and operationalise its National Development Plan. These themes reflect the following considerations:

- Paraguay wishes to develop a whole-of-government vision for the country’s public sector that is shared by all ministries, secretariats, public companies and decentralised agencies.
- To date, Paraguay has not undertaken a comprehensive public administration reform programme with a holistic approach. In the past, reforms were implemented according to emerging needs and/or in the light of international commitments assumed by the government. Often, reforms were limited to the creation of bodies and agencies that could only address specific issues.
- An important number of institutions has been created since 1989; most remain relatively weak and cannot effectively exercise the role that the Constitution affords them. The government wishes to strengthen these institutions so that they can fulfil their mandates more effectively.
- The co-ordination of public policies among the branches of the state, within the executive branch, and with subnational governments needs to be improved. The government needs agile, efficient and politically viable mechanisms for public policy co-ordination.
- Paraguay has been characterised throughout its history as highly centralised, both politically and administratively.
- There is resistance by some institutions and political actors to move towards a modern, merit-based, transparent recruitment system for public servants. The government wishes to implement such a system throughout the public administration and at all levels of government.
- Creating a stronger and more resilient institutional framework at all the levels of the state for implementing laws, regulations and development strategies is a priority of the government. Such a framework could help prevent policy capture and ensure that institutions are not “overrun” by stakeholders with vested political and economic interests.

- Paraguay aims to create an administration that is focused on peoples' needs. The government acknowledged that in many sectors public servants still believe that they are the owners of public resources.

Taking into account these considerations, this Public Governance Review provides the following recommendations to the government of Paraguay:

- Enhance whole-of-government co-ordination efforts led by the centre of government, enabling it to articulate integrated, multi-dimensional policy responses to the increasingly complex challenges faced by the country and its people.
- Better link the budgeting process to different policy priorities, including the National Development Plan 2030, to ensure that reforms for inclusive growth are fully funded.
- Adopt a coherent, strategic approach to regional development through more effective decentralisation and better multi-level governance. Such an approach will help ensure that policies are tailored to the circumstances and conditions in different regions of Paraguay and meet citizens' needs across territories characterised by acute regional disparities.
- Move towards more modern human resources management practices so that the public service is able to address the specificities of the country's development challenges.
- Develop a more open, transparent, accountable and participatory government in order to ensure that policies adequately reflect the population's needs.

Taken together, the Review's assessments provide a coherent, holistic picture of the governance reform needs of the Paraguayan public sector. The Review includes detailed policy recommendations based on international best practices that, if implemented, would help Paraguay achieve its reform objectives and become a more modern, agile, effective and efficient state capable of designing and delivering better policies – through better governance – for better lives.

Assessment and Recommendations

Introduction

Paraguay, a landlocked country with a population of just under 7 million people, is situated in the heart of South America. One of the last of the continent's countries to overcome dictatorship, Paraguay began a slow move towards democracy in 1989. Notwithstanding Paraguay's difficult past, the country has become one of the most dynamic economies in the region, with annual growth rates well above the OECD and Latin American averages. Thanks to a strong macroeconomic performance and to important structural reforms, many Paraguayans have overcome poverty and middle classes have started to emerge.

The country remains highly unequal, however; poverty is far from eradicated and more needs to be done to create well-paying formal jobs for all Paraguayans. Paraguay's National Development Plan (NDP) 2030, adopted in 2014, highlights these challenges and provides the country with a long-term strategic development vision. Addressing the country's most pressing socio-economic challenges and achieving the NDP's vision require an effective, efficient, strategic, open and transparent state.

In recognising this, the Government of Paraguay asked the OECD to conduct a Public Governance Review (PGR) to obtain practical advice and recommendations to support its efforts in tackling key public governance barriers to inclusive and sustainable growth. The PGR identifies key aspects of public governance that the Government of Paraguay has deemed important to achieve its vision and that need to be addressed in order to create a public administration that can deliver inclusive growth results for all.

The PGR discusses ways to enhance **whole-of-government co-ordination** efforts led by Paraguay's centre of government in order for the CoG to articulate integrated multi-dimensional policy responses to the increasingly complex challenges the country and its people are facing. It discusses the need for a **better connection between the budgeting process and Paraguay's different strategic policy agendas**, including the National Development Plan 2030, in order for the country to adopt and implement reforms for inclusive growth that are fully funded. The PGR highlights the need for a greater focus on a **coherent, strategic approach to regional development** and **better multi-level governance** to ensure that policies are tailored to the circumstances and conditions in different regions of Paraguay and can actually meet citizens' needs properly across territories characterised by acute regional disparities. It discusses Paraguay's need to broaden and deepen its strategy to move towards **more modern human resources management practices** to ensure that the civil service has the skills to address the country's development challenges successfully. It focuses on the need for a **more open, transparent, accountable and participatory government** to ensure that policies adequately reflect the population's needs.

Taken together, the PGR provide a coherent, holistic picture of the governance reform needs of the Paraguayan public sector. This integrated narrative includes tailor-made policy recommendations the implementation of which could contribute to Paraguay achieving its reform objectives while at the same time bringing the country closer to OECD standards.

Better planning and delivery through more integrated co-ordination led by the Centre of Government

Robust co-ordination to design and deliver multi-dimensional strategic policy is critical to addressing complex policy challenges successfully. To design effective whole-of-government strategy, OECD countries are strengthening the institutional and financial capacity of their Centre of Government (CoG), the body or group bodies that provide direct support and advice to the Head of Government and the Council of Ministers. **In OECD countries the CoG has progressively moved from providing administrative support to the President or Prime Minister to becoming a key player in multidimensional policy development with a mandate to ensure coherence in decision-making on policy design and implementation, and to provide evidence-based, strategic, coherent and timely advice to the Head of Government and the Council of Ministers.**

In Paraguay, the Centre of Government supports the President of the Republic and the Council of Ministers. The CoG not only refers to the Presidency itself but includes such key institutions as the Ministry of Finance, responsible for the National Budget, and the Technical Secretariat for Economic and Social Development Planning (STP), which plays a key role in developing and co-ordinating strategic planning. Additional ministries and secretariats play an important role in supporting whole-of-government policy co-ordination across administrative silos, such as the Ministry of Foreign Affairs and the Secretariat of the Public Service (*Secretaría de la Función Pública* - SFP).

Since 2014 Paraguay has made substantial progress in setting a long-term vision for the country through its *National Development Plan* as well as in enhancing the CoG's institutional and technical capacity to pursue its implementation. However, these can only be seen as first steps in a long process of changing institutional, cultural and political practices. **Paraguay's Centre of Government co-ordination capacity** needs to be assessed in the context of the organisation of the country's public administration, which **combines a highly centralized Presidency with an atomized, fragmented administration:**

- Indeed **the Presidency houses 22 executive secretariats** with ministerial rank and entities that report directly to the President. This is partly due to a decades-long accumulation of public bodies and entities responding to emerging needs and/or to give effect to international commitments, and to a lack of a normative legal/regulatory framework that would otherwise enable Paraguay to organise its public administration (e.g. a "*Ley de Ministerios*", legislation that guides the creation of ministries, etc.).
- Since the return to democracy in 1989, **no comprehensive public administration reform has been implemented.** The absence of such a framework has created gaps, overlaps and contradictions in the responsibilities and competences of ministries and secretariats while contributing to the institutional atomisation of the public administration. This has led to significant fragmentation of the Executive, which by definition magnifies co-ordination challenges.

- **Only a tiny number of the Presidency's 22 Executive Secretariats and entities perform tasks related to classic CoG responsibilities.** Most of the remaining Secretariats are responsible for sector-based operational policy themes, such as sports, culture, science and technology, refugees and repatriations which, while multi-dimensional in nature in some cases, load the Presidency with a huge number of transactional mandates which could be assigned to line ministries.

Hence the Presidency's current structure generates the need to expend substantive administrative energy on sector-specific activities, which detracts from its capacity to focus on high-level whole-of-government strategic co-ordination. OECD evidence suggests that governments tend to co-ordinate better when the presidency/prime minister's office plays a strategically agile whole-of-government role, focusing on medium-term strategic issues rather than solely on transactional policy implementation. **The Government of Paraguay could therefore consider streamlining the Presidency in order to create an agile structure oriented to the performing centre-of-government functions more effectively and efficiently.**

Box 1. Recommendations on strengthening the Centre of Government's co-ordination capacity (see the complete list of recommendations at the end of Chapter 2)

To strengthen the capacity of its CoG to lead and co-ordinate multi-dimensional, whole-of-government strategic policy design, planning, implementation and the monitoring and evaluation of policy performance, the Government of Paraguay could consider the following:

- ***Consolidate the Presidency's whole-of-government co-ordination mandate and capacity***, by transferring into the portfolio responsibilities of existing line ministries all units that do not contribute to its core mandate so that it can concentrate its responsibilities, resources, and efforts in sustaining effective whole-of-government coordination, integrated planning and strategic performance-monitoring.
- ***Strengthen capacity for high-level whole-of-government policy discussion and decision-making***, notably by:
 - Strengthening the Council of Ministers;
 - Merging the Social Cabinet and Economic Team into a National Economic and Social Development Cabinet, and mandating this merged Cabinet to act as the key strategic policy committee of the Council of Ministers;
- ***Strengthen inter-institutional co-ordination between CoG units to reinforce whole-of-government, integrated policy design, medium-term strategic planning and strategic performance-monitoring capacity***, in particular by:
 - Strengthening the newly created "Centro de Gobierno";
 - Engaging the Presidency/"Centro de Gobierno" more actively in coordinating the design and implementation of the National Development Plan and of national development strategies more generally, for instance by creating a NDP Co-ordination Technical Roundtable to sustain greater ongoing cooperation between the Presidency, the Centro de Gobierno, the

Ministry of Finance, the STP and the CoG technical/policy support units/secretariats currently serving the Social Cabinet and the Economic Team. This could encourage all these CoG entities to work together as a single team to support the President, the Council of Ministers and eventually this merged National Economic and Social Development Cabinet in pursuing integrated economic and social development in a way that reflects the strategic medium-term development objectives identified for the country in the NDP.

- ***Continue improving the CoG's strategic planning and monitoring and evaluation capacity***, in particular by:
 - Strengthening strategic foresight capacity within the CoG and the integration of its results into medium-term planning;
 - Strengthening monitoring and evaluation capacity within the CoG and across government, notably as it relates to assessing the performance of the NDP against its development outcomes for the country;
 - Articulating the next phases of a State Modernisation Agenda, and align this agenda with the National Development Plan.

Stronger linkages between strategic planning and budgeting to improve outcomes

The need to strengthen co-ordination capacity in the Centre-of-Government to lead the design, delivery and performance-monitoring of integrated, whole-of-government strategic planning **finds resonance in the assessment of the relationship between the Presidency and the Ministry of Finance in ensuring that the National Development Plan and the National Budget are fully aligned.** This alignment is a *sine qua non* condition for ensuring that the NDP can be implemented properly over time, and that spending decisions can be evaluated against the strategic development objectives identified in the Plan.

Paraguay has developed interesting practices to ensure alignment of annual budgets and capital expenditures with strategic policy objectives, such as the formulation of the NDP and its long-term planning horizon, reforms to the budget structure and setting annual targets at the institutional level. Despite these improvements, the country faces challenges respecting the sustainability of such reforms and the need to complement them with more developed performance-budgeting and medium-term budget frameworks.

The budget is a central policy document of the Government, showing how annual and multi-annual objectives will be prioritised and achieved through resource allocation. The budget is therefore a planning tool and a reflection of a government's priorities. It requires sound governance to make it efficient, strategic, clear, transparent, and trusted by citizens.

Improving the quality of public finance management to optimise the achievement of strategic national development objectives is a key challenge in Paraguay, as it is in many countries. **Paraguay has implemented several reforms in this field**, most notably the formulation of a national development plan with a long-term planning horizon, reforming the budget structure, and setting annual targets at the institutional level.

Despite these improvements, the government and civil society are concerned about the sustainability of such reforms, which could be bolstered with a robust medium term expenditure framework and performance budgeting tools. Paraguay could consider consolidating other inter-connected and mutually supportive elements of budgetary governance, such as inclusive, participative and realistic debate on budgetary choices, transparency, openness and accessibility of budget documents, citizen engagement, effective budget execution, fiscal risks and budgeting within fiscal objectives.

OECD countries have implemented different public finance management tools that contribute to the alignment of the budget with the strategic objectives of the government:

- **Most OECD countries have a medium-term expenditure framework (MTEF) in place.** A well-designed MTEF forces stakeholders to deal with the medium-term perspective of budgeting and budgetary policies rather than adopting an exclusively year-by-year approach. It provides greater assurance to policy planners about multi-year resource availability, and helps align these resources against the government's medium-term goals;
- **Most OECD countries have also undertaken reforms to ensure that budget allocations are organised and structured in a way that corresponds readily with strategic national development objectives.** In particular, some countries have introduced programme budgeting, structuring the budget by reference to functional and/or strategic programmes (as distinct from traditional financial “line items”, heads and subheads of expenditure) in order to focus more clearly on the impacts of public spending, and thus to promote closer linkages with medium-term planning and development objectives.

Paraguay has a budget-setting process that is clear and understood by relevant stakeholders. However, **Paraguay presents particular institutional arrangements that affect the credibility, transparency and sustainability of the budget document.** In particular, **the different roles and prerogatives of the Legislative and Executive Branches are not well-aligned**; these tend to undermine the predictability and efficiency of budget allocations. Indeed **the particular characteristics of the Budget process in Paraguay lead to substantial differences between the initial budget bill prepared by the Executive, the budget law approved by Congress, and actual expenditures.** This undermines the important advances made in linking the National Development Plan with the Budget.

The government of Paraguay has made significant efforts to restructure the budget document to strengthen the link with the Government's strategic objectives. **In 2014 the Government began implementing a “results-based planning system”** (*Sistema de Planificación por Resultados SPR*), where results are placed upfront in the planning process and are the basis for defining the combination of inputs, activities and productive processes best needed to obtain these results.

Currently, **the National Development Plan's 12 strategies are considered as budget programmes, which provide an estimate of the allocation of resources assigned to each strategy.** This new structure has helped reduce the number of budgetary programmes while improving their clarity, and has provided a clearer understanding of their links to and coherence with the NDP.

However, there is still space to improve the programme budgeting reform. Although there is a relation between the NDP's objectives and annual results and the annual budget, there is no relation between objectives and the financial allocation that would be assigned to them. In addition the medium term expenditure framework does not take into account targets or medium-term objectives identified in the National Development Plan.

One of the most challenging elements of budgetary governance is ensuring that public funds, once they have been allocated and spent, can be subject to ongoing monitoring and evaluation to ensure that value-for-money is being attained. Performance budgeting is a critical tool to improve the link between the Government's strategic objectives and the annual and multiannual budget process. A government's strategic objectives should be monitored and evaluated so that the Government and society as a whole can see the improvements achieved and implement corrective measures when needed.

However the monitoring and evaluation framework is not well defined in Paraguay. Both the Ministry of Finance and the STP have developed interesting initiatives to measure performance, but as pointed out in the section on CoG co-ordination, responsibilities are not clearly defined and co-ordination mechanisms are lacking. Furthermore, the new Council mandated by the NDP to evaluate performance of public programmes and institutions has not yet been created.

Developing a stronger medium-term dimension in the budgeting process (beyond the traditional annual cycle) is a key element to ensure that budgets are closely aligned with the medium-term strategic priorities of government. Medium-term expenditure frameworks (MTEFs) strengthen the ability of the Government in general, and the Ministry of Finance in particular, to plan and enforce a sustainable fiscal path. If properly designed, a MTEF should force stakeholders to deal with the medium term perspective of budgeting and budgetary policies rather than adopt an exclusively year-by-year approach.

Paraguay presents some of the basic foundations of medium-term budgeting. In particular, the Fiscal Responsibility Law (2013) provides a multi-annual perspective to the budget process. **That said:**

- **The MTEF is still embryonic.** The multi-annual expenditure ceilings are only used as a reference in the budget document. In practice, they are redefined each year by the Ministry of Finance during the annual programming phase.
- **Paraguay's Multiannual Financial Programming exercise does not take into account targets or medium term objectives linked to the long term strategic plan.** Although there is a relation between the objectives or annual results and the annual budget, there is no relation between objectives and the financial allocation that would be assigned to them. Expenditures are projected based on a comparative percentage increase, without a clear link with the National Development Plan.
- In countries with effective medium-term budgeting, medium-term projections of budget programmes are based on existing spending policies, together with the impact of proposed new budget policies, which are clearly linked to annual budgets, all on a programme basis. **However, in Paraguay, the government does not produce expenditure estimates for medium-term programs and investments;** expenditure priorities are studied only for the current budget year. In addition, the system used to program the annual budget is not linked to the multiannual framework programming exercise.

The credibility of the medium term expenditure framework is further challenged by the unlimited powers exercised by Congress during the budget approval phase.

Congress has unfettered powers to introduce substantive amendments to the budget bill submitted by the Executive, compromising fiscal sustainability, and reducing the credibility of the multiyear expenditure estimates.

To address these issues, Paraguay could consider strengthening the links between strategic planning and the budget's design and execution process, notably its programme-based budgeting methods, and align the planning horizon of the budget process more closely with that of the National Development plan.

Box 2. Recommendations on linking national planning and budgeting (see the complete list of recommendations at the end of Chapter 3)

To enhance the links between strategic planning and the budget-setting and execution process, Paraguay could consider the following:

- Increase transparency by informing citizens about the budget law, the differences with the budget bill presented by the Executive, the financial plan and actual expenditures.
- Promote a sustained, responsible engagement of Congress during the full cycle of the budget process.
- Link the national plan with institutional and sector plans (and the decentralisation framework – see recommendations below).
- Consolidate the “Results-Based Planning System” reform by strengthening the performance budgeting framework.
- Strengthen the Medium-Term Expenditure Framework.
- Make full use of the newly created Fiscal Advisory Council (FAC) to strengthen revenue projection estimates.
- Consolidate other inter-connected and mutually supportive elements of budgetary governance.

Design a regional development strategy and pursue it through effective decentralisation and multi-level governance

Driven by sustained economic growth, **Paraguay has significantly reduced income inequality over the past decade.** The GINI coefficient has dropped from above 0.5 in 2006 to around 0.48 in 2015 which, while slightly above the average in Latin America, is still high compared to the OECD average of around 0.32. The country has made substantial progress in reducing poverty; extreme poverty has decreased from 15% to 5.4% over the same period. **However, the country still displays territorial pockets of acute poverty:**

- **Rural poverty is almost double that in urban areas.** This disparity is aggravated in the case of extreme poverty, where in rural areas the figure is almost 7.5 times higher than that of urban areas.
- **Poverty rates differ significantly across Paraguay's 17 departments.** Elevated poverty rates are prevalent in Caazapá, followed by Concepción and San Pedro, while Asunción exhibits a poverty rate of less than a quarter of that in the

poorest department. Departmental GINI coefficients also tell the story of acute disparities: the departments of Canindeyú and Presidente Hayes display some of the country's highest inequality levels, with Gini coefficients at 0.56 and 0.59 respectively, surpassed only by the department of Boquerón with 0.63.

Addressing these territorial disparities and development challenges requires a concerted effort on the part of the national government to define and deliver an integrated regional development strategy that *inter alia* addresses the current institutional framework at the subnational level as well as the political and administrative relationship between the central government and subnational governments.

There is no a universal consensus on a single approach to decentralisation or an optimal multi-level governance structure to deliver regional development results successfully. The nature and scope of decentralisation depend on the complex relationship between levels of government in which historical, political and economic factors play a crucial role. Paraguay has been characterised throughout its history as highly centralised, both politically and administratively, a characteristic that was intensified during the 34-year dictatorship. Any analysis must take into consideration that, in comparison with other Latin American countries, the Paraguayan decentralisation process is relatively new, since it only began after the return to democracy in 1989. Since then, **Paraguay has made substantive efforts to improve the efficiency of the provision of local services as well as to enhance transparency and accountability by pursuing a strategy to increase political, administrative and fiscal decentralisation.**

- The first significant step toward political decentralisation, understood as the devolution or transfer of powers to democratically elected local authorities, came with the democratic transition and the reform of the Electoral Code in 1990, which led to **municipal elections in 1991.**
- The 1992 Constitution created **Department Governments (*Departamento*)** as an intermediate tier of government, recognised the political, administrative and legal autonomy of departments and municipalities through the **direct election of their governors and mayors**, and established **municipal financial autonomy.**
- The second advance was related to the **transfer of administrative responsibilities, particularly to municipalities.**

Paraguay's multi-level governance system can thus be described as an "hourglass", meaning that the intermediate tier of government, represented by the departments, has fewer attributions compared to the highest tier, the central government, and the lowest tier, the municipalities.

OECD evidence shows that **pursuing effective regional development is a means to address regional disparities and spur national growth.** This often implies the need to articulate a dedicated multi-dimensional strategy to achieve clearly defined regional development objectives through effective decentralisation and multi-level governance. This also implies institutional and public management changes at the territorial level, as well as a reorganisation of responsibilities and human, technical and financial resources across the different levels of government. **How public goods and services are funded, and how mandates and funding are allocated between levels of government, speak to the capacity of governments to address poverty and inequality in the territories and are central elements of effective multi-level governance.**

Paraguay could therefore consider the identification of modernisation objectives at the subnational level, within the framework of a national decentralisation strategy aligned with the state modernisation plan recommended in the CoG section above. For this purpose, the Government could consider a more active role for the departments in providing technical assistance to municipalities and in developing skills at the municipal level.

Given the level of centralization of the Paraguayan public administration, the country has developed a tradition of **siloed vertical implementation across levels of government: most line ministries** in charge of public investments, such as public works, health and education, **implement their territorial policies without consulting other institutions** at the central level, departments or municipalities.

As highlighted above, Paraguay has limited experience in the development of co-ordination mechanisms. **The strategic co-ordination challenges that the centre of government faces are also reflected in the lack of collaboration across ministry siloes to design effective regional development strategies. In addition, most of the co-ordination activities between subnational entities and the central government are carried out on an *ad hoc* basis, strongly influenced by political alliances rather than regional planning.**

Departments could thus play a more central role in vertical co-ordination. Departments appear not to have the capacity to articulate inter-municipal co-ordination nor do they play an active role in territorial planning. Yet in most if not all cases the departments actually reflect functional regional economies: this provides an ideal opportunity to enhance the management of economies of scale in service design and delivery in such key strategic service areas as transportation and mobility, health, education, public security and water, waste-water and solid-waste management.

- **Departments could constitute a valuable channel through which the central government implements strategic and integrated territorial development policies that simultaneously contribute to advancing national development objectives**, optimising the outcome of line ministries' spending at the territorial level;
- Departments could also be a legitimate channel through which neighbouring municipalities can transmit collective requests to the central government. **However, in order to legitimise the role of the departments, Paraguay should clarify the Governor's role, as they are simultaneously representatives of the central government and democratically elected officials, thereby generating a tension-filled contradiction in terms of accountability.**

One of the main multi-level governance challenges that Paraguay faces is the **lack of public management skills and administrative capacity at the subnational level**. Public servants are paid less than their counterparts in the central government. Indeed, the most skilled officials usually move to the central government after some years, aggravating the situation in municipalities.

The lack of skills at the local level affects subnational capacity to receive fiscal transfers from the Central Government. Many municipalities have few employees and lack the capacity and skills to comply with the transfers' technical requirements. Therefore, they are less likely to receive transfer funds which simply aggravates regional disparities, as these funds mainly end absorbed by the larger municipalities.

Improving this situation requires not only a more coherent, integrated national approach to territorial development but an ambitious and comprehensive public-sector reform process at the subnational level as well, which represents a complex task from both a public management point of view and the political and economic perspective.

Regional development strategies can be a useful tool for vertical co-ordination and multi-level governance. In this connection, one of the main multi-level governance challenges that the Government of Paraguay itself highlighted is its relative incapacity to translate strategic decisions into actual concrete policies at the territorial level. Thus, the creation of the National Development Plan was an important instrument that establishes territorial development as a cross-cutting long term goal, and that aligns national and sub-national policy agendas. Indeed all national decentralisation objectives are implemented through the NDP.

In order to implement this territorial vision, **the NPD mandated the preparation of *Department and Municipal Development Plans*.** These local development plans aim to synthesise the aspirations of the local population. They are co-created with representatives of civil society; **they therefore constitute an innovative democratic action concerning local participation in policy design in Paraguay.**

Each plan must be aligned with the national development plan and must be approved by the STP. For their design, the Government of Paraguay has developed specific guidelines and provided technical assistance *in situ*. Their preparation is mandatory and a condition for access to national transfers.

However, a critical barrier limiting the effectiveness of this process and therefore the territorial impact of the NDP is the fact that local development plans are not linked to national and sub-national budgets. Moreover, **the vast majority of municipalities do not earn enough revenues from their fiscal autonomy and depend on earmarked grants from the central government to perform a limited range of tasks.** In addition, the Ministry of Finance is not involved in their design process; therefore it does not have the capacity to assess if the plans are achievable in terms of budget.

Hence, this interesting participatory process has raised expectations both in local governments and the civil society that largely go unmet through lack of concrete policy outcomes due to lack of financing. The capacity of the local councils both as a space for dialogue and a co-ordination instrument has therefore been negatively affected; in several municipalities they eventually stopped meeting due to the lack of concrete results.

The STP could improve the impact of these plans if they were more integrated into the work of the Ministry of Finance and other line ministries, exploring potential links between municipal needs and the national budget. A comprehensive decentralisation strategy could address these governance issues by taking into consideration the need to co-ordinate planning across levels of government to address regional disparities along with the fiscal and administrative capacity challenges highlighted here.

OECD experience shows that multi-level governance reforms are best approached holistically, in a multi-dimensional and comprehensive way. This does not mean that the initial focus cannot be put on specific areas, such as infrastructure, land-use or transportation/mobility, for example, or that decentralisation cannot be a flexible process

that supports different regions in taking up responsibilities at their own pace according to their needs and capacity. **But multi-dimensional reforms aimed at pursuing regional development and reducing regional disparities should take into account the need to improve co-ordination across levels of government, constraints on public management and fiscal capacity in sub-national governments, and the consolidation of stakeholder engagement mechanisms to ensure the sustainability of reforms through greater accountability and responsiveness to citizens.**

In sum, high levels of inequality persist across regions in Paraguay, as do significant limitations on sub-national administrative and fiscal capacity to deliver services to citizens properly. Department governments face significant capacity challenges to design and pursue local and regional development strategies that build on endogenous strengths and assets in each Department to drive regional economic growth in a way that contributes materially to the country's development. They also face significant challenges in sustaining effective inter-governmental co-ordination to pursue common regional and national development objectives successfully.

The Government of Paraguay could therefore consider designing and implementing a comprehensive, integrated regional development strategy that is fully aligned with the Government's National Development Plan. In so doing, the Government could continue forging a broad national consensus on the importance of coherent decentralisation, effective multilevel governance and robust regional and local administrative capacity to pursue regional (and national) development successfully, and on the idea that these can constitute key strategic tools to address the challenges noted above.

Box 3. Recommendations on decentralisation and multi-level governance (see the end of Chapter 4 for the complete list of recommendations)

In light of the above, Paraguay could consider the following recommendations:

- ***Develop a holistic, integrated regional development strategy that defines and implements political, fiscal and administrative decentralisation and strengthens effective multi-level governance.***
 - *Engage with national and regional stakeholders within and beyond government at all stages in the development and implementation of the strategy, in order to generate buy-in and consensus on its merits;*
- ***Strengthen institutional arrangements at the national level to lead and co-ordinate the design, implementation and performance-monitoring of this regional development strategy. To do so, Paraguay could build on its existing institutional make-up to maximise efficiencies and synergies across strategy frameworks; in so doing it could consider the following:***
 - *Provide a clear mandate and proper human and financial resources to an existing national government institution for this purpose on an ongoing basis.*
 - *If the selected institution is not responsible for both policy and programming, consider creating a national Regional Development Agency to operationalise the regional development strategy.*
 - *Create a Decentralisation Committee of the Council of Ministers, mandated to oversee and co-ordinate across administrative silos the design and implementation of this whole-of-government regional development strategy and ensure that it is coherent with the NDP and other framework strategies of the government, with the institution assigned the task of leading the design of the strategy also mandated to act as the technical secretariat for this Committee. This Committee could be a sub-committee of the National Social and Economic Development Cabinet recommended above, should the Government implement this recommendation.*
- ***Strengthen departments' capacities in regional development and in the articulation of inter-municipal co-ordination, in particular by:***
 - *Resolving the current tension in the Governor's mandate;*
 - *Ensuring that Departments constitute an institutional partner with which the central government can pursue strategic, integrated decentralisation and regional development goals that simultaneously contribute to advancing national development objectives and optimising the outcome of line ministries' spending at the territorial level;*
 - *Giving Departments more responsibilities for regional development and capacity-building at the municipal level, in particular through the creation of*

Regional Development Units in the Gobernación, mandated to co-ordinate the implementation of decentralisation at the department level and act as interlocutor with their counterpart institutions at the national level.

- *Encourage the production of data at the sub-national level to inform investment strategies and produce evidence for decision-making.*
- *Strengthen skills and management capacities at the subnational level.*
- *Foster horizontal co-operation between Departments and between municipalities where this makes sense, inter alia by providing financial incentives to projects involving inter-municipal co-operation in order to stimulate horizontal co-ordination across sub-national governments.*
- *Make further efforts to link department and municipal development plans with the national and departmental budgets, fiscal frameworks and investment strategies.*

Broaden and deepen the implementation of strategic workforce management and planning

A professional and skilled civil service is a basic building-block for governmental efficiency. Having the right laws, regulations and structures in place to attract, recruit, develop and retain skilled civil servants is essential to make sure that the government can deliver on its priorities, be responsive and provide services to citizens. This implies first and foremost having in place a system where the best candidates are recruited based on merit. A transparent and merit-based recruitment system is a first step to building a skilled workforce and to ensuring that resources assigned to workforce management and planning are well spent. Transparent and merit based recruitment systems also promote trust on the part of civil society in the civil service and the public administration as a whole.

As stated in the National Development Plan, an efficient and professional civil service is a foundational element for the successful implementation of the Plan. Social development and poverty reduction, inclusive economic growth, and international integration cannot be achieved without a professional and efficient civil service.

A professional civil service starts with merit-based recruitment to bring the right competencies into the civil service; it is also the starting point for a culture of public service. When patronage or political influence affects the recruitment system, professionalism can no longer be ensured as loyalty is diverted from serving citizens. Political influence in the recruitment system leads to a reduction in citizens' trust in the civil service and more broadly in the public administration. At the same time, political influence also affects civil-service capacity to recruit talent through regular channels, since potential candidates are deterred from applying through processes which lack credibility. Concrete human resources (HR) practices and policies can support the government's public governance reform agenda by looking at the challenges and opportunities faced by Paraguay's civil service.

Paraguay ranks 123rd out of 176 in the 2016 Corruption Perception Index, and it scores amongst the lowest in the World Bank World Wide Governance Indicators. Up until recently, Paraguay appears amongst Latin American countries as one with the lowest scores in terms of HR planning in the public sector, performance appraisals and compensation management. The weakness of basic planning instruments directly affects workforce quality and balance, even though Paraguay has recently made progress in terms of organisation of the HR function and civil-service merit through reforms implemented right before 2015.

Although Paraguay's Constitution ensures equal access to civil service positions, in practice patronage had traditionally greatly influenced recruitment into the civil service. Political influence negatively affects the capacity of the civil service to recruit needed skills and deliver on government priorities in an environment in which **individual loyalty lies with the "patron" instead of with civil-service values and serving the public interest.**

As a result, for Paraguay, improving the professionalization of the civil service has become an imperative to create a more efficient and responsive civil service, and is one of the areas where Paraguay has made the greatest improvements. Paraguay is making efforts to professionalise its civil service by investing in merit-based recruitment, establishing a more transparent compensation system, and building a more effective performance system. Progressive investment in digital tools for recruitment and HR management is changing the way public institutions operate, making it more efficient, merit-based and transparent, acknowledged in the IABD's latest civil service diagnosis.

As the civil service is becoming more transparent and accountable, it also becomes more attractive. Since 2012, the number of candidates to civil servants' positions has increased significantly. In 2012 there were 3 applicants for each vacancy; in 2017 14 applicants were registered for each vacancy, suggesting a substantial increase in the civil service's capacity to attract skilled candidates.

Fragmentation and the opacity of the compensation system created space to raise salaries arbitrarily for certain categories, multiply the creation of positions without institutional requirements, and use personal influence to obtain the right to accumulate multiple salaries. With a wage bill difficult to control, the Government has limited resources to allocate to NDP priorities. In addition, salary increases based on subjective assessments affect the capacity of the civil service to maximise the benefits citizens receive from their taxes. Within such complex and hard-to-reform system, **the Public Service Secretariat under the President of the Republic (*Secretaría de la Función Pública* - SFP) is working to increase the system's transparency in order to raise awareness in civil society of the importance of a merit-based, professional civil service, and use public pressure to reduce manipulation of the system.**

Careful implementation of civil-service reforms will be essential for the professionalization and modernisation of the public sector in Paraguay over the coming years. Once implemented, these reforms can contribute to a more merit-based and competent civil service capable of attracting and managing the right people with the right skills to deliver on the NDP's priorities. **As the civil service pursues the implementation of HR reforms, attention should be paid to the sustainability of HR reforms:**

- First and foremost, political resistance or change may reduce the scope for action of the SFP. The SFP has a small team and small budget, and needs capacity to be able to engage other public stakeholders in the reform process.
- Second, the SFP should keep in mind the long term vision for the civil service while building a strong professional foundation for the civil service.

Further strengthening transparency and public visibility of HR processes should continue to build broad support and exert pressure for pursuing reforms. Citizen pressure for a more professional civil service and for a more efficient use of the HR budget may be an effective counterbalance to an eventual political resistance. Institutional performance metrics should help getting evidence for greater support to the different HR initiatives.

Comparison with civil service trends in OECD countries shows that Paraguay's Centralized Integrated System for Administrative Career, the government's civil-service management framework (SICCA) has the potential to strengthen professionalization of the civil service. Yet, it depends on its successful implementation and its resilience, not a foregone conclusion in Paraguay:

- **First, many of these changes were introduced through decrees and regulations that can be easily removed once another government takes office. For this reason, it's important that the SFP can make the case for the relevance of the different civil service reforms to get political buy in from different political parties, and increase the chances of sustainability.** The current efforts in terms of transparency may provide leverage to the SFP because the media and the citizens can help make the case for a more professional civil service.
- **Second, budget constraints may affect SFP's capacity to implement its work programme.** Most of the programmes implemented so far have been supported by international donors, including training or performance management systems. **Political support to the civil service professionalization should be reflected through a better alignment between the role of the SFP and the resources available to it.** In this regard, reforming the compensation system may help achieve this goal.
- **Third, while the SFP is to be commended for the work it has developed in recent years, it has limited human and financial capacity.** In parallel with reinforcing the SFP's capacity, **HR reforms should involve other institutions and civil servants as much as possible (for example through HR networks), to get institutional buy-in** and increase the chances of success and sustainability over time.

Paraguay should thus continue efforts to implement a transparent and merit based civil service, and reduce political influence in the HR system. To achieve this, it is essential that Paraguay continue its efforts in this area and find resources to ensure the systems are implemented effectively. Until now, Paraguay's civil service reform has been highly dependent on foreign aid, especially for investments in the digitalisation of recruitment and capacity development of civil servants. In addition, as the extension of SFP's role is affecting its capacity to provide services efficiently, and considering SICCA's positive impact in the merit-based recruitment, it becomes urgent that more resources, both human and financial, are allocated to the SFP so that it can provide the proper quality control and support, including communications support across the system, for the process in a timely manner.

Box 4. Recommendations to strengthen the strategic management and planning of the government's workforce (see the complete list of recommendations at the end of Chapter 5)

Based on this assessment, Paraguay could consider the following as a means to strengthen strategic human resources management and planning in the government:

- *Promote wider use of transparent and standardised recruitment procedures across the public administration, especially for managers and extend this to internal competitions.*
- *Make efforts to speed up recruitment processes so as to avoid creating long delays due to complaints and approval procedures.* Additional resources assigned to the SFP and/or collaboration with other HR departments could help.
- *Develop a communications strategy to build awareness and commitment for the open and transparent systems.*
- *Ensure that all implicated bodies are appropriately resourced to carry out these functions in a timely and effective manner.*
- *Increase the transparency of the compensation system in order to limit opportunities for manipulation and promote merit in compensation.* To this end, Paraguay could:
 - *Continue efforts to clean up the salary system by reducing salary categories and developing standardised pay bands.*
 - *Assess pay discrepancies in the public sector and take necessary steps to equalise pay for work of equal value.*
 - *Reduce opportunities for manipulation and corruption of the salary system.*
- *Pursue efforts to develop a culture of public service and performance. To this end, Paraguay could consider:*
 - *Delivering induction training.*
 - *Enhancing attractive individual career paths.*
 - *Setting up a more stable funding stream according to the availability of resources.*
- *Focus on Leadership/Senior Civil Service. To this end Paraguay could consider:*
 - *Developing training for senior managers in key areas for civil service performance.*
 - *Using merit-based selection mechanisms to recruit top management positions.*

Strengthen Open Government Policies and Frameworks in all levels of Government

Paraguay has placed the open government principles of transparency, accountability and stakeholder participation high on its political agenda. In fact, these principles constitute a cross-cutting axis underpinning the National Development Plan. In line with the NDP's objective to raise the country's international profile, Paraguay has also made strategic use of its open government agenda to enhance its international profile.

A solid enabling environment for Open Government is an essential and necessary precondition for the successful implementation of open government strategies and initiatives in any country. OECD evidence points to the importance for countries to have a clear definition of open government in place in order to guide a country's approach to the implementation of open government reforms. The OECD Recommendation of the Council on Open Government further highlights the importance for countries to develop an open government strategy with all stakeholders and points to the crucial necessity for countries to adopt a robust legal and regulatory framework for Open Government to flourish.

Paraguay has started making use of the vision for Open Government that is outlined by the OGP in recent years. For instance, the country's third OGP Action Plans states that "Open Government is a form of relationship between public power and citizenship; based on the participation and permanent collaboration of its members in the exercise of citizen rights and the compliance with obligations".

While the inclusion of this vision in the third OGP Action Plan is an important step forward, by OECD standards, a government's vision for Open Government does not represent a single definition. More efforts are needed to make sure that all stakeholders develop a common understanding of Open Government. **The government of Paraguay could therefore consider developing a single national definition that is tailored to the national context together with all stakeholders.** The National Open Government Roundtable (*Mesa Conjunta de Gobierno Abierto*, the "OG Roundtable") or the Parliamentary Commission on Open Government could provide a useful forum for the development of such a definition.

Paraguay joined the Open Government Partnership in 2011. Since then, the country has elaborated three Action Plans and is currently in the process of elaborating its fourth plan. These National Action Plan (NAP) processes have contributed to raising the profile of open government initiatives in the country and have allowed the government to make new connections with external stakeholders and the organised civil society. Moreover, the OGP process in Paraguay has contributed to the achievement of an important number of immediate and high-level policy objectives related to the promotion of transparency, accountability and stakeholder participation, such as the implementation of legislation on Access to Information (ATI).

While the NAPs have allowed Paraguay to make important progress in certain open government areas, given their biannual nature (which, in many cases, is not aligned with the government's policy cycle) and their focus on more short-term policy issues, **NAPs do not constitute a comprehensive National Open Government Strategy and should be complemented with OG provisions in other policy documents, including National Development Plans (as in the case of Paraguay). A National Open Government Strategy can provide the missing link between high-level commitments and short-term delivery-oriented commitments included in the biannual OGP Action Plans.**

The implementation of OG strategies and initiatives should be a means to an end: OECD experience shows that open government policies can actually be a valuable tool to contribute to the achievement of broader policy objectives, including fostering trust in public institutions and more inclusive economic development. Therefore, it is recommended for countries to make the link between their open government agendas and broader national development objectives. In this connection the Government of Paraguay has made important efforts to align the NAP with the NDP. The government should continue along these lines by ensuring that the fourth OGP Action Plan, which it is currently designing, is also fully linked to the objectives of the National Development Plan.

A single National Open Government Strategy (NOGS) can provide the missing link between high-level commitments (such as the ones in the NDP) and short-term delivery-oriented commitments included in the biannual OGP Action Plans. The development and implementation of a NOGS can also streamline those existing initiatives in areas of relevance to OG principles that are not reflected in the OGP Action Plan.

If Paraguay decides to develop a NOGS, it should be co-created through a participatory methodology like the one that is currently being used in the development of the OGP Action Plans. The government could also consider including additional actors such as the legislative and judicial branches in the co-creation in order to support the ongoing move towards an open state (see below). The STP as the co-ordinating entity of the National Open Government Roundtable could take the lead in the development of the NOGS which could take place in the framework of the National Open Government Roundtable or the Parliament's Open Government Commission.

A law regulating access to public information is the cornerstone of any country's enabling environment for open government. To date, all OECD countries and most LAC countries have an access to information legislation in place. In 2014, after a lengthy process, Paraguay's Congress adopted the country's first access to information law (two pieces of legislation, in fact).

One weakness of the law is that it does not create a formal guarantor for its implementation, as is the case in other countries such as in Mexico and Chile. It only establishes the Ministry of Justice as the co-ordinator of its implementation. The Ministry of Justice does not, however, have formal enforcement powers and is understaffed, which may hinder its capacity to follow-up on requests. More human and financial resources for the office of the Ministry of Justice responsible for the implementation of the law should be foreseen. In addition the government could identify more ways to incentivise compliance since sanctions are not an option under the legislation.

A solid legal framework for Open Government can guarantee continuity of efforts from one government to another and hence provide implementation stability. Paraguay could therefore make efforts to complement its legal and regulatory framework for Open Government over the next years. The inclusion of relevant commitments in the fourth OGP Action Plan could provide the necessary impetus for these efforts.

There are currently several legal provisions that foresee stakeholder engagement in policy processes in Paraguay such as mandatory public hearings and participatory budgeting processes. However, the lack of a unified legislation that promotes stakeholder participation prevents it from becoming a mainstreamed practice and makes it difficult for citizens to understand where and when they can participate. Paraguay could learn from the positive experience with co-creation made in the OGP process and engage

stakeholders more actively in the development, implementation and monitoring and evaluation of policies. Adopting a law on participation, as done by Colombia, or creating an overarching document on stakeholder participation, could help Paraguay in this endeavour.

The implementation of open government policies requires vision and leadership, as well as the capacity to effectively and efficiently co-ordinate, tasks that according to OECD experience are best taken over by an institution located in a country's Centre-of-Government. **The CoG can facilitate the link between open government objectives with the broader national ones by connecting open government principles, strategies and initiatives across government (including different sectors and different levels of government) and with non-state actors in order to foster a shared vision on open government agenda.** It can also promote visibility across the government and towards citizens of existing good practices in the area of open government, as well as institutional champions. **The CoG can strengthen the strategic use of performance data across the public sector in order to support the monitoring and evaluation of the impact of open government strategies and initiatives.**

This is the case in Paraguay, where the open government agenda is co-ordinated by the STP, which has been driving the national OGP process since its beginning. The STP is also the institution responsible for co-ordinating the National Open Government Roundtable, the "*Mesa Conjunta de Gobierno Abierto*", for developing, co-ordinating the implementation, monitoring and communicating the OGP Action Plans, as well as for promoting open government principles in the country. **However, the STP does not assign resources for the implementation of open government initiatives and it does not evaluate impact, except for the self-assessment done in the framework of the OGP that includes an evaluation on processes and outputs of the OGP commitments.**

In addition, as mentioned above, **the co-ordination of Local Development Plans (both departmental and municipal) and of the NDP is also ensured by the STP, an important and highly strategic competence that puts it in an ideal position to link the country's OG agenda with the wider development agenda.**

In Paraguay, the Joint Open Government Roundtable (*Mesa Conjunta de Gobierno Abierto*) is the main co-ordination entity of the OGP process and includes a wide variety of public institutions from the public sector as well as civil society. The important number of public institutions and of civil society organisations is a great opportunity to ensure inclusiveness but, if not well managed, can also create a co-ordination challenge and hinder the Roundtable's effectiveness. **The government could consider selecting a number of key public institutions that represent the government's position in the Committee and, on the other hand, letting civil society organisations select a smaller number of organisations to represent them in the Committee. A smaller number of present organisations would allow for Committee meetings to take place in a more participatory manner and to take more management decisions.**

Paraguay could also consider extending the Roundtable's responsibilities to the broader open government agenda of the country and to transform it into a real Open Government Steering Committee that meets more regularly and takes management decisions, as for instance done in Tunisia where the Committee is composed of five government institutions and five civil society organisations and meets monthly.

In addition to hiring or assigning staff that is especially dedicated to Ministries' open government agendas (beyond the OGP process), further efforts are needed to embed an open government culture in the public service. For the time being, there are no specific open government requirements in terms of skills for civil servants in Paraguay. Except for some training on the implementation of the access to information law, new employees of the state do not receive open government training, and human resources management policies (such as recruitment etc.) are not used to promote open government nor include open government related skills in their competencies frameworks.

- **The government could consider collaborating with INAPP, its National Institute for Public Administration** (*Instituto Nacional de Administracion Publica de Paraguay*, *inter alia* Paraguay's main continuous training provider for civil servants, or a national university, **to design an open government curriculum** for interested students and/or civil servants, as for instance done by Chile.
- The SFP as the driver of the civil service reform in Paraguay and is one of the STP's most important partners in the promotion of Open Government through HRM. Paraguay could involve the SFP even more actively in the open government agenda, and could also consider including HRM elements in its fourth OGP Action Plan.

As highlighted in previous sections, monitoring and evaluation systems are indispensable to ensure that public policies achieve their goals and to enable government to adjust course if results are not being achieved properly. In the specific context of Open Government, monitoring and evaluation mechanisms are all the more important, as data availability, communication of impacts and their evaluation from stakeholders, the so-called "feedback loop", lay at the heart of the open government principles. **Hence, monitoring and evaluation should be an essential element of the policy process, yet it is still done in a limited way in most countries, including in Paraguay.**

A successful open government agenda cannot be implemented without efforts to disseminate achievements/challenges as well as the benefits of the implementation of open government initiatives to all key stakeholders inside and outside of government.

The STP has made important efforts to enhance the communication of its open government efforts to the wider public.

For many years, the global open government movement has focused its attention mainly on strategies and initiatives taken by the executive branch of the state. **These days, however, countries across the world are increasingly acknowledging that open government initiatives should not be seen as an endeavour solely of the executive branch.** Some countries have started mainstreaming open government principles across the three branches of the state, and are moving towards a truly holistic approach to their efforts to foster transparency, integrity, accountability and stakeholder participation which also includes a wide variety of other actors. **In recent years, Paraguay has started taking first important steps towards the creation of an Open State.** For instance:

- Different initiatives to foster **open government at local level** have been taken;
- **Congress** has its own open parliamentary initiative;

- **The judiciary** has included open government principles in its Institutional Strategic Plan; and
- The third OGP Action Plan includes elements related to the participation of independent state institutions such as the **Comptroller General** (*Contraloría*).

Box 5. Recommendations to broaden and deepen Open Government Policies and Frameworks in Paraguay (see complete list of recommendations at the end of Chapter 6)

The assessment identifies a number of good practices in Paraguay in the area of Open Government as well as a number of challenges to foster institutionalisation and guarantee the sustainability of its efforts. In order to address these challenges, the OECD recommends that the government of Paraguay consider the following:

- *Co-create a single national definition of “Open Government”* with all stakeholders.
- *Pursue efforts to link the OGP Action Plans with the national development agenda* by making sure that the fourth OGP Action Plan is also fully connected to the objectives of the National Development Plan.
- *Co-create a single National Open Government Strategy (NOGS)* with all stakeholders, including the other branches of power.
- *Make further efforts* to enhance the legal and regulatory framework for open government, including by working on regulation on stakeholder participation and on a national archives law.
 - *Harmonise* access to information legislation.
 - *Focus* on the effective implementation of the access to information legislation.
 - *Provide* more human and financial resources to the office of the Ministry of Justice responsible for the implementation of the access to information legislation.
 - *Conduct* outreach campaigns about the laws.
- *Involve the Secretariat for the Civil Service (SFP) even more actively* in the open government agenda.
- *Extend the Open Government Roundtable’s responsibilities* to the wider open government process of the country.
- *Broaden the scope and functions of the Equipo Nacional de Transparencia* for it to become the government’s internal open government decision-making body.
- *Diversify the range of donors supporting the national open government agenda* in order to reduce the dependency on Official Development Assistance from a single country.
- *Improve the monitoring and evaluation of open government strategies and initiatives.*

- *Continue the ongoing move to bring the benefits of open government to the sub-national level.*
- *Foster open government communication.*
- *Continue empowering civil society organisations and citizens, including by giving them more and better opportunities to participate in policy cycles outside of the OGP process.*
- *Continue the ongoing move towards an “Open State”.*

Sub-national governments have to be key players when it comes to the implementation of open government strategies and initiatives. Paraguay has made important progress in fostering open government at sub-national level. However there is a need for more support and guidance from both the central and departmental governments to implement OG practices at the regional and local levels.

- The central government should continue its efforts to provide Municipal Development Councils with clear guidelines in order to support them. It will be important to share information on lessons learned in order to support continuous improvement of the Councils.
- The government could make use of the existing Network of MDCs which currently meets once a year. The Network could meet on a more regular basis and have a permanent secretariat that facilitates the exchange of experiences and peer-learning.

For its fourth NAP, due to be presented in 2018, the government of Paraguay could consider including concrete commitments by the other branches of power and by the regional and local levels of the Executive. Colombia’s third OGP Action Plan entitled “Toward an Open State” could provide a useful example of a way forward in this area.

Conclusion

This Public Governance Review advises Paraguay to **pursue a robust, comprehensive public governance reform agenda** to enhance the capacity of its Centre of Government to pursue policy co-ordination, strategic planning and monitoring and evaluation more effectively to support more strategic, integrated whole-of-government decision-making. In so doing the Review recognises that important reform efforts have been made to link strategic planning to budgeting, and recommends building on these efforts and strengthen the links between the multi-year planning system and Paraguay’s nascent results-based budgeting framework. The Review recommends that Paraguay develop and implement an integrated regional development strategy through effective decentralisation and multi-level governance to address acute regional disparities and to make sure that all Paraguayans benefit from economic growth. It commends Paraguay on progress made in implementing human resources management reforms and advises on how to pursue the professionalization of a merit-based, professional civil service. Lastly, the Review recognises that reforms have been undertaken to foster Open Government, including the adoption of legislation on access to information, and recommends that Paraguay, through more robust CoG co-ordination, broaden and deepen the application of Open Government policies and frameworks

in all levels of the Executive while pursuing its ambitious agenda to move toward becoming an “Open State”.

The OECD stands ready to support Paraguay in implementing any and all of the advice contained herein. The recommendations in this PGR reflect OECD best practices in the thematic areas under review – much of the advice reflects the codification of these practices in the various legal instruments referenced throughout the PGR. In implementing the advice, Paraguay will better be able over time to close gaps between national practice and OECD standards in these areas. **Doing so will enable Paraguay to pursue its efforts to become a more modern, agile, effective and efficient state capable of designing and delivering better policies – through better governance – for better lives.**

Chapter 1. Setting the scene: Good governance for a more sustainable and inclusive Paraguay

This introductory chapter provides an overview of the economic, social and administrative context for public governance reform in Paraguay. It places the country's reform efforts in the context of a history marked by a long dictatorship and a democratization process that only started in 1989. Through this contextualisation, the chapter aims to provide the basis for an understanding of the most pressing public governance challenges the country is facing. It finds that Paraguay's strong macroeconomic performance, improving socio-economic indicators as well as the ambitious National Development Plan provide a major opportunity for reforms, but also flags that low levels of citizen trust and inequalities as well as a lack of inclusiveness remain key challenges that need to be addressed through a public governance reform agenda that is integrated into the development strategy to foster inclusive growth.

Introduction

Paraguay, a landlocked country with a population of just under 7 million people, is situated in the heart of South America and shares borders with Brazil, Argentina and Bolivia. One of the last South American countries to overcome dictatorship, it was in 1989 that Paraguay started a slow move towards democracy. Coups d'état, recurrent political and economic crises and widespread corruption have left strong marks on the country's governance frameworks. Notwithstanding Paraguay's difficult past, recent socio-economic achievements have been remarkable: the country has become one of the most dynamic economies of the continent with annual economic growth rates well above the OECD and Latin American averages. Thanks to a strong macroeconomic performance and to important structural reforms, many Paraguayans have overcome poverty and middle classes have started to emerge.

Nevertheless, the country remains highly unequal; poverty is far from eradicated and more needs to be done to create well-paying formal jobs for all Paraguayans. Paraguay's National Development Plan (NDP) 2030, adopted in 2014, recognises these challenges and provides the country with a long-term strategic development vision. Addressing the country's most pressing socio-economic challenges and achieving the NDP's vision require an effective, efficient, strategic, open and transparent state. In recognising this, the Government of Paraguay asked the OECD to conduct a Public Governance Review; this Review thus provides practical advice and recommendations to the government of Paraguay to support its efforts in tackling key public governance barriers to inclusive and sustainable growth.

This introductory chapter provides an overview of the economic, social and demographic context for public governance reform in Paraguay. This chapter is divided into four parts:

- Starting with the country's independence from Spain in 1811, the first section analyses Paraguay's recent history in order to provide the necessary background for an understanding of the challenges Paraguay's public administration is facing;
- The second section presents Paraguay as it stands today, including the country's main socio-economic achievements and key challenges that need to be addressed;
- Section three then discusses the NDP, the vision for Paraguay in 2030;
- The last section discusses how public governance reform can be a tool for the country to achieve its ambitious vision and ultimately create a state that delivers high-quality public services and increasing living standards for all Paraguayans.

The past: a history marked by frequent changes of government

Paraguay has seen political instability and long periods of dictatorship for almost two centuries. The country's history has left a deep mark on today's democracy and influences the functioning of the public sector. This section introduces the key milestones of Paraguay recent history, starting with the country's independence in 1811 and ending with the introduction and slow consolidation of democracy beginning in 1989. Through this historical contextualisation, the section aims to provide the basis for an understanding of the most pressing public governance challenges the country is facing nowadays.

1811-1954: Independence from Spain, wars and the definition of Paraguay's territory

Paraguay became independent from Spain in May 1811. In the years following its independence, the country was governed by Jose Gaspar Rodriguez de Francia (from 1814 to 1840), Carlos Antonio Lopez (1841-1862), and Francisco Solano Lopez (1862-1870). It was during Solano Lopez' Presidency that Paraguay engaged in its first major international conflict. The "War of the Triple Alliance" (1864-1870) was fought with Argentina, Brazil and Uruguay over disputed territories. The bloodiest war in the history of Latin America resulted in conditions that would block Paraguay's industrialisation and social progress for decades (Marine Corps Intelligence Activity, n.d.): the country's population was decimated, its national territory was considerably reduced and Paraguay had to pay enormous reparations to Brazil, Argentina and Uruguay (some of these reparations were subsequently pardoned). In the years following the war, Paraguay was characterised by considerable political instability: 21 governments succeeded each other over 30 years (Ibid.). Between 1904 and 1954, Paraguay had thirty-one presidents, most of whom were removed from office by force (Hanratty et al., 1990).

In the 1930s Paraguay involved itself in another major international conflict: the "Chaco War" (1932-35) was fought between Paraguay and Bolivia over the Chaco territory, believed to be rich in oil. Paraguay won the war; the treaty of Peace, Friendship and Boundaries, signed in 1938, established new borders between the belligerents. The political aftermath of the war brought mutinies and rebellions from returning soldiers and officers; the Chaco War marked the end of Liberal governments in Paraguay. The following years were once again characterised by political instability.

In 1939, the commander-in-chief during the Chaco War, José Félix Estigarribia, was elected president. Estigarribia launched one of the country's first major state-reform agendas, including land reform, major public works, attempts to balance the budget and monetary and municipal reforms. In August 1940, a plebiscite endorsed a new Constitution, which remained in force until 1967. The Constitution expanded the power of the Executive branch to deal directly with social and economic problems while promising a "strong, but not despotic" president.

The Estigarribia Presidency ended in September 1940, when the President died in an airplane crash. Power was taken by Higinio Morínigo, an army officer, who cancelled most of Estigarribia's reforms. In 1947, Morínigo was challenged by an uprising of Liberal, Febrerista and Socialist groups, resulting in a brief but bloody civil war. The civil war ended with the victory of Morínigo's faction and the consolidation of his alliance with the Colorado Party (founded in 1887).

The 1950s and 1960s: The beginning of the Stroessner dictatorship

In 1954, General Alfredo Stroessner Mattiauda, a member of the Colorado Party, overthrew the sitting President, Federico Chaves. The Stroessner regime would remain in power until 1989 and leave a strong mark on Paraguay that can still be felt today (Nickson, 2011). Between 1954 and 1989, Paraguay was in effect a dictatorship. The state was under complete control of Stroessner's Colorado party and the armed forces (Abente Brun, 2011).

The early years of Stroessner's dictatorship saw relative political stability and economic growth. A Stabilization Plan with the International Monetary Fund (IMF) was agreed in 1956. The plan aimed to reduce inflation, boost trade and strengthen the economy

(Government of Paraguay, 2017). The Stroessner regime managed to attract significant amounts of foreign investment, which contributed to an average economic growth rate of 4.5% in the 1960 (and GDP per capita growth of 1.8% per year). However, the rural population benefited to a lesser extent from this relatively positive scenario and many young people migrated to Argentina (Nickson, 2011) or were exiled.

By the 1960s, the Stroessner regime had acquired total control over politics in Paraguay. Other political parties were either isolated or lent legitimacy to the political system by willingly participating in Stroessner's "fake elections" (Hanratty et al., 1990). The most prominent figures of the internal opposition within the Colorado Party had gone into exile. The party became a political instrument loyal to Stroessner and the armed forces (Nickson, 2011).

The 1970s and 1980s: From the construction of the Itaipu dam to Paraguay's recession during the Latin American "lost decade"

While Stroessner clearly represented continuity with Paraguay's authoritarian past, the dictator also managed to drag the country out of its international isolation. In the 1970s, the Paraguayan economy achieved a significant boost, mainly due to the construction of the Itaipu dam over the Paraná River at its border with Brazil. Overall, in the period between 1970 and 1979 GDP grew at an average annual rate of 8.3%, and GDP per capita grew at a rate of 5.6% (Government of Paraguay, 2017). This economic performance delivered better opportunities to citizens, contributed to the growth of a middle class and reduced migration from rural areas to the urban centres (Ibid.).

The dynamism of the Paraguayan economy was suddenly interrupted in the 1980s. The international economic environment had deteriorated due to rising interest rates, falling commodity prices, and the appreciation of the US dollar (Government of Paraguay, 2017). In addition, the completion of the Itaipu dam led to a significant reduction in foreign exchange earnings. Thus, after growing uninterruptedly for two decades, the Paraguayan economy fell into recession in 1982 and 1983 (Government of Paraguay).

This deteriorating economic scenario motivated the government to accelerate public investment (Government of Paraguay, 2017). As a consequence, external public-sector debt increased from 18.3% of GDP to 51.4% in 1985. These negative economic factors accelerated an institutional breakdown, fuelled by an emerging internal opposition as well as the increasingly vocal condemnation by foreign governments of the Stroessner regime for its repression of political opposition and its reliance on electoral fraud (Hanratty et al., 1990).

Since 1989: A democracy in the making

On 3 February 1989, a coup d'état led by Stroessner's son in law, General Andrés Rodríguez, ended 34 years of authoritarian rule and Paraguay began a long (and sometimes arduous) process of transition to democracy. Shortly after the coup elections were held. The Colorado Party received the mandate to finish Stroessner's Presidential term (until 1993) with the strongest opposition support awarded to the Liberal party with 20% of the votes. The elections also decided the composition of a new Constituent Assembly that was assigned the task of preparing a new democratic Constitution.

The end of the Stroessner regime marked the launch of significant structural changes to Paraguay's economy and society. The country became a founding member of the Southern Cone Common Market group (MERCOSUR) in 1991. In the same year,

Paraguay held free municipal elections. A new democratic Constitution drafted by the Constituent Assembly came into force in June 1992. Article 1 of the new Constitution established Paraguay as an independent and free republic and its government system as a “representative democracy”. It forbids presidential re-election and establishes a set of civic, political and social rights. According to Abente Brun (2011), the Constitution provides for a model with a weak Executive and a strong Parliament. The Constitution also launched a process of decentralisation of the public administration through the creation of governorates and the transfer of taxing authority to municipalities (Government of Paraguay, 2017).

On 9 May 1993, the nation held its first free democratic parliamentary and presidential elections in many decades. The Colorado Party won a simple majority of seats in Parliament, and its candidate, Juan Carlos Wasmosy, became President. However, the elections were preceded by internal power struggles within the Colorado Party between the reformist wing, headed by Wasmosy, and the traditional wing led by Luis María Argaña (OECD, 2018). The electoral process was contested and fraud was later acknowledged by the winning Wasmosy wing.

The 1998 elections once again saw power struggles within the Colorado Party. General Lino Oviedo, who had led a failed coup against President Wasmosy in 1996, was selected as the party’s candidate. However, shortly after winning the nomination he was imprisoned for the 1996 attempted coup. From jail, General Oviedo supported the candidacy of Raúl Cubas Grau as President and Luis María Argaña as vice-president. When Cubas Grau was elected President, he immediately commuted Oviedo’s sentence (Ibid.).

In 1999, Vice-President Argaña was murdered. Both President Cubas, who was facing impeachment from Congress, and General Oviedo, who was supposedly linked to the crime, fled Paraguay shortly thereafter (Cubas resigned before fleeing). Consequently, Luis González Macchi from the Colorado Party, then the president of the Congress, became President to complete the term. In the 1999 elections to replace the murdered Vice-President, Julio César Franco from the opposition Authentic Radical Liberal Party (Partido Liberal Radical Auténtico, PLRA) was elected, thereby creating tensions within the government. Congress tried to impeach Gonzalez Macchi in 2003, but the motion failed to secure sufficient votes.

The Colorado Party once again prevailed in the 2003 elections. President Nicanor Duarte Frutos’ term was relatively stable and was marked by strong economic growth. However, Duarte Frutos also launched efforts to reform the Constitution to allow for his re-election, resulting in widespread popular protest.

In 2008, in electing to the presidency Fernando Lugo, who represented a coalition of opposition parties, Paraguayans put an end to the Colorado Party’s hegemonic regime that had lasted 61 years (Ibid.). Lugo’s government made a first attempt to reform the Executive branch in co-operation with the United Nations Development Programme (UNDP). However, the project was never introduced into Congress and was later abandoned (Government of Paraguay, 2017). Lugo would remain in power until 2012 when he was impeached by Congress over his handling of a violent confrontation between farmers and the police.

In 2013, Horacio Cartes, a businessman from the Colorado Party, was elected President. Cartes’ government programme focused on reforming the public sector, while seeking private-sector financing to improve Paraguay’s infrastructure (Economist Intelligence

Unit, 2017). Under President Cartes relations with Paraguay's neighbours and with countries around the world have considerably improved. In addition to re-establishing closer relations with MERCOSUR, President Cartes has actively pursued global and regional re-integration (Economist Intelligence Unit, 2017).

The Cartes administration was the first in many years to make the issue of public governance reform a national priority. The government has followed through on some of governance reform projects that had been launched under previous governments, including reforms in the areas of public procurement, human resources management and open government. This administration's governance-reform priorities also include working with the OECD and the European Union on this OECD Public Governance Review. Arguably its most important initiative in this area was the articulation of an integrated National Development Plan with a planning horizon to 2030 (see below).

The present: strong macroeconomic performance and improving socio-economic indicators but low levels of trust and of government capacity

The past has left deep marks on Paraguay's democracy and the functioning of the country's public administration. Despite its difficult history, Paraguay has made great socio-economic progress in recent years and today stands out as one of the most dynamic economies in the region. Macroeconomic performance has been strong, contributing to an increase in the standards of living of many Paraguayans.

While recognising these important achievements, this section highlights that more needs to be done to foster more inclusive growth and to strengthen citizens' trust in the institutions of the state.

Macroeconomic performance has been strong

Paraguay's economy is in a relatively healthy situation. Public debt is low, inflation is under control and the fiscal balance is stable (European Union, 2017). Partly thanks to continued high demand for its agricultural commodities (Paraguay is one of the world's most important producers and exporters of soybean, corn, wheat and beef), the country has not suffered from the financial crisis as strongly as some of its neighbours. Overall, Paraguay has experienced relative robust economic growth (averaging at 5% per year) over the past decade (Government of Paraguay, 2017). However, as highlighted in the OECD Multi-Dimensional Country Review of Paraguay (OECD, 2018), growth has been volatile, mainly because of the importance of agriculture in the economy and the concentration of exports in primary agricultural products and their derivatives.

A remarkable reduction of extreme poverty and increased human development

Positive macroeconomic developments and structural economic reforms have had a real and positive impact on increasing people's income and purchasing power and on reducing poverty. Paraguay's poverty rate fell from 45% in 2007 to 27% in 2015 (according to national data), with extreme poverty falling from 14% to 5.4% over the same period (DGEEC, 2017). According to the OECD (2018), the fall in poverty rates has been largely driven by growth in incomes across the population rather than by increased redistribution. Macroeconomic stabilisation has also contributed to containing poverty by limiting food price inflation (Ibid.).

Development indices also show significant progress. Between 1990 and 2015, Paraguay's Human Development Index (HDI) value increased from 0.580 to 0.693, an increase of

19.5% (UNDP, 2016). In particular, remarkable progress has been made in some of the HDI's sub-components. For instance, between 1990 and 2015, Paraguay's life expectancy at birth increased by 5.0 years, mean years of schooling increased by 2.3 years and expected years of schooling increased by 3.7 years (Ibid.).

Inequality has been reduced but enhancing inclusiveness is one of the country's key challenges

Inequality has been reduced, but remains high. Paraguay's Gini Index fell from 0.55 in 2000 to 0.48 in 2016 (Government of Paraguay, 2017). Notwithstanding this progress, income inequality and in particular inequalities between urban and rural areas remain among the highest in Latin America. Access to social insurance, water and sanitation is significantly worse in rural areas (OECD, 2018).

As pointed out by the OECD (2018), enhancing the inclusiveness of its development path is one of the key challenges Paraguay is facing. However, the OECD (2018) also explains that “the capacity of the state to affect inequality in living standards is constrained by its limited capacity to deliver quality public services to all, in particular across territories, and the low impact of the fiscal taxation and transfer system on poverty and inequality”, pointing to the need for comprehensive public governance reform.

Low government capacity and lack of trust in institutions put pressure on the country

In 2015, government expenditures in Paraguay were at 25% of GDP compared to 34% in LAC countries and 45% in OECD countries (OECD, 2018). At 9.8%, the share of public employment as a share of total employment is relatively low when compared to LAC (12%) and OECD (21%) averages. While in recent years both of these shares increased, government capacity remains fairly limited, challenging its ability to respond rapidly and consistently to rising citizens' expectations and demands (OECD, 2018).

As outlined in the 2018 Multi-Dimensional Country Review, “as Paraguay speeds up the pace of its economic and social development, the size and expectations of the middle class are expected to increase and consequently the number and complexity of tasks requiring government intervention” (OECD, 2018). Only 28% of the Paraguayan population reported trusting their government in 2016, three percentage points lower than in 2006. According to the data from the Latinobarometro (2015) less than one quarter of Paraguayan citizens is satisfied with how democracy works in their country and less than half the population considers that democracy is preferable to any other form of government (Ibid.). Moreover, 37% of the population consider that in some circumstances an authoritarian government is preferable to a constitutional one, an illustration of how deep the marks of the country's history are still felt, and of how much further governance-reform efforts need to go to restore the public's trust in the institutions of democratic government to serve citizens in a way that meaningfully meets their needs.

The vision: An ambitious National Development Plan for 2030

The National Development Plan (NDP) “Building the Paraguay of 2030” (*Construyendo el Paraguay del 2030*), adopted by presidential Decree No. 2794 in 2014, aims to address the country's key challenges and articulates the government's strategic long-term development vision for the country. The NDP seeks to guide and co-ordinate actions of

the Executive branch with the different levels of government, civil society, the private sector and, eventually, the Legislative and Judicial branches.

The NDP projects an ambitious agenda to create a “democratic, supportive state, subsidiary, transparent and geared towards the provision of equal opportunities” (Government of Paraguay, 2014). The Plan was developed following a wide consultation process that included the central government as well as subnational authorities, civil society organisations and other relevant stakeholders. The NDP’s objectives are supposed to be reached through “a broad alliance between an open government, socially responsible private companies, and an active civil society”.

The implementation of the plan is led by the Technical Planning Secretariat (*Secretaría Técnica de Planificación*, STP) in the Presidency of the Republic. The STP is assisted by a national committee of citizens from the private sector, academia, and civil society, the *Equipo Nacional de Estrategia País* (ENEP) which monitors the implementation of the NDP (see Chapter 6 on Open Government).

The NDP is structured around three strategic axes:

- Reduction of Poverty and Social Development;
- Inclusive Economic Growth; and
- Insertion of Paraguay in the World.

It extends across four transversal, cross-cutting themes:

- Equality of Opportunities;
- Transparent and Efficient Public Management;
- Territorial Planning and Development; and
- Environmental Sustainability.

Taken together, the axes and strategic lines result in 12 general strategies which all have a monitoring framework as well as respective sector-specific objectives that are linked to budget proposals. According to article 177 of the 1992 Constitution all public institutions are obliged to comply with the NDP and it is indicative for private sector actors.

Figure 1.1. The strategic framework of Paraguay’s National Development Plan

Strategic axes	Transversal lines			
	A) Equality of Opportunities	B) Transparent and Efficient Public Management	C) Spatial Planning	D) Environmental Sustainability
1. Poverty Reduction and Social Development	Equitable social development	Quality social services	Local participatory development	Adequate and sustainable habitat
2. Inclusive Economic Growth	Employment and social security	Competitiveness and innovation	Regionalization and diversification of production	Valorisation of environmental capital
3. Insertion of Paraguay in the World	Equal opportunities in a globalized world	Attraction of investments, external trade and country image	Regional Economic Integration	Global habitat sustainability

Source: Government of Paraguay (2014), Plan Nacional de Desarrollo Paraguay 2030, www.stp.gov.py/pnd/wp-content/uploads/2014/12/pnd2030.pdf

As for public governance, the NDP highlights the need for better co-ordination of functional tasks to overcome existing institutional fragmentation, better use of resources

with lower levels of corruption and better information being made available to the public about the administration's activities as key elements to guarantee a "supportive and open state, which guarantees rights without discrimination and tolerance for corruption" (Government of Paraguay, 2014).

Public governance reform as a means to an end: addressing socio-economic challenges and achieving the country's long-term strategic vision

Addressing the socio-economic and political-administrative challenges discussed above and achieving the ambitious vision outlined in the National Development Plan 2030 require a state that is capable of steering the country's development and making it more inclusive. Strong institutions are of key importance for sustaining inclusive development over time (OECD, 2018). Hence, sound public governance and reforms to achieve it should be seen as a means to an end: implementing the country's long-term strategic vision of a more inclusive and sustainable Paraguay for all Paraguayans.

OECD work on Public Governance for inclusive growth

The OECD Public Governance Review of Peru (OECD, 2016) elaborates on the connection between good public governance and inclusive growth. OECD research (see for instance OECD, 2015) shows that public governance plays an essential role in achieving sustainable economic growth and narrowing inequality in all its dimensions. Government capacity and quality of government have strong effects on almost all standard measures of well-being, and on social trust and political legitimacy. Governance failures lead to increasing inequalities (OECD, 2015) while good governance can contribute to a more equal society (OECD, 2016).

There is today a broad evidence-based consensus that good governance is key to pursuing a number of important policy outcomes at the national and subnational levels, including but not limited to social cohesion through service design and delivery that meaningfully improve results for the citizens who use them, public expenditure efficiency or the fight against corruption. Coase (1960) argues that a good institutional and legal framework under the rule of law, such as strong property rights, reduce transaction costs and consequently support economic development. Similarly, North (1991) contends that institutions that strengthen contract enforcement are necessary to economic development. More recently, Rodrik, Subramanian and Trebbi (2004) empirically found that the quality of institutions is more important for growth than geography or trade. Other scholars (e.g. Acemoglu and Robinson, 2012) argue that institutions, including an efficient public sector and absence of corruption, are the fundamental drivers of economic growth (OECD, 2015).

Inclusive institutions ensure that markets are functional and open to competition, and allow for broad citizen participation, pluralism, and an effective system of checks and balances, leading to better access to services and opportunity. Cross-country evidence shows that inclusive governance can improve development outcomes, such as better literacy and health, or lower infant mortality (e.g. Halperin, Siegle and Weinstein, 2010; Evans and Ferguson, 2013). Rajkumar and Swaroop (2002) also find that, for example, corruption disproportionately denies the poor access to education and health services.

Effective and efficient public governance is an essential lever for high-impact public spending, which in turn enhances the potential of economic policies to improve inclusive-growth outcomes. For example, stakeholder engagement and consultation can help

identify needs and preferences, better targeting government programmes and increasing efficiency. Public governance also affects the quality and efficiency of public investment. In this respect, strengthening inclusive institutions has great potential to enhance citizen participation, provide better public services, reduce transaction costs, and – ultimately – reduce inequalities while promoting economic growth.

Last but not least, governance matters for well-being (OECD, 2015). People are more satisfied with their lives in countries that have more transparent and accountable governance. Actual changes in governance quality (understood as the way in which policies and services are designed and delivered) lead to significant changes in quality of life. Changes in average life evaluations in 157 countries over the period 2005-12 can be explained just as much by changes in governance quality as by changes in GDP, even though some of the well-being benefits of better governance are delivered through increases in economic efficiency and hence GDP per capita. The well-being payoff of improved governance in that period can be compared to a 40% increase in per capita incomes (OECD, 2015).

Addressing public governance bottlenecks for the creation of a more sustainable and inclusive Paraguay

The government of Paraguay clearly recognises that its public administration needs to be reformed in order to achieve the country's strategic development goals. It is to the credit of the current administration that it has engaged in a comprehensive review exercise with the OECD. In the Background Report (Government of Paraguay, 2017) that was submitted to the OECD in preparation for this Public Governance Review, the government indicated that its request for a thorough OECD Review was based on the following considerations:

- Paraguay wishes to develop a **consensual whole-of-government vision for the country's public sector** which is shared by all ministries, secretariats, public companies and decentralised agencies.
- So far, no **comprehensive public administration reform programme** with a holistic approach has been pursued in Paraguay. In the past, reforms have been implemented according to emerging needs and/or in the light of international commitments assumed by the government. Often reforms were limited to the creation of bodies and agencies that could only address specific issues.
- An **important number of institutions (Secretariats, etc.) have been created** since 1989 (actually most of the current institutions were created in the period between 1989 and 1993 and most of the groundwork legislation derived from the new constitution was approved within the 1989-1992 parliamentary period) most of which, until today, are relatively weak and cannot effectively exercise the role that the Constitution gives them (see chapter 2). The government wishes to strengthen these institutions so that they can fulfil their mandates more effectively.
- **Coordination of public policies** between the branches of the state, within the Executive Branch, and with sub-national governments needs to be improved. The government finds it necessary to find agile, efficient and politically viable mechanisms for public policy co-ordination.
- Paraguay has been characterised throughout its history as **highly centralised, both politically and administratively**, a characteristic that was intensified during the 34 years of Alfredo Stroessner's dictatorship.

- There is resistance by some institutions and political actors to move from client list human resources management towards a **modern, merit-based, transparent recruitment system for public servants**. The government wishes to implement such a system throughout the whole public administration and at all levels of government.
- **Creating a stronger and more resilient institutional framework** at all the levels of the State in order for institutions responsible for implementing laws and regulations, as well as for implementing development policies, is a priority of the government. It wishes to prevent policy capture and make sure that institutions are not “overrun” or captured by stakeholders that have political and economic interests.
- Paraguay further aims to create an **administration that is focused on peoples’ needs**. The government acknowledged that in many sectors public servants still believe that they are the owners of public resources.

Taking into account these considerations, this OECD Public Governance Review aims to provide a roadmap for public governance reform in order for the government of Paraguay to achieve its strategic objectives. The PGR identifies key aspects in different areas of public governance that the government of Paraguay has deemed important to achieve its vision and that need to be addressed in order to create a public administration that can deliver on inclusive growth for all.

- Chapter 2 discusses ways to enhance **whole-of-government co-ordination** efforts led by Paraguay’s centre of government in order for the CoG to articulate integrated multi-dimensional policy responses to the increasing levels of complexity of the challenges the country and its people are facing.
- Chapter 3 discusses the need for a **better connection between the budgeting process and different policy agendas**, including the National Development Plan 2030, in order for the country to adopt and implement reforms for inclusive growth that are fully funded.
- Chapter 4 highlights the need for a greater focus on a **coherent, strategic approach to regional development and better multi-level governance** to ensure that policies are tailored to the circumstances and conditions in different regions of Paraguay and can actually meet citizens’ needs properly across territories characterised by acute regional disparities.
- Chapter 5 discusses Paraguay’s need to move towards **more modern human resources management practices** in order for the public service to be able to address the specificities of the country’s development challenges.
- Chapter 6 focuses on the need for a **more open, transparent, accountable and participatory government** in order to ensure that policies adequately reflect the population’s needs.

Taken together, the five technical chapters of this OECD Public Governance Review provide a coherent, holistic picture of the governance reform needs of the Paraguayan public sector. This integrated narrative is presented in the Assessment and Recommendations section at the front of this Review.

The Chapter findings are derived from the responses provided by the Government to a detailed OECD survey which collectively form the PGR’s Background Report, the results of two Peer-driven OECD fact-finding missions to Paraguay in July and September 2017 (including visits to various municipalities in the North and East of the country – see chapter 4), further desk research by the OECD team, and a “sounding-board” mission in

February 2018 at the end of the Review process during which the draft advice was discussed with all key stakeholders involved in this Review and finalised accordingly.

The Chapters include tailor-made policy recommendations the implementation of which could contribute to Paraguay achieving its reform objectives while at the same time bringing the country closer to OECD standards. Whenever relevant, the chapters make reference to existing good practices from OECD member and partner countries, several of which having been provided by the Country Peers who contributed to this Review.

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Chapter 2. Enhancing the strategic role of the Centre of Government of Paraguay

This chapter assesses the capacity of Paraguay's Centre of Government to sustain whole-of-government co-ordination across administrative silos, notably for multi-dimensional policy-setting and implementation; strategic planning; decision-making; and monitoring and evaluation. It notes that Paraguay has made substantial progress in recent years in developing strategic planning as an instrument for systematic whole-of-government co-ordination. Despite this progress, the chapter flags institutional challenges that affect Paraguay's Centre of Government institutional leadership and co-ordination capacities: the fragmentation of the Executive branch, the numerous institutions at the Presidency and the existence of limited or non-functional co-ordination instruments for high-level policy discussion and decision-making.

Introduction

This chapter assesses the capacity of Paraguay's Centre of Government (CoG) to manage the design and implementation of integrated strategic plans as well as its capacity to lead whole-of-government co-ordination efforts across administrative silos to promote multi-dimensional policy coherence. For that purpose, it analyses how the Centre of Government performs in the following areas:

- Policy co-ordination across government;
- Supporting decision-making by the Head of Government;
- Strategic planning for the government as a whole; and
- Monitoring and evaluation of the implementation of government policy.

The Centre of Government in OECD countries: from administrative support to whole-of-government co-ordination

Policy co-ordination is critical to addressing complex policy challenges successfully. Though it was always a preoccupation in the field of public administration, it has become particularly relevant in many OECD and non-OECD countries in recent decades. This change of prioritisation originates mainly in the increasing atomisation of administrative structures illustrated by the exponential growth of agencies and other autonomous bodies resulting from the processes of specialisation that took place at end of the 1980s and the beginning of the 1990s under the paradigm of New Public Management (Beuselinck, 2008) and the emergence of increasingly cross-cutting policy challenges (Alessandro et al., 2013).

Traditionally, the mechanism for public-sector co-ordination was the national budget: ministries of finance or the treasury usually played a co-ordination role across the government to sustain a fiscal balance (Alessandro et al., 2013). However, given the increasing complexity of policy-making and the emergence of new multi-faceted policy challenges facing society, governments are increasingly taking whole-of-government approaches through improved co-ordination across administrative silos to design and implement multi-dimensional policy responses to these challenges (Box 2.1).

In order to design effective whole-of-government approaches, OECD countries are progressively strengthening the institutional and financial capacities of their Centres of Government (Figure 2.1). The Centre of Government (CoG) is the body or group of bodies that provide direct support and advice to the Head of Government and the Council of Ministers. Usually named as the Chancellery, Cabinet Office, Office of the President, General Secretariat of the Presidency, in OECD countries the CoG has progressively moved from providing administrative support to the President or Prime Minister to becoming a key player in policy development with a mandate to ensure coherence in government decision-making and in policy design and implementation, and to provide evidence-based, strategic and timely advice to ensure that decisions – made by politicians, often non-specialists, often working under extreme pressure – are not ad hoc, imprudent or incoherent (OECD, 2014).

Box 2.1. What is “whole-of-government”?

The OECD associates the notion of whole-of-government with the aim to ensure horizontal and vertical co-ordination of government activity in order to improve policy coherence, better use of resources, promote and capitalise on synergies and innovation that arise from a multi-stakeholder perspective, and provide seamless service delivery to citizens and businesses. It requires government bodies, regardless of type or level, to work across portfolio boundaries to achieve shared goals and to provide integrated government responses to policy issues. Whole-of-Government co-ordination is thus not a narrow concept; it applies both to formal and informal practices and mechanisms, which can be clustered as follows:

- Hierarchical, driven from the top to the bottom and based on the traditional conception of Weberian bureaucracy;
- Market-based, characterised by a decentralised decision-making process and based on the idea of exchange and competition; or
- Networked, which is characterised as a “multi-actor setting with relatively autonomous actors that face a situation of resource dependency and have relatively stable and structure horizontal relations in order to achieve public purposes”, based on the idea of co-operation and solidarity (Beuselinck 2008; OECD 2011).

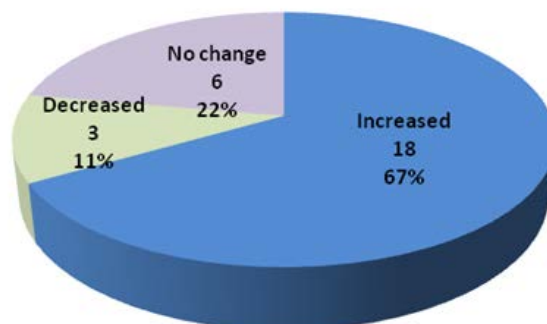
Most public administrations have adopted hybrid co-ordination mechanisms which combine the three aforementioned models (OECD, 2011). The configuration and the shape that co-ordination mechanisms take depend on the nature and scope of the issue at hand, the country’s political system itself, the level of institutional decentralisation in the country and the existence of specific contextual and informal factors related to culture, history and political leadership.

Embedding a whole-of-government working culture is a long-term endeavour. It requires time to develop, implement and take root, and thus it must be “owned” by the full government and public administration rather than be seen as the initiative of any single political party (OECD, 2016).

Source: OECD (2016), Northern Ireland (United Kingdom): Implementing Joined-up Governance for a Common Purpose; OECD (2011) Estonia: Towards a Single Government Approach; Beuselinck E. (2008) Shifting public sector co-ordination and the underlying drivers of change: a neo-institutional perspective.

The CoG plays this role in different formal and informal ways, ranging from structuring and informing the process by which the Head of Government and the Council of Ministers take decisions and issues instructions, to maximising the effectiveness of line ministries’ machinery in implementing decisions.

Figure 2.1. Centre of Government – Change in terms of size (staff numbers) between 2012-2016



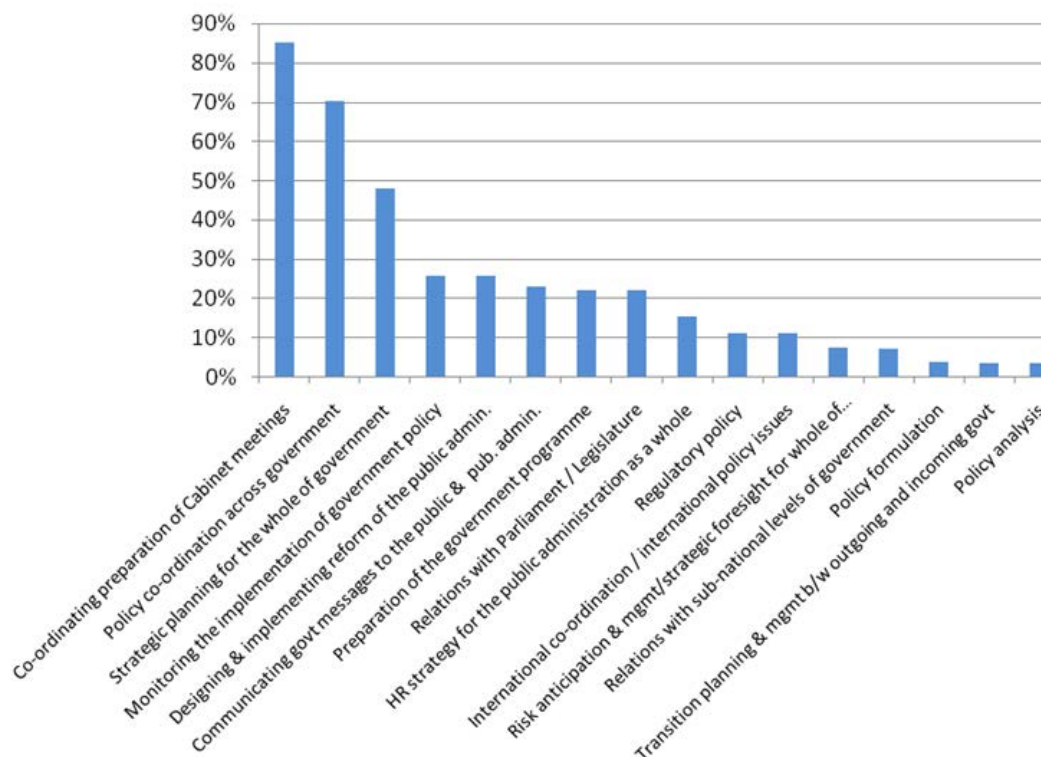
Source: OECD (forthcoming) 2017 Survey on the Organisation and Functions of the Centre of Government, OECD, Paris.

The CoG concept does not make explicit reference to any particular organisational structure: the institutions that provide direct support and advice to the Head of Government/State vary from one country to another, depending on the constitutional order, the political system, the administrative structure of the country, as well as contextual and historical factors. Therefore, broad definitions of the CoG can include institutions which perform core cross-cutting governance functions, such as finance or planning ministries, even if they are not reporting directly to the Head of Government/Head of State and Council of Ministers (Alessandro et al, 2013).

Despite the heterogeneous range of institutional structures across OECD countries, the 2014 and 2017 OECD surveys on Centre of Government (OECD, 2014, forthcoming) show several commonalities (Figure 2.2). These can be clustered in four main areas:

1. Policy co-ordination across government, which increasingly includes leading cross-departmental priority strategies;
2. Supporting decision-making by the Head of Government;
3. Strategic planning for the whole-of-government;
4. Monitoring the implementation of government policy, which means developing new mechanisms that emphasises outcomes rather than just tracking expenditures.

Figure 2.2. Top responsibilities delegated to the centre of government across OECD countries



Source: OECD (forthcoming) 2017 Survey on the Organisation and Functions of the Centre of Government, OECD, Paris.

The Centre of Government in Paraguay: institutional set-up

In Paraguay, the definition of the CoG not only refers to the Presidency; it also includes such key strategic partner-institutions as the Ministry of Finance, where policies are matched with resources, and the Technical Secretariat for Economic and Social Development Planning (STP), which plays a key role in developing and co-ordinating strategic planning. Additional ministries and secretariats play an important role in supporting cross-government policy co-ordination, such as the Ministry of Foreign Affairs and the Secretariat of the Public Service (Secretaría de la Función Pública - SFP).

In Paraguay, the Centre of Government supports the President of the Republic and the Council of Ministers. The President of the Republic, as Head of State and Head of Government is responsible for the general direction of the administration of the country (Article 238 of the Constitution). The President has the authority to appoint and remove the ministers of the Executive Power, the Solicitor General and those civil servants whose designation and permanence in their positions are not ruled by Constitution or by law.

The Council of Ministers¹ also has constitutional status (Article 243). Convened by the President of the Republic, the ministers must meet in Council in order to coordinate executive tasks, promote government policy and adopt collective decisions. The Council is responsible to deliberate on all matters of public interest that the President of the

Republic submits for its consideration, acting as a consultative body. It also considers legislative initiatives.

To support the President and the Council of Ministers, the Paraguayan CoG units below exercises the following functions:

- *General Secretariat of the Presidency and Civil Cabinet.* The technical-political advisory unit for the President of the Republic, it is in charge of co-ordinating the definition, official publication, communication and follow-up of Government and State policies. This houses:
 - The “*Centro de Gobierno*” unit, created by decree 1294/2014 and inspired by UK and Chile’s experiences, it is Paraguay’s “delivery unit” (Box 2.2). It is headed by the General Secretary of the Presidency (who is also head of the Civil Cabinet) and its mission is to advise the president, ministers and secretaries concerning the government’s agenda and to achieve an effective programmatic co-ordination of government actions. To this end, it interacts with line ministries and executive secretariats under direct order of the President and the chief of the Civil Cabinet. It also performs short, medium and long-term analyses for the President’s decision-making and monitors the progress of the governmental agenda. It is a relatively small organisation, made up of a co-ordinator and four units: administrative and legal affairs; co-ordination; political studies and relations and communication activities.
- *The Ministry of Finance.* Regulated by Law No. 109/1991 and modified by Law 4394/2011, the Ministry of Finance has functions and competencies for the administration of state assets. It is in charge of the budget cycle and has responsibilities in tax policy, public expenditure, debt policy and the pension system. In addition, its responsibilities include the formulation and proposal of the national economic policy, in co-ordination with the Central Bank of Paraguay and other institutions which integrate the economic team.
- *The Technical Secretariat for Economic and Social Development Planning (STP).* Created in 1962, and last reformed in 2014, the STP is the central planning body of the Government. The mission of the STP is to co-ordinate, promote, monitor and evaluate the design and implementation of national development strategies. Hence, it is the body in charge of co-ordinating the preparation and implementation of the National Development Plan Paraguay 2030 (NDP). Together with the Ministry of Finance, the STP is responsible for providing guidelines for the preparation of the Institutional Strategic Plans, the Annual Investment Plan, the Annual Operating Plan and the Public Budget. In addition, it is in charge of monitoring and evaluating the implementation of the NDP in co-ordination with the Ministry of Finance. It also is in charge of coordinating the implementation of the poverty reduction program Sewing Opportunities (*Sembrando Oportunidades*).

In addition, the following institutional units and instruments support co-ordination across government in Paraguay:

- *Social Cabinet.* Created by decree 1799/2009, the Social Cabinet of the Presidency of the Republic is the body in charge of promoting, coordinating and directing the government’s social policies. It is chaired by the President of the Republic and consists of six ministries, eight executive secretariats and includes the directors of Itaipu and Yacyreta hydroelectric dams. It includes an Executive Team (EE), which consists of three ministries and three executive secretariats,

which executes, promotes and co-ordinates the cabinet's activities. It also has a Technical Unit which is responsible for the administration, co-ordination and supervision of the activities of the Executive Team.

- *National Economic Team*. Created by decree 162/2008 (and reformed most recently in 2013), it is the advisory body for the government's economic policy. Its main responsibility is to advise on global and sectoral programmes of economic and social development. It is chaired by the Minister of Finance and includes the Ministers of Industry and Commerce; Agriculture and Livestock; Public Works and Communications; Foreign Affairs; the President of the Central Bank and the Minister-Executive Secretary of the STP. It also has an Executive Secretariat, headed by the Deputy-Minister of Economy of the Ministry of Finance.
- *Inter-institutional Co-ordination Commission for the Implementation and Monitoring of the Country's International Commitments within the Framework of the Sustainable Development Goals of the United Nations*. Created by decree 5887/2016, it is co-ordinated by the Minister of Foreign Affairs and includes the Social Cabinet, the Minister of Finance and the STP.
- *The National Development Plan Paraguay 2030 (NDP)*. Approved by Decree No. 2794 in December 2014, it is an instrument of orientation, co-ordination and articulation of the different policies implemented by the Government.

Box 2.2. Delivery units: Finding new ways to improve implementation

To improve policy implementation and achieve the government's main goals, the United Kingdom developed an approach dubbed Deliverology. The initial approach had three key components: "establishing a small team focused on performance [the delivery unit], gathering performance data to set targets and trajectories, and having routines to drive and ensure a focus on performance" (Barber, Kihn and Moffit, 2011).

More than 15 countries have established delivery units at the national level, but there are also a few at state level (e.g. Maryland, United States) and at local level (Borough of Haringey, London and Buenos Aires). The World Bank, too, established a President's Delivery Unit in 2014.

While delivery units can be a useful tool to increase implementation, they are no panacea. In fact, they need to be adapted most carefully to the institutional framework within a country in order to have a positive impact. Gold (2014) has identified both the main types of delivery units as well as conditions for their success: delivery units vary in their scope, mostly with regard to what kind of priorities are being tracked (few vs many; service delivery vs high-priority outcomes) and how problems are being solved (stocktakes with the head of government; policy/innovation labs; in-house consultancy work). In order for a delivery unit to be successful, it is important that its scope is well-defined and, ideally, quite narrow. Most crucially, however, the success of a delivery unit depends on the ability of the Centre of Government to co-ordinate the work of line ministries and on the unit's own ability to establish good working relationships with the counterparts in other government bodies.

Examples of delivery units include:

- United Kingdom: In 2001, then Prime Minister Blair set up the first Delivery Unit. The unit, which had about 40 members of staff, was first part of the Cabinet Office and later transferred to the Treasury (Ministry of Finance). The unit tracked progress on, and removed obstacles to, the delivery of a very limited number of policy priorities. It also worked with line ministries to identify and overcome implementation challenges. The Delivery Unit was abolished in 2010, following a change in government. In 2012, however, a new Implementation Unit was established in the Cabinet Office. The Implementation Unit adapted a more flexible approach, focusing more on departmental capability than on pure monitoring. Its scope has also been broadened.
- Australia: The Cabinet Implementation Unit in the Department of the Prime Minister and Cabinet, established in 2003 as a fairly small unit of around ten staff, works with Australian government departments and agencies to ensure that the government's decisions are implemented on time, budget and to expectations. The unit seeks to ensure that policy prepared for consideration by the Prime Minister and Cabinet has clear goals, a robust assessment of costs and benefits, and clarity about how it will be implemented. The unit helps departments and agencies to prepare their implementation plans and to identify, assess, and manage implementation risks. The unit also monitors the progress of the implementation of key government decisions and reports to the Prime Minister and Cabinet on the status of these decisions.
- Canada: The Privy Council Office of the Government of Canada created in 2016 a Delivery and Results Unit. The unit tracks and provides a status report on the 364 commitments found in the Prime Minister's mandate letters to ministers, in different areas such as refugees, gender parity, budgeting and employment. Track on progress in publicly available at: <https://www.canada.ca/en/privy-council/campaigns/mandate-tracker-results-canadians.html>

Source: OECD (2015), Slovak Republic: Better Co-ordination for Better Policies, Services and Results, <http://dx.doi.org/10.1787/9789264247635-en>; adapted from Barber, M., P. Kihn and A. Moffit (2011), "Deliverology. From idea to implementation", McKinsey & Company; Gold, J. (2014), "International delivery: Centres of government and the drive for better policy implementation", Mowat Research Papers, No. 96, Mowat Centre, School of Public Policy & Governance, University of Toronto, Toronto, Ontario, Canada.

Strengths and challenges of Paraguay's Centre of Government

In only four years Paraguay has made substantial progress in setting a long-term vision for the country as well as in enhancing the CoG's institutional and technical capacities for its pursuit. However, as the Paraguayan Government expressed in the different interviews carried out for the realisation of this review, this was the first step in a long process of changing institutional, cultural and political practices.

In this connection, this section will analyse Paraguay's CoG performance with regard to the top four areas of work of OECD Centres of Government:

- Policy co-ordination across government;
- Supporting decision-making by the head of government/cabinet;
- Strategic planning for the government as a whole; and
- Monitoring the implementation of government policy.

All of these elements are affected by three cross-cutting challenges that will be stressed throughout this assessment:

- Fragmentation of the Executive branch.
- Numerous institutions at the Presidency.
- Limited or non-functional co-ordination instruments for high-level policy discussion and decision-making.

Policy co-ordination: the institutional set-up of the Presidency as a barrier for effective co-ordination

Experiences in OECD countries have shown that the process of increasing co-ordination and strategic capacities across government is a long-term endeavour. Moreover it is fraught with certain challenges; notably the resistance of line ministries in aligning their own initiatives with high-level government priorities if this means modifying or delaying decision-making on issues falling under their responsibility (OECD, 2016). Paraguay's reality does not escape from this situation: according to the Paraguayan Government, public co-ordination within the Executive Branch and with sub-national governments is one of their main governance challenges, especially in strategically key areas contributing to the country's sustainable development such as health, education and security. Hence, one of the government's short-term goals in public governance reform is to find agile, efficient and politically viable mechanisms and instruments to enhance systematic cross-government co-ordination (Government of Paraguay, 2017).

In this regard, Paraguay's Centre of Government co-ordination capacity needs to be assessed in the context of the organisation of the country's public administration, which combines a highly centralized Presidency with an atomized, fragmented administration:

- The Presidency houses 22 executive secretariats with ministerial rank and entities that report directly to the President.
- The State Public Administration is made up of a further 12 ministries, a Central Bank, 4 regulatory entities, 23 autonomous and autarchic entities, 5 public entities for social security matters, 5 public companies, 8 national universities, 2 binational entities, 4 companies partially owned by the state and 17 Departmental governments (where the governors, despite being elected by direct suffrage, are defined under the article 161 of the Constitution as representatives of the central

government in their respective Departments – akin to the French or Japanese Prefects).

This is partly the outcome of two important factors:

- First, a decades-long accumulation of public bodies and entities responding to emerging sectoral needs and/or to give effect to international commitments (Government of Paraguay, 2011). For example, over the last two decades, the fragmentation of the administration has increased considerably: the number of autonomous bodies has gone from 7 in 2000 to 23 in 2016 (7 in 2000, 13 in 2003, 19 in 2010, and 23 in 2016) (Government of Paraguay, 2011) and, according to the Government, there is no current plan to integrate them into the centralised public administration.
- Second, Paraguay lacks a normative legal/regulatory framework that organises its public administration, which in Latin American countries is usually called “*Ley de Ministerios*”.

Since the return to democracy, no comprehensive public administration reform has been implemented. The absence of a normative framework that gives coherence to the entire body of institutions and administrative units within the Executive branch has created gaps, overlaps and contradictions in the responsibilities and competences of ministries and secretariats (Government of Paraguay, 2014) while significantly contributing to the institutional atomisation of the public administration.

The responsibilities of each ministry or executive secretariat created by law were discussed with the Congress on a case-by-case basis. The output of these multiples negotiations has affected the coherence between institutional mandates across the public administration and has led to a lack of clarity respecting mandates in several areas. Government officials highlighted during several meetings with the OECD an overlap concerning institutional responsibilities, for instance between the STP and the Minister of Finance on the responsibility of policy monitoring and evaluation across government. In several cases, institutional restructuring has been driven by Congressional initiative, such as in the case of the Ministry of Education and Sciences – formerly the Ministry of Education and Worship – restructured by law N° 5.749/2017. This situation has also generated gaps in several critical areas such as decentralisation and multilevel governance.

The previous Administration attempted to restructure the Executive Branch without success. It had crafted a project establishing 14 Ministries and eliminating the Executive Secretariats. But it decided not to pursue the reform because of its high political costs. Indeed institutional reforms of this magnitude require a wide political consensus with the public-sector unions and across the different political parties in Congress.

This longstanding situation has led to the creation and accumulation of several Executive Secretariats within the Presidency, mainly due to the following factors:

- Secretariats are relatively “easier” to create: they can be established by Decree, while Ministries have to be created by law.
- Administratively, it is simpler to assign a budget to Secretariats, rather than to a Ministry.
- Executives leading Secretariats also hold a “Minister” rank and equivalent salary and perks.

This state of affairs has led to significant fragmentation of the Executive, which by definition magnifies co-ordination challenges:

- Only a tiny number of the Presidency's 22 Executive Secretariats and entities formally performs cross-cutting tasks related to classic CoG responsibilities: the STP, the SFP and the Secretariat for Anti-Corruption;
- Most of the remaining Secretariats are responsible for sector-based operational policy themes, such as sports, culture, science and technology, refugees and repatriations which, while multi-dimensional in nature in some cases, load the Presidency with a huge number of transactional mandates which could be assigned to line ministries;
- Another disadvantage of this model is that financial administrators in the Secretariats have to negotiate their budgets internally first with the Presidency budget administrator, and then with the Ministry of the Finance.

Therefore, under current arrangements, the Presidency's structure generates the need to expend substantive administrative energy on sector-specific activities, which detracts from its capacity to focus on high-level whole-of-government strategic co-ordination. In addition, as will be explained in chapter on Multi-level Governance, this dysfunctional structure limits the Presidency's capacity (and the Government's more generally) to co-ordinate across levels of government.

The Government of Paraguay could consider streamlining the Presidency in order to create an agile structure oriented to the performing centre-of-government functions more effectively and efficiently. In this regard, based on the criteria developed by Evans et al. (2010) to assess whether or not a unit should be attached to the CoG, the Government of Paraguay could consider transferring into the portfolio responsibilities of existing line ministries those agencies and Secretariats that do not fulfil the following criteria:

- Secretariats, agencies and positions which play core CoG functions, particularly on policy co-ordination, strategic planning, monitoring or evaluation of policy priorities, or give high-level strategic advice to the President and Council of Ministers;
- Secretariats, agencies and positions covering cross-cutting subjects that require, at an initial stage only, the direct engagement of the President, such as sensitive political issues or reform priorities, but that would eventually migrate to their corresponding line ministry;
- Secretariats, agencies and positions that require independence from line ministers.

The Civil Cabinet and its "Centro de Gobierno" play a pro-active role in policy co-ordination, yet its strategic role could be expanded

The *Centro de Gobierno*, reporting to the Presidency's Secretary General, is an interesting institutional arrangement that has been developed thanks to the financial and technical support of international organisations and reflects the experiences of Chile's and United Kingdom's Delivery Units (DUs).

Given that the titular head of the *Centro de Gobierno* is the presidency's Secretary General, it is an influential institution within the Executive, with the political power to exert pressure on the different ministries, secretariats and levels of government and to act as a co-ordination mechanism for specific purposes. That said the *Centro de Gobierno* does not have a budget assigned to it as such; nor can it endorse legal acts. This constrains its co-ordination capacity vis-à-vis other ministries and secretariats.

Despite the fact that the *Centro de Gobierno* performs policy analyses on strategic issues, it does not have a substantive role in strategy-setting linked to whole-of-government strategic planning, to ensure the formulation of the priorities projects that the country needs to reach in pursuit of the 2030 vision. Indeed it did not play a substantive role in the development of the NDP despite the fact that its priorities – mainly infrastructure and PPPs – contribute to the pursuit of the Plan’s implementation.

Hence the *Centro de Gobierno* and the Civil Cabinet -the Presidency’s Secretariat General in more general terms-, could play a more active role in medium-term strategic planning, working in close partnership with the STP, mainly through greater involvement in monitoring the implementation of the NDP. Moreover, together with the STP and the Ministry of Finance, they could explore engaging more actively in strategic foresight and horizon scanning exercises to inform medium-term planning.

The case of Finland (Box 2.3) could be of particular interest of Paraguay: strategic foresight is managed by the Centre of Government and includes a wide stakeholder engagement process across government, civil society, the academia and the private sector.

Box 2.3. Strategic Foresight in OECD countries

Long-term scanning and foresight provide governments with the information needed to achieve strategic insight, incorporating future concerns and contexts into medium-term strategic planning. From these efforts, governments can be in a better position to articulate a strategic vision for the country and for the government’s plans to implement such a strategic plan – based on available information and input from citizens, businesses and civil society, and aware of future opportunities and risks.

A strategic vision is the expression of a government’s desired or intended future for the country. In a context of less and less predictability and greater complexity in identifying future challenges and priorities properly, governments need to engage in long-term visioning with an increasing multiplicity of internal and external actors if medium-term strategic planning is to reflect emerging trends, challenges and opportunities effectively.

Strategic foresight helps governments look ahead to identify future risks and opportunities as a means of prioritising and focusing government policies over the medium term. Indeed, many OECD countries undertake strategic foresight activities.

Examples of strategic foresight include:

- Australia: The Commonwealth Scientific and Industrial Research Organisation (CSIRO), Australia’s national science agency, has a dedicated team (CSIRO Futures) working on foresight in energy, transport and other fields. It produces “Our Future World” updates every two years on global megatrends. Multiple other departments do some foresight work. Every five years the Treasury department produces a report on long-term issues (40-year forecast) to help short-run decision making. The establishment of the Strategic Policy Network with representatives from every department, led by the Department of the Prime Minister and Cabinet, may impact foresight use for strategic policy.
- Canada: Multiple government departments have used foresight, and this has increased in the last few years with the creation of Policy Horizons Canada

(PHC), a centralised agency for doing foresight work and building foresight capacity in government. The PHC is directed by a high-level steering committee of deputy ministers and reports to the Privy Council.

- Finland: Foresight is well-integrated into Finnish policy planning. The Government Foresight Report, prepared through wide consultation by the Prime Minister's Office, is prepared at the start of the mandate for a new incoming government. During the mandate, the Government Foresight Network develops a report on the Finnish policy-making environment and each ministry has dedicated staff to develop Ministries Futures Reviews. The Finnish parliament's also has a Committee for the Future to pursue and review foresight work.
- France: France has, together with Finland, the longest-established foresight programme in Europe, with policy-focused foresight services in almost every department. The *centre d'analyse stratégique* works directly under the Prime Minister to advice on policy formulation and implementation.
- United Kingdom: Government foresight in the United Kingdom is dominated by the UK Foresight Office, a central agency of government that reports directly to Cabinet, and is headed by the Chief Scientific Advisor. It was originally dedicated to technology and industry but now has a broader thematic mandate to look at challenges for the future, pursuing major foresight projects, horizon scanning and training activities across government.

Source: OECD (2016b), OECD Public Governance Reviews: Peru: Integrated Governance for Inclusive Growth, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264265172-en>; adapted from Dreyer, I. and G. Stang (2014), "Foresight in governments: Practices and trends around the world", [www.iss.europa.eu/fileadmin/euiss/documents/Books/Yearbook/2.1 Foresight in governments.pdf](http://www.iss.europa.eu/fileadmin/euiss/documents/Books/Yearbook/2.1_Foresight_in_governments.pdf)

Decision-making led by the Centre of Government is also affected by the Executive's institutional set-up

The absence of a normative framework organising the Executive Branch has also undermined the capacity of the Council of Ministers to act as the government's main body in charge of co-ordinating, promoting and carrying out government policy. In today's Council of Ministers, neither the Executive secretariats (whose heads hold ministerial rank) nor the decentralised bodies are represented despite the key functions that some of them play in the Government, as the Constitution only allows the participation of Ministers within the Council.

Consequently, the Council of Ministers does not meet on a regular basis, its power in practical terms is limited and, therefore, Paraguay does not have a formal decision-making and co-ordination instrument that unites all key governmental actors around a single table to discuss strategic policy issues and oversee the design and roll-out of whole-of-government policy responses to these issues. While several whole-of-government decision-making instruments co-exist, most are informal and focus on policy execution rather than decision-making and lack sufficient mandates and structures to be effective in defining and co-ordinating the implementation of high-level strategic policy. That said:

- Two interesting institutional practices are the ones pursued by the *Social Cabinet* and the *Economic Team*. The Social Cabinet, in order to facilitate and sharpen decision-making, created an Executive team which prepares an agenda at the

beginning of each year in co-ordination with the Ministry of Finance to ensure resource allocation to social policy issues. Moreover, it co-ordinates closely with the STP and the *Centro de Gobierno* to ensure that social priorities are monitored.

- The *Inter-institutional Commission for the Implementation and Monitoring of the Sustainable Development Goals* constitutes an unprecedented initiative in Paraguay to translate the UN Agenda 2030 global commitments into national strategy, achieving a close alignment of the NDP with the Sustainable Development Goals (SDGs).
- In addition to these councils and commissions, several *ad hoc* co-ordination activities are pursued, especially between the STP, the Ministry of Finance and organisations involved in specific objectives of the NDP. However, these are mainly focused on policy execution and not on policy design and decision-making. In addition these activities are neither systematic nor based on administrative regulations or mandates.

Hence, Paraguay could consider restructuring and simplifying its institutional arrangements and decision-making instruments in order to improve strategic co-ordination:

- First, the Government could consider strengthening the Council of Ministers, ensuring that it meets regularly, in order to allow for dynamic exchange of information and the adjudication of strategic policies priorities of importance to the government as a whole. Key Executive Secretariats should participate in the meetings of the Council, as is currently happening when it meets.
- Second, in order simplify the decision-making process and to consider economic and social development policy in an integrated way and as an essential driver of medium-term strategic planning for the country's growth and development, the government could consider consolidating the Economic Team and the Social Cabinet, transforming them into a National Economic and Social Development Cabinet.

In this regard, Colombia's experience with its Superior Councils of the administration (Box 2.4) represents an initiative that might be of interest to Paraguay, especially with regard to Colombia's National Council on Economic and Social Policy (CONPES), which co-ordinates economic development and strategic planning for development. Its membership extends beyond ministries, and it has a clear institutional structure where the National Planning Department acts as its Executive Secretariat. This is an institutional arrangement that Colombia has been using for some time now to support whole-of-government decision-making regarding strategic policy design and implementation for the country's development.

Box 2.4. Colombia's superior councils: Institutional arrangements to assist integrated decision making

The superior councils of the administration in Colombia manage the policy-setting, co-ordination and implementation activities of the national executive branch. These councils are analogous in their make-up to Cabinet committees in OECD countries; however, an important difference in Colombia is that their membership extends beyond ministers to include directors of key administrative departments, the entities that perform the centre of government-like functions of co-ordinating horizontal multi-sector policy development, implementation and evaluation across the government.

The role of these councils is to support the President and the government in formulating, implementing and evaluating policy. The most important superior councils are the Council of Ministers (Consejo de Ministros), the National Council on Economic and Social Policy (Consejo Nacional de Política Económica y Social, CONPES) and the Superior Council on Fiscal Policy (Consejo Superior de Política Fiscal, CONFIS).

The Council of Ministers is composed by the President and the Ministers, and advice the President on planning strategies or on crucial/circumstantial topics. Although, the President or Ministers are not constraint by law to the conclusions or decisions made during the sessions. It depends then on the President and his Cabinet to enforce the guidelines resulting from the Council sessions.

CONPES is chaired by the President and composed of the Vice-President, the Ministers of each one of the 13 Ministries, the directors from the Presidency's Management Department (Departamento Administrativo de la Presidencia de la República), the National Planning Department (Departamento Nacional de Planeación, DNP), a CoG institution that acts as the technical secretariat of CONPES. The Judiciary Secretary of the Presidency and the Advisor Minister of the Presidency are also present and vote as permanent members. Its relevance originates from the inclusion on the sessions – without voting rights - of directors of other central government's departments, regional governors and mayors, depending on topic discussed.

The subdirector of the DNP acts as Executive Secretary of the CONPES being responsible for presenting the planning documents to be discussed. These documents can come from sources such as research documents made by the public and private sector, quadrennial public investments programmes and planning documents.

The members of the CONPES in session will evaluate and discuss the documents proposed by the Executive Secretary and then, the members with vote rights will vote its approval or not. After approval, the document becomes a "Documento CONPES", which provides guidelines and planning policy across government. A "Documento CONPES" is not legally binding, but public entities have to make a case when deviating from the guidelines established by it.

When it comes to planning on fiscal and budgetary actions, the government counts with the CONFIS, which is headed by the Minister of the Treasury Department (Ministerio de Hacienda y Crédito Público) and is composed by the Director of the DNP, the Economic Advisor of the Presidency, the Vice-Ministers of Treasury, the General Directors of National Budget, Credit, Taxes and Loyalties and of the Treasury. CONFIS manages the industrial and commercial firms of the State, approves the Financial Plan of the Public Sector (Plan Financiero del Sector Público) and the Investments Annual Operational Plan (Plan Operativo Anual de Inversiones), after presenting them to the CONPES.

Source: OECD (2013a), Colombia: Implementing Good Governance, <http://dx.doi.org/10.1787/9789264202177-en>; República de Colombia, Decretos 2148 (2009) and Law 179 (1994)

Strategic Planning: the National Development Plan as a significant step forward

OECD work shows that since the past decade the Centre of Government plays an expanded and more outward-looking role, including in the area of whole-of-government strategic planning (OECD, 2014). This is mainly due to the increasing complexity of policy making: policy challenges are becoming increasingly multi-dimensional (for instance those relating to development or to climate change), and therefore, require more integrated, coherent policy responses.

Anchored in a broad, compelling vision statement, whole-of-government planning can help align government structures to deliver results. A solid whole-of government planning framework can provide governments with a powerful tool to:

- Articulate its short, medium and long term priorities.
- Cluster policy initiatives around a small number of integrated policy priorities.
- Steer their implementation across administrative units and departments, promoting collaboration.
- Communicate effectively on progress, internally and externally (OECD, 2016).

In this connection, multi-year, whole-of-government strategic planning constitutes a key achievement of Paraguay's current Executive. The "National Development Plan Paraguay 2030" is a remarkable step toward the development of an instrument for systematic whole-of-government co-ordination and its pursuit constitutes a government-wide priority that is illustrated by the gradual increase in institutional capacity and resources assigned for its execution.

The design of the NDP: the importance of stakeholder engagement

The preparation of the current NDP started in November 2013 and was completed in December 2014. It was prepared under the co-ordination of the STP and was approved by the Economic Team and the Executive Team of the Social Cabinet. It is structured around three main strategic axes:

- Poverty reduction and social development;
- Inclusive economic growth; and
- Paraguay's integration in the world.

Each strategic axis incorporates four transversal lines:

- Equal opportunities;
- Efficient and transparent public management;
- Territorial planning and development; and
- Environmental sustainability.

The interaction of the 3 strategic axes with the 4 transversal lines results in 12 strategies and subsequently sectorial and specific objectives that guide public policies toward the 2030 vision.

Recent experiences in OECD countries show that when the planning process is open and includes stakeholder engagement, such as citizen-driven approaches through citizen participation mechanisms, strategic planning can legitimate policymaking as well as constitute an effective tool for the sustainability of policies beyond the electoral cycle (OECD, 2016). In this connection the elaboration of the NDP began with a wide process of consultations in meetings and workshops, carried out in 10 departments, which

included the participation of more than 2000 representatives from different sectors: central government, subnational government, civil society, private sector and the academia.

After this consultation process, the main objectives and policy guidelines were identified; the drafting process began based on several sector reports already published by line ministries. Once drafted, it was circulated and discussed across the government. In addition, international consultants assessed the relevance of the proposals made in the workshops, as well as the different proposals made by public institutions. Finally, the NPD was approved by Decree.

This process included interesting initiatives for citizen engagement, in particular at the department and district levels, through the creation of more than 250 Department and Municipal Developments Plans co-created with civil society (see chapters 4 on Multi-level Governance and 6 on Open Government).

The government created the Country National Strategy Team (*Equipo Nacional de Estrategia País* - ENEP) with the purpose of developing a space for dialogue with citizens on strategic issues. The ENEP is made up of representatives from the government and key stakeholders from Paraguay's civil society: entrepreneurs, indigenous people, farmers, industrialists, social activists and academics, among others. Chaired by the President of the Republic, its function is to provide advice on issues that are submitted from the Executive Branch (such as the NDP) and to propose topics that it considers relevant for the construction of public policies, particularly those linked to poverty. In this regard, it acts as the NDP's "guardian", aiming to ensure the implementation and sustainability of the plan.

Building on the Administration's efforts to create broad internal and stakeholder consensus on the NDP, ownership of the Plan could be broadened, in particular across the Executive branch, where, during the fact finding mission several institutions expressed a lack of awareness/ownership. Bringing the NDP under the purview of the Council of Ministers, the proposed National Economic and Social Development Cabinet (the proposed merger of the Social Cabinet and Economic Team) and the NPD Coordination Roundtable could significantly enhance whole-of-government awareness and ownership of the NDP.

The Implementation of the NDP

In accordance with this Plan, the Government has been implementing various programmes and actions. Through the process of national planning, ancillary co-ordination tools have been developed, such as committees and inter-institutional working groups, co-ordinated by the STP and the Ministry of Finance. Moreover, those institutions have issued specific guidelines for planning, programming, budgeting, execution and monitoring of public policies, and for the development of management instruments, such as strategic institutional plans, annual plan for investment, annual operating plans, procurement plans and budgeting.

To implement the NDP, the Government of Paraguay has developed an integrated framework structured around five fundamental steps:

1. Translate Paraguayan society's shared vision into legal instruments.
2. Prioritize the implementation of the 12 strategic goals, with their key objectives, monitor them systematically and evaluate their progress periodically.

3. Ensure effective horizontal and vertical co-ordination in the design and implementation of key public policies.
4. Improve human resources management.
5. Establish a sustainable financing mechanism for key initiatives, mainly through better efficiency in public spending.

As will be explained in Chapter 3, the NDP must be linked with the budget process through Annual Operation Plans (AOPs), which are the basis for the preparation of institutional budgets. This process is carried out by the Ministry of Finance, which together with the STP, prepares the guidelines for the national budget in the first months of every year. Subsequently, the different government's entities are presented with the priorities for the fiscal year and the general guidelines for the preparation of the AOPs and the budget according to the objectives of the fiscal policy. Based on these guidelines, the institutions prepare their respective AOPs and budgets, which have to translate the NDP's strategic objectives into annual goals and specific actions to be executed in each fiscal period. In the national budget, the goals, the levels of responsibility and the resources that are necessary to reach those goals should be set. However, as is explained in Chapter 3, linking strategic planning with budgeting is a complex process that Paraguay has recently undertaken, hence the country stills faces several challenges in this regard.

Moreover, the implementation of the NDP foresees the creation of an inter-institutional co-ordination structure, headed by the Council of Ministers and includes the Social Cabinet and the Economic Team. It also establishes the creation of national councils in areas such as Science and Technology, Defence, Environment and Integrity. Moreover, sectoral entities, such as the ministries and secretaries are to be integrated into this co-ordination structure through its sectoral plans. The entities responsible for cross-sectoral themes, such as Environment, Territorial Development, Justice, Gender and Indigenous Peoples, are to play a leading co-ordinating role in these areas. In addition, each ministry, secretariat and decentralised body has to develop an Institutional Strategic Plan, which is a management tool to set department's short, medium and long term goals.

To date, this inter-institutional co-ordination structure has not been completely put in place, which has limited the NDP's utility as an effective co-ordination instrument. Therefore, both the Council of Ministers and the National Economic and Social Development Cabinet (whose creation is recommended in this chapter), could play a more active role in overseeing the implementation of the Plan. In addition, the STP, as body in charge of co-ordinating the NDP across government, should have the necessary capacities to ensure, in coordination with the Ministry of Finance and the other CoG entities, the coherence between the NDP, ministry Institutional Strategic Plans, and the budget (see Chapter 3).

On vertical co-ordination similar challenges remain. As will be described in Chapter 4, the STP is in charge of co-ordinating the NDP across the different levels of government (Departments and Districts), through providing guidance and technical assistance for the development of Department Development Plans and Municipal Development Plans.

Monitoring and evaluating the performance of government policy: the example of "Sowing Opportunities"

Sound monitoring and evaluation of the performance and progress of public interventions allow governments to gain a better understanding on why some policies and programmes

work and others do not. It also provides the basis to feed strategic information into the decision-making process in order to improve future policy initiatives. Sound policy monitoring and evaluation can foster transparency, accountability and therefore legitimate the use of public resources, providing stakeholders with information regarding progress in the accomplishment of the government's goals and commitments (OECD, 2015).

In this connection, the monitoring of the performance of strategic priorities has become one of the CoG major responsibilities to ensure that government policies are being implemented effectively and in a co-ordinated manner (OECD, forthcoming). Moreover, CoGs are progressively putting monitoring efforts on policy alignment and impact rather than on tracking expenditures, mainly to ensure good co-ordination in regard to the increasing number of cross-sectorial policy initiatives and to communicate progress and achievements to internal and external stakeholder. According to the latest OECD survey on CoG (forthcoming), these monitoring functions are carried out, increasingly, by dedicated monitoring units, such as results and delivery unit, government projects unit, government co-ordination unit, each of them with different capacities.

In this line, Paraguay's Centro de Gobierno represents a clear illustration of this international tendency of enhancing capacities at the CoG level to monitor policy priorities. Created in 2014, it monitors the implementation of the 17 main government's objectives. These objectives, mainly focusing on infrastructure projects, are monitored through a presidential dashboard, called "*Tablero de Control Presidencial*" which was developed with the technical assistance of the STP. Nevertheless, the monitor capacities of the Centro de Gobierno are not linked with the implementation of medium- and long-term strategic goals such as the ones reflected in the NDP. Moreover, as aforementioned, the Centro de Gobierno cannot endorse legal acts.

From an institutional perspective, the STP is the governing body for national planning, monitoring and evaluation systems (decree 4070/2004). In this connection, it is mandated to ensure the monitoring and evaluation of the NDP in co-ordination with the Ministry of Finance (Government of Paraguay, 2017). However, according to information gathered during the fact finding mission, the STP appears not to have enough human and financial resources to monitor its implementation. Even though the plan was launched almost four years ago, the STP only has the capacity to focus on monitoring the "Sowing Opportunities" social-policy project (*Sembrando Oportunidades*).

Sowing Opportunities is a central government project, part of the NDP's axis on poverty reduction, and can be seen as an example of whole-of-government co-ordination efforts to achieve integrated strategic outcomes. With Decree No. 291/2013, the Executive Branch declared poverty reduction as a national priority and entrusted the STP with the preparation and management of this national program. Hence, over the past four years, the STP has been strengthened through the allocation of budgetary resources and the incorporation of qualified human resources to its implementation.

Sowing Opportunities aims to increase income and access to basic social services for families living in extreme poverty. It is structured around two complementary axes.

- The first one consists of providing comprehensive assistance to rural families on agricultural issues: they receive technical, financial and organizational assistance to produce goods for self-consumption and income. Since it was launched, more than 150,000 families have received seeds to grow their own food; and more than 116,000 families have benefited from productive and marketing technical assistance.
- The second axis focuses on the promotion of non-agricultural employment. It consists of activities aiming to generate jobs in social infrastructure and focuses

on training for technical careers. Social infrastructure includes maintenance of rural roads, schools, health posts, and water and sanitation systems, among others.

The programme involves 18 institutions from the central government and numerous departments and municipalities, being the program demanding the greater cross-cutting co-ordination of the Government of Paraguay. The STP is responsible for its preparation, implementation and management, while the Social Cabinet is responsible for the co-ordination and articulation with institutions, which includes municipalities and departments, as well as civil society organisations and private companies that participate in various initiatives. The programme's monitoring is carried out through the presidential and citizen dashboard, which 200 users in the 18 participating institutions use to upload and update information on the progress of their projects.

As with the NDP itself, however, the project faces serious challenges in terms of sustainability. It does not have its own budget and several of its activities - especially in relation to logistics and monitoring - are financed by international donors. In addition, there are co-ordination problems due to the co-existence of multiple interlocutors on social issues (Social Cabinet, Secretary of Social Action, STP, etc) which sometimes compete for the leadership of the project. Moreover, there is a lack of capacity at the ministry level to implement the project.

These issues reflect the long term challenges that the Paraguayan administration as a whole has been facing over the past few decades, which it is actively tackling. Sowing Opportunities certainly represents a tangible example of the CoG potential to co-ordinate strategic initiatives across government, and shows the potential of institutionalising robust strategic government-wide monitoring and evaluation. In fact:

- The PND foresees a Public Management National Council for Evaluation (CNE) and establishes guidelines for the development a biannual evaluation agenda to define the priority programmes and institutions to be evaluated, the type of evaluations to be applied, as well as the resources to be assigned to carry them out.
- Within the framework of the CNE's actions, specific revisions of budgetary programmes of various types are planned (see Chapter 3), as are process evaluations, to determine bottlenecks and impact, and to assess changes in the welfare conditions served by the programme. The NDP also foresees evaluations of implementing results-based management across government and lays down that key stakeholders such as the executive, the congress and the civil society must be informed of monitoring and evaluation results in a timely manner so they can be used in budgeting discussions (see Chapter 3).

However, despite the fact that the NPD was launched almost four years ago, the National Evaluation Council has not yet been created. This situation can be partly explained by a lack of co-ordination and agreement between the STP and the Ministry of Finance regarding which institution should lead evaluation across government. On the one hand, as mentioned, the STP is the governing body for national evaluation systems, while on the other hand the Ministry of Finance has been performing impact evaluations since 2001, including in a broad range of areas such as childhood, industry, education, agriculture and health (Ministry of Finance of Paraguay, 2016). The Government of Paraguay could therefore move to institutionalise evaluation across government, to ensure the quality and independence of evaluation and to ensure that the results of evaluation inform future policy design through effective feedback loops. In this context, the Colombian experience with its SINERGIA evaluation framework could provide useful lessons for Paraguay (Box 2.5).

Box 2.5. Colombia's SINERGIA

The Colombian Constitution requires that all public policies shall be monitored and evaluated and SINERGIA is the national system responsible for doing so. SINERGIA is led by the Direction of Public Policy Evaluation within the National Planning Department and the Presidency of the Republic. It must be implemented by all subnational governments, with the aim of aligning municipal and departmental policy interventions and investment agendas with those of the National Development Plan (this monitoring component is called SINERGIA TERRITORIAL). SINERGIA measures the progress and goals of the projects included in the National Development Plan through three main tools:

- **SISMEG (monitoring):** a set of performance indicators which measures policy outputs and outcomes as identified by the National Development Plan. It is built following a pyramidal structure with three main levels: strategic, sector and management. Strategic indicators are at the top and are related to the main government pillars as stated in the National Development Plan. These are followed up by the President and the Council of Ministers. Sector indicators describe sector-specific goals and are monitored by the President and each minister in bilateral meetings and within each ministry. Finally, management indicators are standard indicators that are measured for all of the entities to track institutional efficiency.
- **SISDEVAL (*Sistema Nacional de Evaluaciones*)** is a system to evaluate the outcomes of the main public policies and programmes implemented within the framework of the National Development Plan. Every year, the policies that will be evaluated are elected by a committee of the National Planning Department and approved by the National Council on Economic and Social Policies. Policies are evaluated by a recognised, experienced third party (consultancy) so as to guarantee objectivity and transparency in the process. Since the creation of SISDEVAL, the number of evaluations has increased significantly, from one in 2003 to 32 in 2011.
- **Polls:** nationwide polls are carried out periodically so as to compare public perception and government results. The results of the polls are public and can be found on SISDEVAL's website. Surveys measure perception of the way the government is achieving the goals that it set.

In the beginning, SINERGIA focused on central government management only. In 2004, its scope was broadened to include the monitoring of territorial management and decentralised entities. Today, it provides information on the overall performance of public policies across all levels of government in Colombia.

Through SINERGIA, follow-up is readily available. The Presidency, the government and citizens can follow up on the government's performance. It is an essential tool for building trust in government and has been recognised by the OECD as already being one of the strongest in Latin America.

For more information see: <https://sinergia.dnp.gov.co/Paginas/inicio.aspx>.

Source: OECD (2013), Colombia: Implementing Good Governance, <http://dx.doi.org/10.1787/9789264202177-en>

Recommendations

Paraguay has made substantive progress in setting a medium-term vision for the country and in aligning the public sector against achieving these goals. The recent multi-year National Development Plan constitutes a key whole-of-government coordination instrument, which has improved the Centre of Government's efficiency for policy making.

OECD lessons learned in Public Governance Reviews have shown that Governments tend to coordinate better when the presidency/prime minister's office plays a strategically agile whole-of-government role, focusing on strategic issues rather than on transactional policy implementation. In this regard, **to enhance the capacities of its CoG to lead and co-ordinate multi-dimensional, government-wide strategic policy design, planning, implementation and the monitoring and evaluation of policy performance, the Government of Paraguay could consider the following:**

- ***Consolidate the Presidency's whole-of-Government co-ordination mandate and capacity*** by transferring into the portfolio responsibilities of existing line ministries all units that do not contribute to its core mandate so that it can concentrate its responsibilities, resources, and efforts in sustaining effective whole-of-government coordination and integrated strategic planning and performance-monitoring. Paraguay currently counts 34 institutions reporting directly to the Presidency (12 Ministries and 22 executive secretariats and entities). This aggravates the fragmentation of the public sector and the workload of the Presidency, diminishing its capacity to focus its efforts on the co-ordination of whole-of-government strategic priorities. Therefore, Paraguay could consider moving into the portfolio responsibilities of relevant line ministries those agencies and Secretariats that do **not** fulfil the following criteria:
 - Institutions which execute core functions relating to whole-of-government policy co-ordination, strategic planning, monitoring or evaluation of policy performance, or give high level-advice to the President and Council of Ministers, such as the Centro de Gobierno and the STP.
 - Units addressing high-priority cross-cutting strategically sensitive subjects that require, ***at an initial stage only***, the direct engagement of the President, such as new cross-cutting political issues or sensitive reform priorities, but which would eventually migrate to their relevant line ministry. While this is a relatively infrequent phenomenon it is not uncommon. For example:
 - In Canada, following the 2006 federal election, the incoming Federal Government created a Cities Secretariat to design and lead the implementation of a national strategy to support the sustainable development of Canada's cities and communities, one of the incoming Prime Minister's key election commitments. This was a new policy area for the Federal Government: the Canadian Constitution assigns responsibility for municipalities to the Provincial (constituent) level of government. Given the newness of the policy area and its obvious multidimensionality, the new Prime Minister located the Secretariat within the Privy Council Office (the CoG unit reporting to the PM as Head of Government, equivalent to Paraguay's Presidency). By 2008, however, as the key players in this policy area across the government and in the provincial administrations became more aware of, and comfortable with, the policy initiative and its strategic framework, this Secretariat was

- moved from the PCO into the ministry responsible for Infrastructure, located within the portfolio of the Federal Department of Transport.
- In order for Paraguay to avoid the accumulation of bodies within the Presidency, the guiding criterion should be that direct reporting to the President should be used sparingly, and should only occur during the initial strategic policy-development stage. Once mature, these units should move to their relevant line ministry. Existing units currently falling within this category (i.e. the Executive Secretariats addressing the operational policy themes highlighted in this Chapter) would not be covered by this criterion and should be moved to their relevant line ministry.
 - Institutions or Agencies that require independence from line Ministers, such as the General Directorate of Statistics Surveys and Censuses (*Dirección General de Estadísticas Encuestas y Censos*) and the National Anti-Corruption Secretariat (*Secretaría Nacional Anticorrupción*).
- ***Strengthen capacity for high-level policy discussion and decision-making, in particular by:***
 - ***Strengthening the Council of Ministers.*** The Council should meet regularly, in order to allow for dynamic exchange of information and the adjudication of strategic policies priorities of importance to the government as a whole. Key Executive Secretariats should participate in the meetings of the Council, as is currently happening when it meets.
 - ***Merging the Social Cabinet and Economic Team into a National Economic and Social Development Cabinet,*** and mandating this merged committee of Ministers to serve as the key strategic policy committee of the Council of Ministers, perhaps chaired by the President, so that the Government can pursue integrated economic and social development policy design and implementation in a way that reflects the strategic medium-term development objectives identified for the country in the NDP. Paraguay could consider providing this new policy committee of the Council of Ministers with the mandate and tools to consolidate it as the highest strategic policy co-ordination and planning authority in the country reporting to the Council of Ministers and the President. Sub-committees could be created to discuss more technical issues.
 - Colombia's Council of Ministers and CONPES practices could be instructive in this regard – CONPES, Colombia's most important integrated social and economic policy committee, is in fact a committee of the Council of Ministers and is chaired by the President; Colombia's Department of National Planning, one of Colombia's key CoG institutions along with the Presidency and the Ministry of Finance, acts as the CONPES' technical secretariat.
 - ***Strengthen inter-institutional co-ordination between CoG units to reinforce whole-of-government, integrated policy design, medium-term strategic planning and strategic performance-monitoring capacity, in particular by:***
 - ***Giving to the Centro de Gobierno a budget line, the capacity to endorse legal acts and strengthening the Civil Cabinet/Centro de Gobierno mandate/competencies in policy co-ordination, government communication and strategic affairs.*** For instance, some countries have operationalised this

measure through the creation of a Ministry of the Presidency, such as the cases of Chile and Spain.

- ***Engaging the Presidency/“Centro de Gobierno” more actively in coordinating the design and implementation of the National Development Plan and of national development strategies more generally, for instance by creating a NDP Co-ordination Technical Roundtable to sustain greater ongoing cooperation between the Presidency, the Centro de Gobierno, the Ministry of Finance, the STP and the CoG technical/policy support units/secretariats currently serving the Social Cabinet and the Economic Team.*** This could encourage all these CoG entities to work together as a single team to support the President, the Council of Ministers and eventually this merged National Economic and Social Development Cabinet in pursuing integrated economic and social development in a way that reflects the strategic medium-term development objectives identified for the country in the NDP.
- ***Continue improving the strategic planning capacity of the CoG and the monitoring and evaluation capacity for impact and sustainability of the NDP, in particular by:***
 - ***Developing strategic foresight and horizon scanning capacity to inform medium-term planning.*** In this regard, the government could consider the creation of a Strategic Foresight unit within the *Centro de Gobierno* or the STP, which would incorporate future trends and concerns into medium-term strategic planning and the NDP, through high quality reports based on available information and input across government, from citizens, business, civil society and international organisations.
 - ***Strengthening monitoring and evaluation*** capacities across government and in particular of the NDP by:
 - Creating the national evaluation council, while ensuring the implementation of mechanisms to ensure stakeholder engagement in the evaluation process, the quality of evaluations and that the results of evaluations actually inform policy-making.
 - Conducting an in-depth independent evaluation of the National Development Plan for the period 2014-2018, to assess what worked and what did not work on its implementation, and make corrections if necessary. This could include conducting NDP perception surveys, to compare public perception and government results the results of polls.
 - ***Articulating the next phases of a State Modernisation Agenda,*** aligned with the State Modernisation goals of the National Development Plan, to guide and link the respective government strategies in public sector reform, budget reform and open government, and other governance areas, both at the national and subnational level (see recommendations on chapter 4). The rationale of this modernisation agenda is to establish the public governance reform process as a means to achieve Paraguay’s strategic development vision and objectives as laid out in the NDP more efficiently and effectively. Paraguay could consider making this modernisation agenda the subject of an effective stakeholder engagement process as an integral element in an eventual update of the National Development Plan.

Notes

1. Composed by the Ministries of Agriculture and Livestock; National Defence; Education and Sciences; Finance; Interior; Industry and Commerce; Justice; Women; Public Works and Communications; Foreign Affairs; Public Health and Social Welfare; Labour, Employment and Social Security.

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Chapter 3. Linking strategic planning to budgeting

Paraguay has developed interesting practices for ensuring alignment of annual budgets and capital expenditure with strategic policy objectives, such as the formulation of a national development plan with a long term planning horizon, reforming the budget structure and setting annual targets at the institutional level. Despite these improvements, the country faces challenges respecting the sustainability of such reforms and the need to complement these efforts with more developed performance-budgeting and robust medium-term budgeting frameworks.

Introduction

The budget is a central policy document of government, showing how annual and multi-annual objectives will be prioritised and achieved through resource allocation. Alongside other instruments of government policy – such as laws, regulation, strategy and joint action with other actors in society – the budget aims to turn plans and aspirations into reality. The budget is therefore a planning tool and a reflection of a government's priorities. It requires sound governance to make it efficient, strategic, clear, transparent, and trusted by citizens. The experience of recent years has underlined how budgeting is thus an essential keystone in the architecture of trust between states and their citizens.

The OECD Recommendation on Budgetary Governance (2015) states that budgets should be closely aligned with the medium-term strategic priorities of government, through organising and structuring budget allocations in a way that corresponds readily with national objectives and developing a stronger medium-term dimension in the budgeting process, beyond the traditional annual cycle (Box 3.1). Effective medium-term budgeting is a supportive measure toward creating a greater link between budgets, plans and policies –complementary to programme budgeting– and an integral part of providing predictability to policy-making. In this way, medium-term budgeting can serve as one vehicle for:

- Providing greater assurance to policy planners about multi-year resource availability; and
- Identifying the appropriate medium-term goals against which resources should be aligned.

Likewise, performance budgeting tools are key to enabling governments to assess periodically whether the policy objectives, for which spending was committed, are in fact being achieved. It is thus crucial to ensure that performance; evaluation and value for money are integral to the budget process and are clearly linked with government-wide strategic objectives (Box 3.2).

Improving the quality of public finance management as a means to optimise the achievement of strategic national development objectives is a key challenge in Paraguay, as it is in many countries. Paraguay has implemented several reforms in this field, most notably the formulation of a national development plan with a long-term planning horizon, reforming the budget structure, and setting annual targets at the institutional level. Despite these improvements, the government and civil society are concerned about the sustainability of such reforms, which could be bolstered with a robust medium term expenditure framework and performance budgeting tools. Furthermore, Paraguay could consider consolidating other inter-connected and mutually supportive elements of budgetary governance, such as inclusive, participative and realistic debate on budgetary choices, transparency, openness and accessibility of budget documents, citizen engagement, effective budget execution, fiscal risks and budgeting within fiscal objectives.

Box 3.1. OECD Budgetary Governance Principle 2

Closely align budgets with the medium-term strategic priorities of government, through:

- Developing a stronger medium-term dimension in the budgeting process, beyond the traditional annual cycle;
- Organising and structuring the budget allocations in a way that corresponds readily with national objectives;
- Recognising the potential usefulness of a medium-term expenditure framework (MTEF) in setting a basis for the annual budget, in an effective manner which:
 - has real force in setting boundaries for the main categories of expenditure for each year of the medium-term horizon;
 - is fully aligned with the top-down budgetary constraints agreed by government;
 - is grounded upon realistic forecasts for baseline expenditure (i.e. using existing policies), including a clear outline of key assumptions used;
 - shows the correspondence with expenditure objectives and deliverables from national strategic plans; and
 - includes sufficient institutional incentives and flexibility to ensure that expenditure boundaries are respected.
- Nurturing a close working relationship between the Central Budget Authority (CBA) and the other institutions at the centre of government (e.g. prime minister's office, cabinet office or planning ministry), given the inter-dependencies between the budget process and the achievement of government-wide policies;
- Considering how to devise and implement regular processes for reviewing existing expenditure policies, including tax expenditures, in a manner that helps budgetary expectations to be set in line with government-wide developments.

This chapter analyses how strategic planning can best be linked to the national budget in order to guarantee that planning is accompanied by the necessary financial resources to reach the strategic goals identified in the plan. The chapter starts with a description of OECD best practices in aligning strategic planning and budgeting. Then, the chapter gives a general overview of the budget cycle in Paraguay, highlighting some of its particular dynamics and challenges. Based on this general framework, the chapter offers a closer examination of recent efforts to better align government strategic priorities with the budget. Finally, the chapter provides suggestions and recommendations for the future development and direction of these initiatives, taking into account OECD best practices. This includes the option of designing a rolling medium-term expenditure framework in a manner that would support the effective roll-out of programme budgeting, while also introducing a stronger performance budgeting framework.

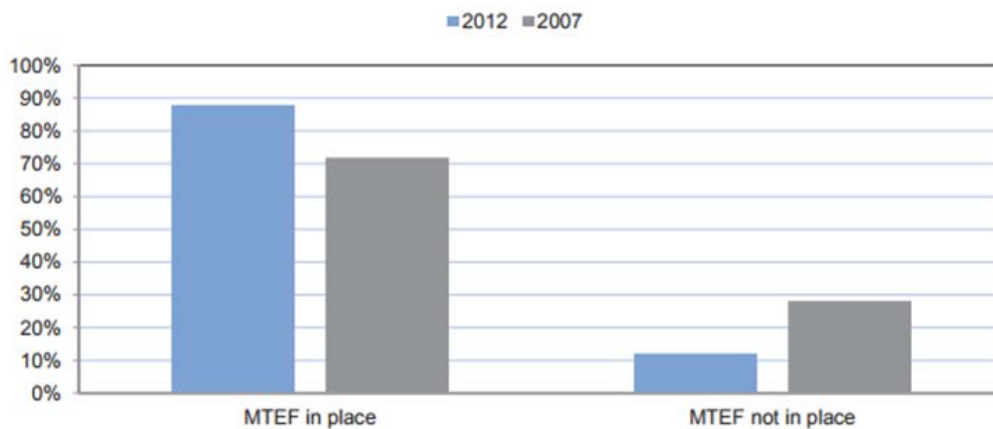
Box 3.2. OECD Budgetary Governance Principle 8

Ensure that performance, evaluation and value for money are integral to the budget process, in particular through:

- helping parliament and citizens to understand not just what is being spent, but what is being bought on behalf of citizens – i.e. what public services are actually being delivered, to what standards of quality and with what levels of efficiency;
- routinely presenting performance information in a way which informs, and provides useful context for, the financial allocations in the budget report; noting that such information should clarify, and not obscure or impede, accountability and oversight;
- using performance information, therefore, which is (i) limited to a small number of relevant indicators for each policy programme or area; (ii) clear and easily understood; (iii) allows for tracking of results against targets and for comparison with international and other benchmarks; (iv) makes clear the link with government-wide strategic objectives;
- evaluating and reviewing expenditure programmes (including associated staffing resources as well as tax expenditures) in a manner that is objective, routine and regular, to inform resource allocation and re-prioritisation both within line ministries and across government as a whole;
- ensuring the availability of high-quality (i.e. relevant, consistent, comprehensive and comparable) performance and evaluation information to facilitate an evidence-based review;
- conducting routine and open ex ante evaluations of all substantive new policy proposals to assess coherence with national priorities, clarity of objectives, and anticipated costs and benefits;
- taking stock, periodically, of overall expenditure (including tax expenditure) and reassessing its alignment with fiscal objectives and national priorities, taking account of the results of evaluations; noting that for such a comprehensive review to be effective, it must be responsive to the practical needs of government as a whole.

Linking strategic planning and budgeting in OECD countries

OECD countries have implemented different public finance management tools that contribute to the alignment of the budget with the strategic objectives of the government. Most OECD countries have a medium-term expenditure framework (MTEF) in place (Figure 3.1). A well-designed MTEF forces stakeholders to deal with the medium-term perspective of budgeting and budgetary policies rather than adopting an exclusively year-by-year approach. Furthermore, it provides greater assurance to policy planners about multi-year resource availability and helps aligning these resources with government's medium-term goals.

Figure 3.1. Percentage of OECD countries with MTEF in place

Source: OECD Budget Practices & Procedures Database

MTEFs typically cover a period of three to four years and aim to improve the quality and certainty of multi-annual fiscal planning by combining prescriptive yearly ceilings with descriptive forward estimates. ‘Estimates’ in this context are calculations of how expenditure, revenue and the aggregate fiscal position will turn out under certain assumptions. By their very nature, high-level fiscal ceilings are set in a medium-term context. Ceilings are targets or limits set by the government regarding aggregate or policy-area spending for each year of the multi-year frame of reference. The ceilings may be updated annually or fixed for a period. For the medium-term framework to operate effectively, estimates and ceilings need to be reconciled within the context of a forward-looking approach to budgetary planning and policy formulation.

Accordingly, a medium-term framework should state clearly the government’s medium-term fiscal objectives in terms of high-level targets such as the level of aggregate revenue, expenditure, deficit/surplus and debt. It should also facilitate stakeholders in identifying the policy choices and trade-offs that will be necessary in light of the estimates of what would happen in the following 3-5 years based on unchanged policies.

Most OECD countries have also undertaken reforms to ensure that budget allocations are organised and structured in a way that corresponds readily with the strategic national objectives (Box 3.3). In particular, some countries have introduced programme budgeting, structuring the budget by reference to functional and/or strategic programmes (as distinct from traditional financial “line items”, heads and subheads of expenditure) in order to facilitate a clearer focus on the outputs and impacts of public spending, and thus to promote closer linkages with the medium-term planning and developmental processes. The perceived advantages of the approach include enhanced monitoring of programme effectiveness, improved allocative efficiency, and greater transparency to stakeholders with respect to the use and impact of public funds.

Box 3.3. French programme budgeting system

In 2001, France enacted a new organic budget law including a well-defined programme structure, shifting budget classification from nature of expenses to public policy objectives. According to this new approach, the budget must be divided into missions, programmes and actions:

- A **mission** covers a series of programmes designed to contribute to a specific public policy. A mission can involve a single ministry or several ministries. The Parliament cannot change or adjust the Missions. It has to accept the budget allocations proposed by the executive government and has power only to vary the allocation between programmes.
- A **programme** covers a coherent set of activities of a single ministry targeted to a specific public policy objective. If more than one ministry participates in a large public policy, each of them should have a separate programme, covering its own responsibility in that matter, and ensuring coordination. Thus a programme corresponds to a centre of responsibility. Accordingly, for every programme, a programme director is appointed. All the resources from the State Budget should be allocated and spent within a programme. In a similar way, resources allocated by the Parliament to a particular programme cannot be spent by the ministers for another programme.
- An **action** covers a set of operational means to implement the programme. The budget breaks down resources allocated to the actions of each programme; however, this break down is indicative and not committing. There is indeed a high degree of freedom for expenditure choices for ministers, in order to allow the programme to reach its forecasted performance. However, there is one exception to this increased freedom: appropriations for personnel are not indicative but binding, in an asymmetrical way: personnel appropriations can be used for other purposes, but appropriations for other purposes cannot be used for personnel costs.

The Organic Budget Law prescribes an extensive performance reporting process to integrate performance information in the budget system through the following two types of mandatory budget documents: annual performance plans (*projets annuels de performances*, PAP) and annual performance reports (*rapports annuels de performances*, RAP). For a given mission, the PAP provides a detailed description of its purpose, goals, policy targets and performance indicators. As part of the annual budget act, the PAP documents are forward looking and are meant to contribute to the public debate about the costs and benefits of public policy. The RAPs are published in the first quarter along with the budget review act; they focus on performance achievements and provide detailed information on programme implementation and results. The RAPs are thus backward looking and tend to contribute to the public debate on the administration's performance.

Source: Loi organique relative aux lois de finances 2001

International experience suggests that programme budgeting should be implemented in a progressive manner, shifting from detailed financial “line-item” budgeting to programmatic and thematic budgeting, in an effort to promote greater engagement with the policy content and “meaning” of budget allocations. In many countries, programmes are selected within the context of a policy “cascade” from high-level strategic and developmental goals which inform medium-term, specific outcome goals, which in turn inform departmental or sectoral objectives and associated output targets and deliverables. Once programmes have been selected, countries can then move to allocate clear assignment of responsibility (organisational and, ideally, managerial) for the achievement of the selected programmes and targets.

A critical lesson from OECD countries in advancing a programme budgeting system has been the need to avoid information overload, and to secure the interest and buy-in of parliament, the public and indeed the government-wide system of public administration for the programme budget as the focal instrument of policy-making. International experience (Kraan, D. J., 2008) also found that there are two main success factors in undertaking a reclassification of the budget on the basis of programmes:

- Budget estimates and multi-annual estimates should be well explained, preferably in terms of outputs and cost per unit; and
- Strict rules of budgetary discipline should be put in place to guarantee that overspending on ministerial ceilings cannot occur.

A programmatic classification is recognised to be more appropriate for a policy-prioritisation function of the budget; it can also enhance the budget's managerial and macro-economic control functions. In order for the macro-economic control function to perform properly, budgeted programmes should not only contain estimates for the budget year but also estimates for the medium-term. In practice, multi-annual estimates may not be legally adopted and may have no binding status as “appropriations” but can be highly relevant for macro-budgetary planning.

Finally, these tools have also been accompanied by efforts to develop and use performance information to inform, influence and/or determine the level of public funds allocated towards those policies in the budgetary context. Among other purposes, performance budgeting can inform the budgetary decision-making process and enhance evidence-based policy-making. A performance budgeting system provides relevant information that facilitates the task of annual and multi-annual budgeting, including the core budgeting task of deciding on where limited resources are best allocated (or re-allocated). Likewise, a clear linking of budgets with results and impacts, drawing on findings from different sectors and from comparable countries and regions, helps to lay the basis for an evidence-based approach to policy-making

While the use of performance budgeting varies greatly, almost all OECD countries now use non-financial performance targets/measures in their budgeting budget process (Box 3.4). Even when countries have adopted similar models, they have taken diverse approaches to implementing these and they have adapted them to national capacities, cultures and priorities.

Box 3.4. International models of Performance Budgeting

Different models and approaches to performance budgeting are observed across the OECD. Even when countries have adopted similar models, they have taken diverse approaches to implementing these and they have adapted them to national capacities, cultures and priorities. In this context, the OECD has identified three broad categories of performance budgeting systems:

- **Presentational performance budgeting**, which involves the provision of performance information in parallel with the annual budget, e.g. as a transparency exercise or for the background information of policy-makers, with no necessary expectation that the information will be taken into account in deciding upon the budget allocations;
- **Performance-informed budgeting**, which presents performance information in a systematic manner alongside the financial allocations, in order to facilitate policy-makers in taking account of this information, to the extent that they may deem appropriate, when deciding upon with the budget allocations;
- **Direct performance budgeting** (or performance-based budgeting), where performance information is provided with the financial information, and where there is the expectation that performance, relative to previously stated objectives, will have direct consequences for the budget allocations.

More recently the OECD has identified a fourth broad category:

- **Managerial performance budgeting**, in which performance information is generated and used for internal managerial purposes and for organisational / managerial accountability, with a lesser focus upon the linkages with budget allocations.

Across OECD countries more generally, performance budgeting practices tend to fall into the first and second categories, with only a few in the third category (direct performance budgeting) for select types of expenditures (e.g. funding of higher education or hospitals).

Source: Ronnie Downes, Delphine Moretti and Scherie Nicol (2017)

The budget cycle in Paraguay

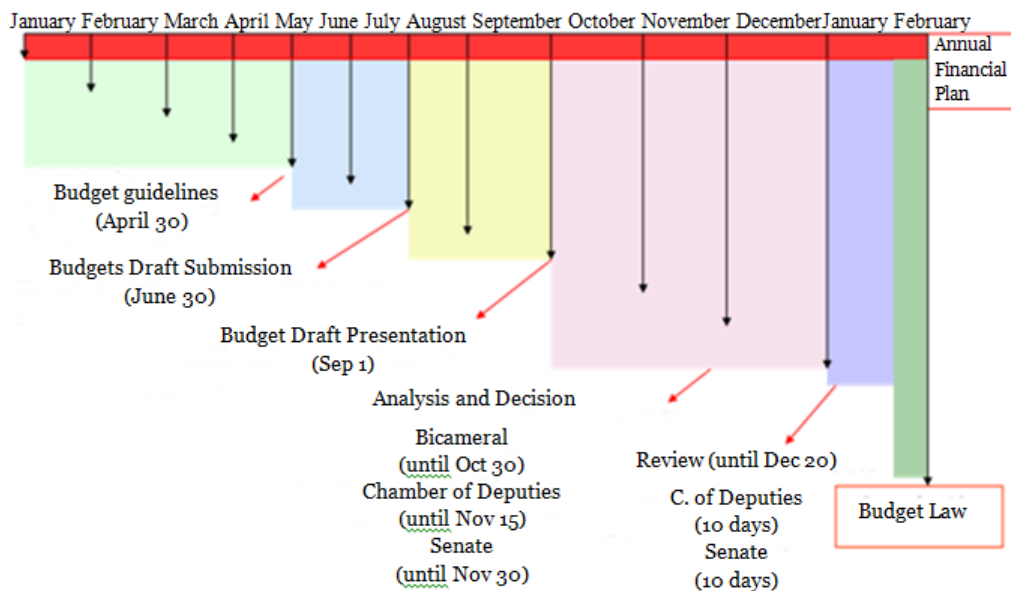
Paraguay has a budget calendar that is well specified and understood by the different stakeholders involved in the budget process. Budget formulation starts at the end of April when the budget guidelines are communicated to all agencies and entities of the State and finalised by the end of August, when the budget is submitted for discussion and approval. The budget Law is discussed for almost four months in the Congress and must be approved by December 20. The final version of the Law is then adapted by the Ministry of Finance in the Annual Financial Plan, where line ministers have the final budget allocations for the budget year (Figure 3.2).

As will be explained in further detail, Paraguay presents particular institutional settings that affect the credibility, transparency and sustainability of the budget document. In particular, the different roles and prerogatives of the Legislative and Executive Branches are not well-aligned; these tend to undermine the predictability and efficiency of budget allocations.

A rules-based, open and transparent budget process and Congressional approval should be the primary route for authorising and allocating revenues in a country. In contrast with standard practice in OECD countries, Paraguay's Annual Financial Plan prepared by the

Ministry of Finance at the beginning of the year to adjust the expenditure ceilings approved in the Budget Law is the guiding document to programme expenditures.

Figure 3.2. Budget calendar of Paraguay



Source: Minister of Finance of Paraguay, 2017

Formulation

The Budget Directorate of the Ministry of Finance is responsible for the administration of the budget planning and programming process. The Technical Secretariat for Economic and Social Development Planning (STP) in the Presidency also supports the budget formulation and monitoring process. It coordinates the physical programming and supports public entities with the preparation of the draft budget and the alignment with the objectives of the National Development Plan.

The budget formulation starts at the end of April when the Ministry of Finance communicates the budget guidelines to all agencies and entities of the State (OEE). Based on these guidelines, the OEEs prepare their draft budgets and submit them for consolidation in the General Budget at the latest on June 30. There are some informal negotiations between the Ministry of Finance and line ministries during the budget consolidation process. Requests from line ministers are studied based on resource availability and their impact on the objectives of the National Development Plan (PND). There is no subcommittee within the institutional framework of Paraguay involved in the resolution of the budget negotiations. These negotiations fall within the sole competency of the Ministry of Finance. The consolidated budget bill must be presented to Congress by September 1st and must be approved (or rejected) by December 20.

Approval

Starting on September 1st, a joint bicameral commission composed of fifteen deputies and fifteen senators studies the budget for 60 days before issuing a non-binding

recommendation. Then, the revised proposal moves to the Chamber of Deputies, where it is studied for two weeks. Finally, it moves to the Senate Budget Committee, where it is further revised for two weeks. The Senate can modify any item of the budget bill by simple majority, virtually drafting the “final” version of the budget (Molinas, J. R., & Pérez-Liñán, A, 2005).

In contrast to most countries in the region, in Paraguay the Congress exercises unlimited powers to revise and amend the budget bill submitted by the Executive. Even though the Fiscal Responsibility Law (FRL) and the Law of Financial Administration of the State (LFAS) contains important restrictions with respect to protecting fiscal sustainability in practice, the Executive budget proposal can be subject to substantial modifications and increases (Santos A., 2009). Not only can Congress increase capital expenditure but it can raise current expenditure allocations, including payroll and salaries (see Chapter 5). Congress also tends to justify these increases with upward revisions to revenue projections, which generally lack realism and credibility.

The role of Congress in the budgetary process, in particular the lack of tools and safeguards to ensure its adherence to fiscal objectives, impairs the soundness of the budget preparation process, compromises fiscal sustainability, and reduces the credibility of the budget document. This issue had special relevance in the last two budget formulation processes. In 2016, tensions between the two Branches of government escalated, culminating in an unprecedented presidential veto of the budget and the extension of the application of the 2016 fiscal year budget into 2017. Likewise, the president partially vetoed the budget law for 2018. However, on this occasion, the veto was overturned by absolute majority of both chambers of the Congress (Box 3.5), threatening the country’s capacity to comply with the fiscal rule.

Box 3.5. Tensions between branches of government: 2017 and 2018 presidential vetoes to the Budget Law

In December 2016, the President vetoed the budget approved by Congress for the fiscal year 2017. The main reason behind the decision was to comply with the requirements of the Fiscal Responsibility Law and to avoid risks on Paraguay’s ability to honour its debt obligations during 2017. Some of the modifications made by the Senate included restricting the amount of bonds the government could issue, raising public sector salaries (amounting to 0.2 percent of GDP), and imposing a cap on Central Bank instruments used for open-market operations and liquidity management.

In the absence of a congressional override of the Presidential veto, the 2016 Annual Budget, approved by Congress in 2015, was reinstated for 2017. In February 2017, the Budget Office of the Ministry of Finance published the Annual Financial Plan for 2017, adapting the Budget Law approved for 2016.

In December 2017, the 2018 budget Law was subject to a similar presidential veto. The main objective of this executive measure was to block salary increases in the health and education sector, and comply with the requirements of the Fiscal Responsibility Law. However, based on the powers granted in the Constitution, the two Congress Chambers overturned the decision with an absolute majority, forcing the president into the position of only being able to publish and enact the budget law.

Source: IMF (2017), Faruquee, H and David, A (2017)

Execution

The budget execution year matches the calendar year in Paraguay. According to the LFAS, the Ministry of Finance, in coordination with the OEEs, will propose to the President a monthly financial plan of revenue and expenditure for budget execution. The cash plan of the Central Government is based on the financial plan and subject to availability of resources of the General Treasury.

A particular feature of the budget process in Paraguay is that the Budget Law is not used by line ministers as the guiding document to program their expenditure. Within two months of the approval of the National Budget Law, the Ministry of Finance prepares and publishes the Annual Financial Plan, adjusting the ceilings included in the budget law approved by Congress to take into account revenues estimates and compliance with the Fiscal Rules (Box 3.6). Only when this plan is approved by the President by decree and published, the OEEs will know their definitive expenditure ceilings for the fiscal year. As a consequence, there seems to be an overlap between the budget execution phase and the budget formulation phase, at least during the first months of the year.

During the budget execution phase, OEEs can request budget reallocations to the Ministry of Finance. The rules and procedures for these reallocations are set in the annual budget law. As a general rule, budget supplements can only be authorised by law, budget reallocations between programmes from the same organisation should be authorised by decree, and budget reallocations within the same programme should be authorised by a dedicated ministerial resolution.

The particular characteristics of the Budget process in Paraguay lead to substantial differences between the initial budget bill prepared by the executive, the budget law approved by Congress, and actual expenditures (Figure 3.3).

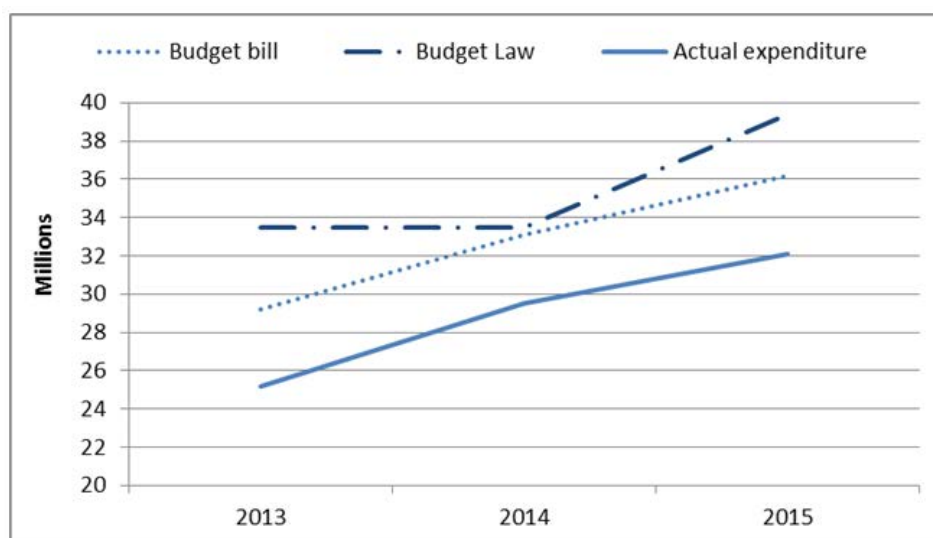
Box 3.6. Fiscal Rules in Paraguay

The Fiscal Responsibility Law (Law No. 5098/13) includes clear commitments to pursue a sound and sustainable fiscal policy in Paraguay. In particular, article 7 states that the annual budget laws are subject to the following fiscal rules:

1. The annual fiscal deficit of the Central Administration, including transfers, shall not exceed 1.5 percent of the estimated GDP for that fiscal year.
2. The annual increase in the primary current expenditure of the public sector shall not exceed the annual rate of inflation plus four percent. The primary current expenditure is defined as the total current expenditure excluding interest payments.
3. The Budget Law should not include salary increases unless there is an increase in the current minimum living wage. The increase shall be, at most, in the same proportion, and shall be included in the budget of the next fiscal year.

Likewise, the Law of Financial Administration of the State (Law 1535/99) states that public debt can only be used to finance productive investments, national emergencies, public administration reforms or refinancing public debt (Golden rule).

Figure 3.3. Differences between the aggregated expenditure in the budget bill presented by the executive, the budget law approved by Congress, and actual expenditure (2013-2015)



Source: Own calculations based on figures from PEFA assessment 2016

Recent efforts to better align government strategic priorities with the budget

Strategic planning framework: National Development Plan Paraguay 2030

The first step towards aligning the budget with strategic government objectives is to have a well-developed and effective strategic planning framework. To be effective, national development plans must be costed, include indicators, targets and measurable goals and must provide a useful tool for line ministries to develop sectoral plans and thereafter annual plans. This layering of planning tools, in particular medium-term planning, is the backbone to establishing effective medium-term expenditure management. Medium-term expenditure estimates should be developed on the basis of the first level policy conceptualisation and prioritisation that has been developed in these plans, ensuring that budgets are carefully crafted.

As explained in detail in Chapters 1 and 2, Paraguay has made important progress in strategic planning. The National Development Plan Paraguay 2030 is the strategic document that sets the country's strategic objectives and guides the actions taken by the Government. It is structured according to three strategic axes: 1) Reduction of Poverty and Social Development, 2) Inclusive Economic Growth, and 3) Insertion of Paraguay in the World; and four transversal lines: 1) Equality of Opportunities, 2) Transparent and Efficient Public Management, 3) Territorial Planning and Development, and 4) Environmental Sustainability. Based on these axes and strategic lines, the government developed 12 general strategies, each one composed with a set of specific objectives.

Paraguay has also made efforts to develop sectoral and institutional plans. One hundred twenty-one (121) Agencies and Entities of the State have an Institutional Strategic Plan (*Planes Estratégicos Institucional PEI*), which in most cases has a five-year term, and usually covers a presidential term. However, the level of development is not homogenous and these plans are not articulated or are only partially articulated with the PND. Furthermore, until now there is no structured process to coordinate the PND, the sectoral

and the institutional plans with the medium term fiscal planning framework. There are some initial steps towards developing this practice at the subnational level. Starting in 2018, the Budget Law recommends municipalities and departments to have an institutional plan.

Reforming the budget structure towards programme budgeting

With the implementation of the National Development Plan 2030 the government of Paraguay has made remarkable efforts to restructure the budget document to strengthen the link with the Government's strategic objectives. Since 2014, the Government started implementing a "results-based planning system" (*Sistema de Planificación por Resultados* SPR), where results are placed upfront in the planning process and are the basis for defining the best combination of inputs, activities and productive processes that are needed to obtain these results.

The effective implementation of the Plan is carried out through the preparation of the Annual Institutional Operation Plans (*Planes Operativos Institucionales* POI), where each institution sets goals, the levels of responsibility and the resources that are needed to reach those goals. The POIs must consider the objectives of the PND as well as the actions, plans and projects developed to achieve extreme poverty reduction objectives.

Each OEE prepares its POI and budget based on the budget ceilings established by the Ministry of Finance. The POI is then uploaded into the Results-based Planning System of the STP, where all expenditures are linked with the objectives of the National Development Plan (NDP). The STP has developed not only the conceptual framework of the SPR but also guidelines for implementation, including guidelines to prepare and upload the POI.

Currently, the 12 strategies of the National Development Plan are considered as budget programmes related to or linked with the National Development Plan, which provides an estimate of the allocation of resources assigned to each strategy. This new structure has helped reduce the number of budgetary programmes while improving their clarity, and has provided a clearer understanding of their links to and coherence with the NDP. For example, several entities had a programme to support the indigenous population. Under the new system these programmes were clustered under a common objective. Likewise, the new structure of the budget increases flexibility in the budget process by defining budget lines at a more aggregated level.

The data loading process to the SPR starts in the beginning of May and is to be finished by the end of May. On the first days of June the information is then transferred into the Integrated Financial Management System (*Sistema Integrado de Administración Financiera* SIAF) in order to articulate the budget information with treasury, accounting, credit and public debt systems. This process is to be finalised by the end of June. The Ministry of Finance is restructuring the SIAF in order to have a more comprehensive Information System that articulates planning, budgeting and execution.

There has been considerable progress, in a short time, in setting out a comprehensive framework and clear guidelines to develop the programme structure, with clarifications and definitions of key terms and concepts. In this process, the STP joined efforts with the Ministry of Finance to provide line ministries with training and guidelines on how to link their budget with the NDP. The STP has also worked closely with the technical office of the Bicameral Budget Commission of the Congress. Despite the initial difficulties to

adapt to the new structure most OEEs recognise the benefits of the new system in terms of simplification, flexibility and alignment with the strategic objectives.

Despite these notable improvements, there is still space to improve the programme budgeting reform. Although there is a relation between the objectives or annual results (IOP) and the annual budget, in the medium term there is no relation between objectives and the financial allocation that would be assigned to them. As will be explained in further detail in the next section, the medium term expenditure framework does not take into account targets or medium-term objectives identified in the National Development Plan.

Performance Budgeting

One of the most challenging elements of budgetary governance is ensuring that public funds, once they have been allocated and spent, can be subject to ongoing monitoring and evaluation to ensure that value-for-money is being attained (Box 3.7). Performance budgeting is a critical tool to improve the link between the Government's strategic objectives and the annual and multiannual budget process. The Government's strategic objectives should be monitored and evaluated so that the Government and society as a whole can see the improvements achieved and implement corrective measures when needed.

Programme monitoring and evaluation (M&E) is an essential tool for the assessment and improvement of policies, and for the reallocation of resources to where they can achieve the greatest impact. The monitoring dimension of M&E involves using data generated during programme execution to ensure compliance with budgetary restrictions and to assess achievement of objectives. Systematic evaluation of programmes uses standardised, professional methodologies to allow a broader re-assessment of the policy rationale for a programme's continued existence, in light of other modalities and competing policy priorities, and to ensure that lessons learned can be integrated in policy revision.

As explained in chapter 2, the monitoring and evaluation framework is not well defined in Paraguay. Both the Ministry of Finance and the STP have developed interesting initiatives to measure performance (i.e. performance informed framework and SPR). However, responsibilities are not clearly defined and coordination mechanisms are lacking. Furthermore, the new Council mandated by the PND to evaluate performance of public programs and institutions has not yet been created (see next section).

Box 3.7. Key challenges in implementing programme budgeting in OECD countries

Some common challenges in implementing programme and performance budgeting in OECD countries, regardless of approach, concern the use of performance information, which is at the most advanced stage of implementing a performance informed budgeting system. These challenges include improving measurement of performance, finding appropriate ways to integrate performance information into the budget process, gaining the attention of key decision makers, and improving the quality of the performance information. Although there are exceptions, most governments have found it difficult to provide decision makers with good quality, credible and relevant information in a timely manner, as well as providing incentives for stakeholders to use this information in budgetary decision making. Some OECD countries have faced some level of resistance from public servants to changing practices, as well as difficulties in developing the institutional capacity of the Ministry of Finance and line Ministries in using performance information

As one of the first countries to implement programme budgeting, Australia's approach to incorporating a focus on performance has been a long-term, iterative process. This has provided many benefits, not least the opportunity to learn from experience before proceeding with further reforms. This has also been important because of the interrelationship between performance and other aspects of the financial, accountability, political and management environment. The complexity of interactions and incentives is difficult to comprehend in isolation from practical experience, making "big bang" changes potentially high risk. Two recurring themes in establishing good performance information that Australia has faced are:

- The quality of performance information in relation to agency contributions to outcomes and outputs.
- The limited use of the performance information for decision making in the budget context.

With respect to outcomes and outputs, it is important to ensure that links between programmes, outputs and outcomes are clear and measured effectively, particularly if this performance information is to be relied on for budget decision making. It is crucial that new policies and practices are well understood by people in line agencies and that they have the skills, capacity, resources and authority to implement the initiatives effectively. With respect to enhancing the utility of performance information for budget decision-making, a major challenge in introducing a systematic approach to programme reviews has been to ensure that it adds value to government considerations, uses agency resources efficiently, and does not become a mechanical exercise.

Source: Performance Budgeting in OECD Countries, OECD (2007)

Performance informed framework

Paraguay started using performance information in 2004, but it was only in 2011 that the Government started laying the ground for a more comprehensive performance framework. According to the Resolution of the Ministry of Finance No. 287 from 2011, the Government is to implement performance-based budgeting as a tool that creates an indirect but systematic link between performance information and resource allocation between public institutions and priorities. The Ministry of Finance exercises the role of control, monitoring and evaluation of the information submitted by the Agencies and Entities of the State under the performance informed framework.

Currently, there are three main tools implemented under the performance-based budgeting (*Presupuesto por resultados*) framework (Ministry of Finance of Paraguay, 2016). However, these tools are not yet articulated with the NDP or the SPR reform.

- **Performance indicators.** These indicators provide qualitative and quantitative information related to outcomes on goods and service provision. In 2015, there were 166 performance indicators applied against 57 programs, subprograms and projects from the central administration.
- **Public Management Annual Reviews** (*Balances Anuales de Gestión Pública* BAGP). The BACPs are annual reviews where OEEs report the progress achieved during the fiscal year, in terms of objectives, goals and results, and set the institutional commitments for the next fiscal year. These documents are presented to Congress and are available on the webpage of each institution.
- **Public programme evaluation.** This is a form of ex-post evaluation report on the evolution of public programmes, comparing the achieved results with the initial objectives. There have been 26 public programmes/sub-programmes evaluated in the past 5 years.

Results based planning system (SPR)

The SPR reform helps OEEs to set their expected results and establish indicators to monitor progress at the institutional level; however, there is no overarching framework for evaluating and monitoring the implementation of the plan. The PND foresees the creation of a National Council for Public Management Evaluation. This new Council should evaluate performance of public programmes and institutions. In particular, it should establish a biannual agenda prioritising institutions and programme evaluations as well as setting responsibilities and resources to carry out these evaluations. Despite the vital importance of this institution for the implementation of the SPR reform, the council has not yet been created.

The Technical Secretariat for Planning has developed an institutional tool for planning, managing, monitoring and evaluating the achievement of institutional goals aligned with the national development plan. The implementation of this monitoring tool has been gradual. OEEs that have social-policy outputs prioritised within the framework of the Government's Sowing Opportunities Program (*Programa Sembrando Oportunidades*— a major social-policy programme) started reporting progress on the institutional outcomes in 2015. These results are published on a citizen's oversight dashboard, with detailed information on progress achieved. In 2017, all OEEs will start reporting the monthly progress of goals established in the IOP.

Under the SPR reform, OEEs are to set one or more expected results from each one of the programmes, sub-programmes and projects defined in the Annual Institutional Operation Plans. These results are to be attached to the PND (Figure 3.4). Each result is then supposed to be linked to an indicator and a target for the following 3 years (Figure 3.5). Indicators are selected from an indicator catalogue (OEEs are free to add indicators to the catalogue).

Figure 3.4. Example of expected results under the POI

Vinculación Cadena de Valor (2) PODER EJECUTIVO 1) PRESIDENCIA DE LA REPÚBLICA 2) PROGRAMAS DE ACCIÓN 2) SERVICIOS SOCIALES DE CALIDAD 6) REDUCCION DE POBREZA 0 7			
Resultados Esperados Vinculados	Contrib.	Influe.	Acciones
PROGRAMAS SOCIALES DE REDUCCIÓN DE POBREZA, COORDINADOS Y ARTICULADOS EN TERRITORIO.	0.5	0	<div>Indicadores</div> <div>Modificar Contrib</div> <div>Modificar Influe</div> <div>Vincular a PND</div> <div>Desvincular</div>
FOCALIZADA. LA OFERTA PUBLICA DE BIENES Y SERVICIOS DIRIGIDA A PERSONAS EN SITUACION DE POBREZA EXTREMA.	0.2	0	<div>Indicadores</div> <div>Modificar Contrib</div> <div>Modificar Influe</div> <div>Vincular a PND</div> <div>Desvincular</div>

Source: STP, 2017

Figure 3.5. Example of indicators under the POI

Indicadores Vinculados

Copy

CSV

Excel

PDF

Print

Buscar:

Indicadores Vinculados					
Nombre	Tipo Indicador	Unidad de Medida	Frecuencia de Medición	Fuente de Datos	Administrar
% de instituciones públicas que implementan el Tablero de Control para el monitoreo de indicadores institucionales.	Indicador de resultado	Porcentaje	12	Registros STP	<div><div><div><div></div></div><div><div></div></div></div><div><div><div></div></div><div><div></div></div></div></div>

Source: STP, 2017

By 2017, all OEEs are to prepare the POI based on this framework. However, the quality of the indicators and the targets set varies across institutions. Despite improvements, in practice, it appears that there is still progress to be made in ensuring that these concepts are correctly and uniformly understood across all line ministries and agencies.

Selecting and using performance indicators to monitor and measure progress in achieving targets are among the most challenging dimensions of a programme budgeting reform. However, when the correct set of indicators is in place, this can help to leverage the performance system as a catalyst for progress in other dimensions of public policy (Box 3.8).

Box 3.8. Key performance indicators and public policy

Austria has over recent years reformed and streamlined its budgetary framework so that each ministry presents its estimate on a programme basis, with a small number (no more than 3-5) of performance objectives specified for each programme. At least one of these programmes must relate to gender equality. Both the resources allocated to each programme, and the performance relative to the objectives, are subject to audit by the supreme audit institution.

Example of indicators: Number of men and women who attend preventive health examination; percentage of women between 45 and 75 years who participate in breast cancer screening.

Likewise, **New Zealand** has a well-developed results approach, whereby agencies are organised around the outcomes that matter to citizens, and in this context each agency must specify the “vital few” indicators that will tell whether these goals are being achieved.

Example of indicator: Percentage of children sitting and achieving School Certificate in five subjects.

The **United States** has also placed a high priority on articulating clear performance objectives for each agency, including a small number of “agency priority goals”; these objectives have become an organising principle for public accountability and also for internal management and staff engagement.

Scotland’s National Performance Framework involves a co-ordination mechanism to ensure alignment of strategies and programmes across sectors, in support of broader national outcomes.

Example of indicators: Proportion of driver journeys delayed due to traffic congestion; Total additions to the supply of housing, including public and private new house building; conversions of existing buildings to housing use; and refurbishment of dwellings.

Source: OECD, The Governance of Inclusive Growth, 2015

Medium term expenditure framework

Developing a stronger medium-term dimension in the budgeting process (beyond the traditional annual cycle) is a key element to ensure that budgets are closely aligned with the medium-term strategic priorities of government. Medium-term expenditure frameworks (MTEFs) strengthen the ability of the Government in general, and the Ministry of Finance in particular, to plan and enforce a sustainable fiscal path. If properly designed, a MTEF should force stakeholders to deal with the medium term perspective of budgeting and budgetary policies rather than adopt an exclusively year-by-year approach.

Paraguay presents some of the basic foundations of medium-term budgeting. In particular, the Fiscal Responsibility Law (2013) provides a multi-annual perspective to the budget process. Since 2014 Paraguay’s annual budget has to be framed within a multi-annual fiscal scenario (Law 5098 of 2013). The Macro-fiscal Policy Direction of the Ministry of Finance develops medium-term fiscal projections based on nominal GDP, expected inflation, real GDP growth, the exchange rate, and import levels. These projections are included in the public finance report (*Reporte de Finanzas Públicas*) and included in the annual budget documentation presented to the Congress.

The Multiannual Financial Programming system has a three-year perspective, with estimates for the current year and for two outer years included as annexes in the annual budget documentation. Based on the multiannual macro-economic projections, the

Ministry of Finance establishes multiannual indicative expenditure ceilings. These ceilings are defined centrally and communicated to all public institutions the 1 of July. Based on these ceilings, public institutions estimate their medium-term expenditures for the budget year and the following two years. These ceilings are only used as reference. In practice, budget allocations are redefined during the annual budget formulation process.

Box 3.9. Levels of development of medium-term budgeting

As for other reforms, there are several levels at which medium-term budgeting can be undertaken. According to a typology developed by the World Bank, at a first level a Medium Term Fiscal Framework (MTFF) contains a statement of fiscal policy objectives and a set of integrated medium-term macroeconomic and fiscal targets and projections. A Medium Term Budget Framework (MTBF) builds on an MTFF by developing medium term budget estimates for individual spending agencies. The objective of an MTBF is to allocate resources to strategic priorities and ensure that allocations are consistent with overall fiscal objectives. The advantage of this approach is to provide some degree of budget predictability to spending agencies, while safeguarding overall fiscal discipline. A Medium Term Expenditure Framework (MTEF) then adds further detail to this approach by providing additional elements of activity and output based budgeting. These additions aim to further enhance an emphasis on value for money of public expenditure, in addition to reinforcing fiscal discipline and strategic prioritisation.

Source: World Bank, 2013

Despite recent improvements, the medium term expenditure framework is still at an embryonic stage of development (Box 3.9). In Paraguay, multi-annual expenditure ceilings are only used as a reference in the budget document. In practice, they are redefined each year by the Ministry of Finance during the annual programming phase. The differences on the estimates are not studied in the public finance report and there is little analysis on the reasons behind these variations.

The impact of a medium-term perspective on the budget depends ultimately on the credibility of the expenditure estimates and ceilings as well as how this information is used by decision-makers and members of civil society. Failure to achieve medium-term budget objectives is often related to weak arrangements surrounding the preparation, legislation and implementation of budgetary targets.

The recently-created fiscal council could have a strategic role in improving the multi-year projections of revenues and expenditure in Paraguay, increasing credibility of these estimates (Box 3.10 **Error! Reference source not found.**).

A second consideration is that the Multiannual Financial Programming exercise in Paraguay does not take into account targets or medium term objectives linked to the long term strategic plan. Although there is a relation between the objectives or annual results and the annual budget, in the medium term there is no relation between objectives and the financial allocation that would be assigned to them. Expenditures are projected based on a comparative percentage increase, without a clear link with the Institutional Strategic Plans or the National Development Plan.

In countries with effective medium-term budgeting, medium-term projections of budget programmes are based on existing spending policies, together with the impact of proposed new budget policies, which are clearly linked to annual budgets, all on a programme-basis. However, in the case of Paraguay, the government does not produce expenditure estimates for medium term programs and investments; expenditure priorities

are studied only for the current budget year. In addition, the system used to program the annual budget (SPR) is dissociated from the multiannual framework programming exercise.

The credibility of the medium term expenditure framework is also challenged by the unlimited powers exercised by Congress during the budget approval phase, introducing substantive amendments in the budget bill submitted by the Executive, compromising fiscal sustainability, and reducing the credibility of the multiyear expenditure estimates.

Box 3.10. The recently created Fiscal Advisory Council

The Fiscal Advisory Council (*Consejo Fiscal Asesor*, CFA) was created by the Decree 6498 of 2016 as an independent body that will contribute to the discussion, analysis and issuance of opinions regarding fiscal policy. The CFA will offer opinions regarding the variables upon which the budget policy is created, helping in the dissemination of knowledge about the status of public finances, and guiding discussions on fiscal policy.

In particular, the functions of the CFA are:

- To issue an opinion regarding the fiscal result calculated by the Ministry of Finance in the Budget bill. This includes the issuance of an opinion regarding the macroeconomic projections of revenues and of fiscal expenditures.
- To issue an opinion regarding the fiscal and macroeconomic implications of the changes made by the Legislative Branch to the Budget bill submitted by the National Government.
- To express its opinion and to make recommendations to the Ministry of Finance on possible changes related to fiscal targets and public finances.
- To advise the Ministry of Finance in fiscal matters.

The council is composed of three members nominated by the Minister of Finance. The members should come from the private sector or the academia and are nominated for a three-year period, which can be extended. Although the CFA has no permanent staff, the decree provides for administrative and technical support from the Macro-fiscal Department of the Minister of Finance, which has qualified personnel to respond to the council's needs.

Recommendations

Based on the preceding assessment, to enhance the strategic links between strategic planning and the budget-setting and execution process, Paraguay could consider the following:

- **Increase transparency by informing citizens about the budget law, the differences with the budget bill presented by the Executive, the financial plan and actual expenditures**

Budget transparency means being fully open with people about how public money is raised and used. Clarity about the use of public funds is necessary so that public representatives and officials can be accountable for effectiveness and efficiency. Likewise an open and transparent budget process fosters trust in society that people's views and interests are respected and that public money is used well. Furthermore, transparency supports better fiscal outcomes and more responsive, impactful and equitable public policies.

Given the particularities of the Paraguayan budget process, it is essential that citizens access not only the full budget documentation and underlying economic analysis, but

information about the amendments introduced during the legislative debate, the financial plan, and the scale and justification of the differences between these instruments. This approach will promote accountability and, through presenting the budget materials (including performance information) in a regular and clear manner, will underline the link between the resources available and the targets to be achieved. Furthermore, if well informed, citizens can play a key role in holding Congress accountable for the quality of amendments introduced during the budget approval phase. The newly created CFA could also play a key role in supporting the implementation of this recommendation.

- **Promote a sustained, responsible engagement of Congress during the full cycle of the budget process**

The government could consider regular updates to revenue and expenditure projections and debates on fiscal objectives in order to engage the Congress in positive ways, and to build alliances for responsible engagement on budgetary development. For example, the Executive could commit to implement revenue and expenditure projections updates before the closure of the first semester of the year, aiming to inform Congress about the economy and ensure these aspects are taken into account during the budget formulation and approval phase for the next budget year. Furthermore, the Executive could present the Fiscal Framework and the priorities of the budget to the Congress previous to the presentation of the budget bill.

- **Link the national plan with institutional and sectoral plans (and the decentralisation framework – see chapter 4 recommendations below)**

To be effective, national development plans must be costed, include indicators, targets and measurable goals and must provide a useful tool for line ministries to develop sectoral plans and thereafter annual plans.

Even though Paraguay has made efforts to develop sectoral and institutional plans, these plans are not fully articulated with the PND and the level of development is not homogenous. Paraguay could greatly benefit from developing a structured process to coordinate the PND, the sectoral and the institutional plans with the medium term fiscal planning framework.

- **Consolidate the “Results-Based Planning System” reform by strengthening the performance budgeting framework**

The government of Paraguay has made remarkable efforts to restructure the budget document towards strengthening the link with the Government’s strategic objectives. However, there is still space to improve the programme budgeting reform. In particular, the government could consider:

- Embedding the reform in a more robust instrument to ensure stability and continuation;
- Establishing a mechanism that allows the government to design and formulate budgetary programs in order to better link them with the institutional, sectoral and national results, defining an overarching framework for evaluating and monitoring the implementation of the plan;
- Clearly defining responsibilities for evaluation and monitoring and articulate the current performance frameworks (i.e. performance informed framework and SPR);
- Strengthening the link with key high level objectives (e.g. KNIs and SDGs). This will help anchor and orient the performance budgeting framework;

- Developing a medium-term plan to articulate the SPR with the medium-term expenditure framework (MTEF) and the budget programs at the subnational government level.

- **Strengthen the Medium-Term Expenditure Framework**

The multi-year projections of revenues and expenditure should evolve from technical extrapolations to realistic forecasts, based on information and realistic assumptions about the consequences and costs of current policy (taking into account the development of demand) and of alternative proposed policies. In particular, Paraguay could consider the following recommendations:

- The ceilings for total expenditures and ministerial envelopes should apply to the medium term;
- The Multiannual Financial Programming exercise should take into account targets and medium term objectives linked to the long term strategic plan;
- The ceilings for total expenditures and the ministerial envelopes should be based on a trade-off / reconciliation of medium-term sectoral plans and revenue options;
- Consider implementing carry-over mechanisms which allows for programmes that have incurred delays to be moved over to the following year within certain conditions;
- Align existing medium-term sectoral plans with medium term estimates.

- **Make full use of the newly created Fiscal Advisory Council (FAC) to strengthen revenue projection estimates**

Revenues should be estimated as precisely as possible from the outset of the annual process. Furthermore, the economic projections and underlying assumptions should be made public, so that they can command public and political confidence as the standard official basis for decision making about expenditure and tax policy developments. This will not only increase predictability and transparency in the budget process, but will strengthen the bases of the budget process preparation, helping to inform and guide the engagement of the Congress during the budget cycle.

As in the case of several OECD countries, having an independent technical body in charge of the economic assumptions for revenue forecasting can support the quality, credibility and transparency of revenue estimates (Box 3.11).

Box 3.11. The Spanish Independent Authority for Fiscal Responsibility and its impact in revenue projection

The Spanish Independent Authority for Fiscal Responsibility (AIReF) was established in 2013 as part of a national reform process with the aim of reinforcing the Spanish fiscal framework, meeting new European obligations, and restoring Spain's public finances and setting them on a sustainable path. AIReF has a broad mandate to ensure effective compliance with Spain's constitutional budgetary stability principle by public administrations at all levels of government. This includes continuous monitoring of the budgetary cycle and public indebtedness, as well as analysis of government economic forecasts.

According to a recent study carried out by the OECD, AIReF has made a positive contribution to improved fiscal management in Spain at all stages of the fiscal policy cycle. At the planning stage, it is widely believed that AIReF has helped generate improvements in forecast methods. Those stakeholders working on national forecasts welcomed the richer technical discussions that were now possible with the addition of AIReF in this area. Stakeholders also observed that while AIReF initially gave the opinion that revenues were overestimated in relation to both the macroeconomic forecast and the pension revaluation index, there has since been a convergence between the government's forecasts and AIReF's opinion. This suggests that AIReF's oversight has been instrumental in making the government more prudent, although there are likely to be other factors at play such as improved economic conditions. AIReF has also improved forecasting methods at the regional level, for example, through setting up a working group up to ensure that all regions have access to robust tools to project regional GDP and employment.

Source: OECD, 2017

In Paraguay the CFA was created at the initiative of the Ministry of Finance and authorized by Decree. Newly created, it is still at a very early stage of development. However, given its mandate and overall functional objectives, it has the potential to play a major role in strengthening revenue projections. Official projections should be closely scrutinised and, where appropriate, revised by this institution. In the longer term, it may be advisable for the CFA to adopt a more substantive role in this regard, in keeping with trends in OECD countries.

In order to fully achieve this objective, Paraguay should consider applying the OECD Recommendation of the Council on Principles for Independent Fiscal Institutions (e.g. protect the IFI non-partisanship and independence status and ensure that its mandate is aligned with the resources allocated to the institution). A detailed analysis on how to better align the current institutional framework with the OECD recommendations could be included in an OECD review solely focused on Budgetary Governance.

- **Consolidate other inter-connected and mutually supportive elements of budgetary governance**

Implementing a realistic, credible national planning and budgeting framework requires progress across many dimensions of budgetary governance, such as: budget flexibility, effective budget execution, inclusive, participative and realistic debate on budgetary choices; transparency, openness and accessibility of budget documents; citizen engagement; identification and management of fiscal risks; and budgeting within fiscal objectives. Given the extent and complexity of these topics, Paraguay will greatly benefit from having an OECD review solely focused on Budgetary Governance.

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Chapter 4. Multi-level Governance in Paraguay: reinforcing the territorial dimension for a more strategic administration

This chapter provides an overview of current political, administrative and financial situation of Paraguayan subnational governments and the main multi-level governance mechanisms in Paraguay. The first section presents an overview of subnational capacities in the context of Paraguay's decentralisation process, highlighting the existence of fiscal and public management challenges, while the second section focuses on the existing mechanisms for multi-level co-ordination. It assesses the National Development Plan as a planning instrument for multi-level governance and territorial development. The chapter formulates recommendations to implement decentralisation and multi-level governance reforms through a comprehensive and integrated approach.

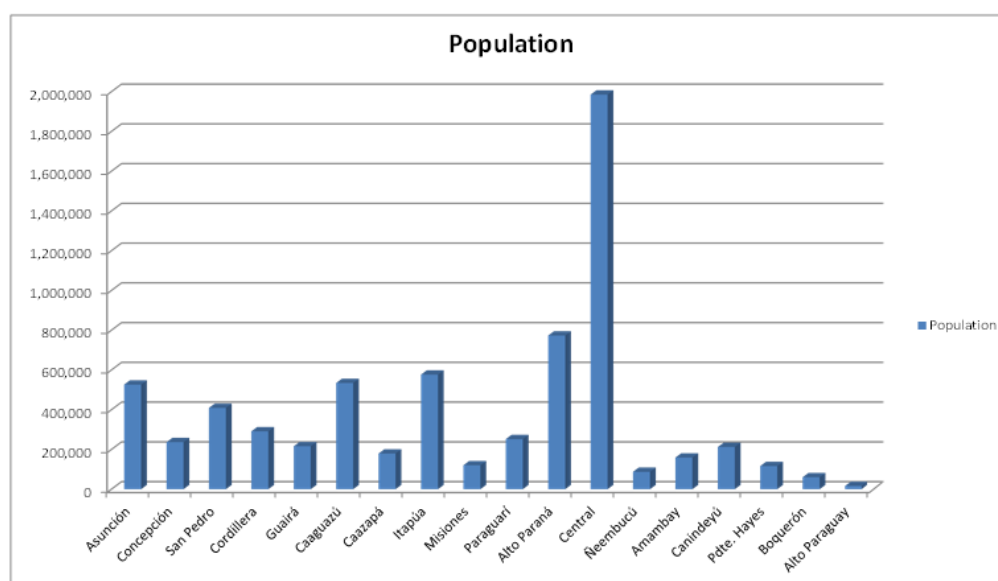
Introduction: A small country where significant regional disparities persist

Paraguay is a heterogeneous country in terms of development, regardless of whether it is analysed from the economic, social or territorial dimension. As explained in Chapter 1, Paraguay is divided into 17 departments and 254 municipalities plus the city of Asunción, the Capital of the country and independent from any Department. Under Paraguay's constitution, only the central government and Municipalities have administrative decision-making responsibilities.

As in most LAC countries, there is a large population disparity between the capital and the rest of the country (as shown in Figure 4.1) where Asunción and the Central Department concentrate over 37% of the population of the country, while departments such as Alto Paraguay and Boquerón display the country's lowest population levels with a low density of 0.65 pers./km² or 0.2 pers./km² respectively (Figure 4.2).

As described in Figure 4.1 and Figure 4.2, the majority of the population lives in urban areas (56.7 per cent), yet the country displays a low population density overall (general population density averages at 17 pers./km²); its population is unevenly distributed in the East (the so called Oriental Region), with the urban area of Asunción being the most densely populated department with 4499 pers./km². Despite representing 60% of the country's total surface area, the Western Region (*Chaco Paraguayo*), only houses 2,6% of the population with 0,5 pers./km², whereas the Eastern Region concentrates 97,4% of the country's population with 31,5 pers./km².

Figure 4.1. Population per departments (2015)



Source: Author's own elaboration based on data from www.dgeec.gov.py and UNDP Atlas on Human development (2015)

Figure 4.2. Population and density per departments (2015)

Department	Population	Average person/km2
Asunción	526,408	4499
Concepción	236,959	13
San Pedro	409,381	20
Cordillera	291,311	59
Guairá	216,335	56
Caaguazú	534,522	47
Caazapá	179,576	19
Itapúa	576,577	35
Misiones	120,576	13
Paraguari	252,255	29
Alto Paraná	773,303	52
Central	1,985,384	805
Ñeembucú	87,750	7
Amambay	159,263	7
Canindeyú	212,637	15
Pdte. Hayes	116,536	2
Boquerón	60,402	1
Alto Paraguay	16,582	0.2
Total average	6,755,757	17

Source: Author's own elaboration based on data from www.dgeec.gov.py and UNDP Atlas on Human development (2015)

Driven by sustained economic growth, Paraguay has significantly reduced income inequality over the past decade. The GINI coefficient has dropped from 0.531 in the year 2006 to 0.478 in 2015 (DGEEC, 2017), which is slightly above the average value in Latin America of 0.469 (ECLAC, 2017) and relatively high compared to the OECD average of 0.317 (OECD, 2017d).

According to 2016 data, rural poverty (39.72%) is almost double that in urban areas (21.94%) (DGEEC, 2017b). This disparity is aggravated in the case of extreme poverty, where in rural areas (12.17%) the figure is almost 7.5 times higher than that of urban areas (1.63%). Poverty rates also differ significantly across Paraguay's 17 departments. Elevated poverty rates are prevalent in Caazapá (55.78%), followed by Concepción (49.97%) and San Pedro (48.07%), while Asunción exhibits a poverty rate of only 13.35% and the Central Department of 16.45%. The departments of Asunción, Canindeyú and Presidente Hayes display some of the country's highest inequality levels, with Gini coefficients at 0.530, 0.564 and 0.592 respectively (see Figure 4.3), surpassed only by the department of Boquerón with 0.631.

Figure 4.3. GINI, unemployment and poverty in departments (2016)

	GINI	Poverty rate in %	Unemployment rate in %
Asunción	0.530	13.35	6.53
Concepción	0.472	49.97	3.97*
San Pedro	0.498	48.07	3.71**
Cordillera	0.415	26.19	6.23
Guairá	0.424	38.68	3.66
Caaguazú	0.526	47.43	4.32
Caazapá	0.517	55.78	4.23
Itapúa	0.468	31.85	4.68
Misiones	0.508	37.78	6.50
Paraguarí	0.468	39.07	5.04
Alto Paraná	0.456	27.01	7.43
Central	0.385	16.45	7.62
Ñeembucú	0.444	36.00	5.99**
Amambay	0.468	22.62	5.99
Canindeyú	0.564	36.15	4.00
Presidente Hayes	0.592	25.41	7.02
Boquerón	0.631	23.86	4.86
Alto Paraguay	0.528	35.91	12.98

Note: * 2014 data, latest available year; ** 2015 data, latest available year

Source: DGEEC (2017b) Condiciones de Vida

To understand these territorial disparities and regional challenges, it is important to analyse the current institutional framework and capacities of the Paraguayan administration at the subnational level, its dynamics as well as the political and administrative relationship between the central government and the subnational governments. In this regard, the first part of this chapter analyses the current political, administrative and financial situation in Paraguay's subnational governments in the context of the country's decentralisation process. The second part focuses on the main multi-level governance mechanisms, assessing, *inter alia*, the National Development Plan as a planning instrument for multi-level governance and territorial development.

Subnational competencies and fiscal framework

An historically centralised country moving toward decentralisation

There is no a universal consensus on decentralisation or an optimal multi-level governance structure. The nature and scope of decentralisation approaches depend on the complex relationship between levels of government in which historical, political and economic factors play a crucial role (OECD, 2017c). Paraguay has been characterised throughout its history as highly centralised, both politically and administratively, a characteristic that was intensified during the 34 years of Alfredo Stroessner's dictatorship (IIG, 2003). Any analysis must take into consideration that, in comparison with other Latin American countries, the Paraguayan decentralisation process is relatively new, since it only began after the return to democracy in 1989.

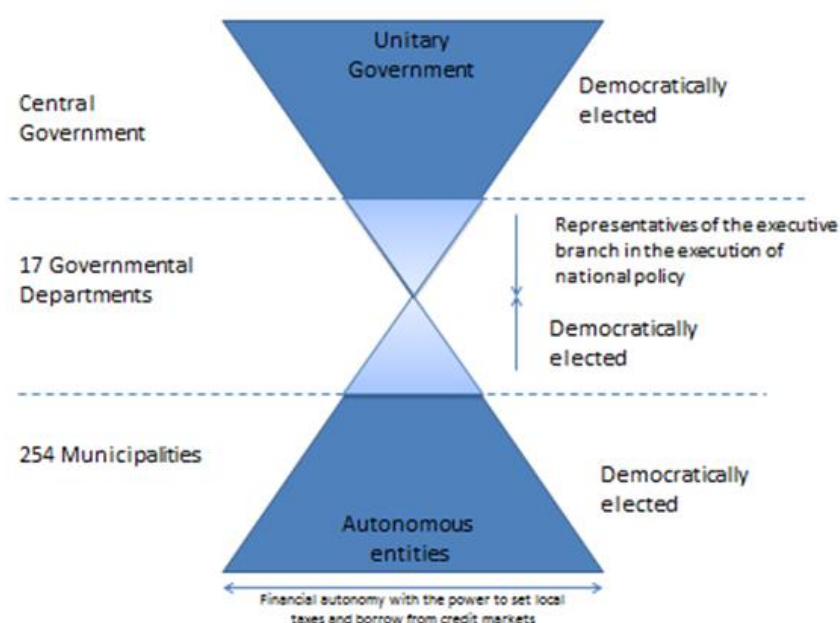
Since then, Paraguay has made substantive efforts to improve the efficiency of the provision of local services as well as to enhance transparency and accountability by pursuing a strategy to increase political, administrative and fiscal decentralisation.

The first significant step toward **political decentralisation**, understood as the devolution or transfer of powers to democratically elected local authorities, came with the democratic transition and the reform of the Electoral Code in 1990, which led to municipal elections in 1991. **The 1992 Constitution enshrined Paraguay's form of**

government as a unitary and decentralised republic, created the entity of the Department Governments (*Departamento*) as an intermediate tier of government, recognized the political, administrative and legal autonomy of departments and municipalities through the direct election of their governors and majors, and established municipal financial autonomy.

The second great advance was related to the transfer of **administrative responsibilities**, particularly to municipalities. In this context, Paraguay's multi-level governance system can be described as an "hourglass" (Figure 4.4), meaning that the intermediate tier of government, represented by the departments, has less attributions compared to the highest tier, the central government, and the lowest tier, the municipalities (OECD, 2017).

Figure 4.4. Paraguay's multi-level governance system



Source: Author's own elaboration

The current political and administrative configuration of **Departmental Governments** was created by the 1992 Constitution. Their establishment tracks the trend observed in OECD countries over the past decades, the reinforcement of the 'regional' or intermediary level, whether through the creation of new administrative regions or planning regions (OECD, 2017c).

Departments have the primary responsibility of co-ordinating policies and services, both between the central government and the municipalities as well as between municipalities. Their tasks range from providing common departmental services that affect more than one municipality, such as public works, drinking water or energy provision, to promoting inter-municipal cooperation. However, in doing so their capacities are quite limited. Departments are not autonomous and cannot collect taxes, as they were created to play a facilitation role in territorial planning and inter-municipal co-ordination. The revenues they receive originate from transfers of taxes collected by the central government and municipalities, as well as from resources obtained through transfers granted from

royalties from natural resources, or compensation for the construction of the Itaipu and Yacyretá dams.

The 1992 Constitution establishes that the government of each department shall be headed by a governor and a departmental council (Junta Departamental). They are elected for a five-year mandate by direct vote in elections coinciding with the presidential elections. However, the Constitution also states that the governor represents the central executive branch in the implementation of national policies. This constitutional provision generates practical institutional and policy challenges in Paraguay, since governors are simultaneously accountable to their electors and to the national government. This tension significantly affects the performance of departments, particularly in situations where the governor does not belong to the same political party as the sitting President.

Municipal governments are composed of a mayor and a municipal board elected by direct suffrage for a mandate of 5 years, not coinciding with the mandate of the executive and legislative branches. They have financial autonomy with the power to set local taxes and borrow from credit markets. However, as explained in the next section, the largest share of their revenues is transferred from the central government.

The Municipal Organic Law No. 3966 of 2010, which replaced its 1987 predecessor legislation, introduced important advances in terms of administrative decentralization, giving municipal governments competencies related to:

- service delivery such as urban planning, environment, education, culture, sport, tourism, health and social assistance, credit institutions, inspection and police bodies;
- the administration and allocation of their resources;
- municipal budget setting;
- issuing regulations and resolutions;
- access to national and international private and public credit;
- the regulation and control of transit and public transportation and other matters related to vehicular traffic

By decree 3250/2015, Paraguayan municipalities are divided in four groups according to fiscal capacity. This classification determines the number of councillors to be elected by municipality. In light of their size, larger municipalities, such as Concepción and Ciudad del Este are part of group I. Smaller municipalities, such as Tavapy and Ybypyta belong to group IV.

The fiscal decentralisation challenge

How public services and goods are funded, and how mandates and funding are allocated between levels of government, are central elements of effective multi-level governance (OECD/ECLAC/CIAT/IDB, 2017). However, fiscal reforms are difficult to design and implement and therefore, tend to be the “weak link” of multi-level governance reforms in OECD countries (OECD, 2017c).

In Paraguay, prior to the return to democracy, municipalities were not allowed to receive financial transfers from the central government: their budgetary resources depended entirely on local revenues, which were severely limited and could not be adjusted for inflation (ID, 2015). For this reason, the 1992 constitutional reform was a great advance in terms of fiscal decentralisation, since Article 169 transferred the competence to collect urban and rural property tax to municipalities and allowed them to retain 85% of their

revenues. However, the country continues to face serious challenges when it comes to implementing these fiscal prerogatives.

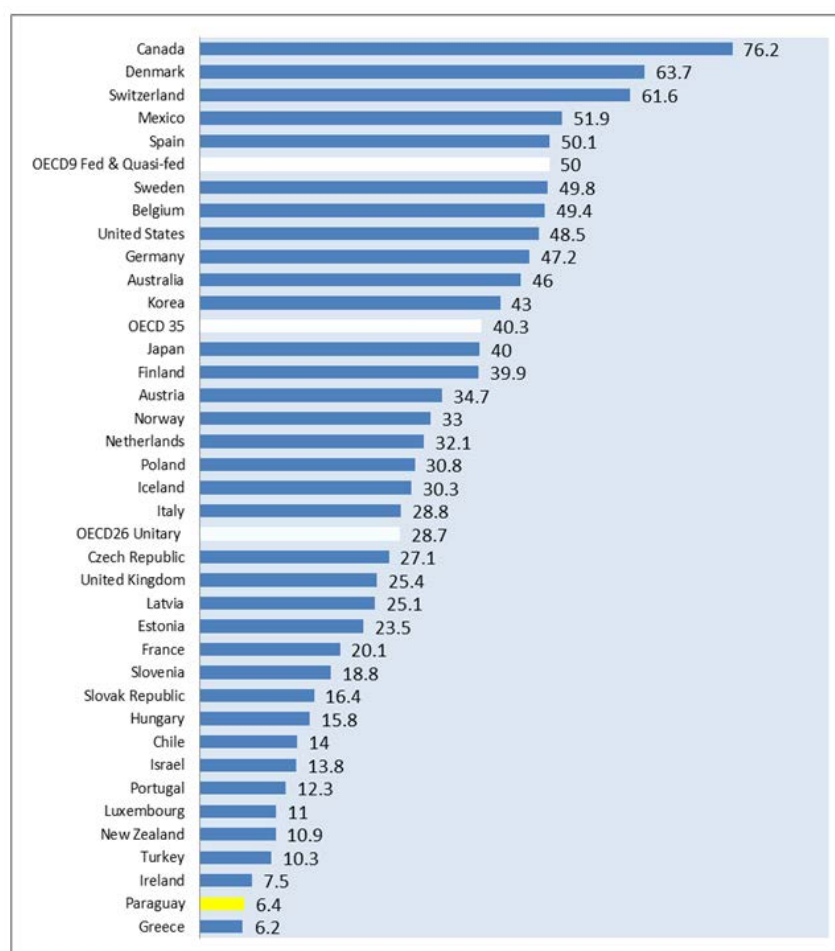
The share of subnational spending in general public expenditures cannot measure fiscal decentralisation as an indicator by itself, as other factors such as subnational government discretion over the budget are also central to measuring fiscal autonomy (Blöchliger, 2013). That said, this indicator give us a hint that the transfer of capacities since 1992, and more particularly since 2010, has not yet led to a significant increase in fiscal decentralisation. As can be seen in Figure 4.5, after a substantial increase on subnational spending between 2010 and 2011, from 4.9% to 8%, probably as the outcome of the Municipal Organic Law, in 2012 the value has dropped and remained relatively low, reaching 6.4% in 2015, well below the OECD average (40.3%), even when compared to OECD unitary states (28.7%) (Figure 4.6).

Figure 4.5. Paraguay Public Expenditure (Million guaranis and percentage of total public expenditure, including Municipalities)

	2010	2011	2012	2013	2014	2015	2010-2015 Average
Public Sector (without Municipalities)	30.540.830	35.893.079	50.597.712	44.690.488	50.992.487	54.808.671	44.587.211
	96,5%	93,4%	96%	94,8%	96%	95,1%	95,3%
Central Administration	16.511.057	19.578.629	27.817.966	24.936.133	29.382.242	32.022.123	25.041.358
	52,2%	51%	52,3%	52,9%	55,3%	55,5%	53,5%
Departments	449.661	524.513	725.012	732.253	839.872	879.27	691.764
	1,4%	1,4%	1,4%	1,6%	1,6%	1,5%	1,5%
Municipalities	1.101.781	2.526.371	2.120.482	2.435.586	2.125.915	2.851.976	2.193.685
	3,5%	6,6%	4%	5,2%	4%	4,9%	4,7%
Total Public Expenditure (including Municipalities)	31.642.611	38.419.449	52.718.193	47.126.073	53.118.402	57.660.646	46.780.896

Source: SICO-Ministry of Finance of Paraguay

Figure 4.6. Subnational government expenditure as a % of total Public Expenditure in OECD countries and Paraguay (2015)



Note: OECD averages are weighted

Source: Created by the authors based on OECD (2017), Subnational governments in OECD countries: Key data (2017 Edition) and SICO - Ministry of Finance Ministry of Finance of Paraguay

As in most of LAC countries, the fiscal decentralisation process in Paraguay occurs mainly through public expenditure instead of income (OECD/ECLAC/CIAT/IDB, 2017). In this connection, the way subnational governments finance their spending responsibilities is a key concern for the country. OECD experience shows that this is achieved through three mechanisms:

- Generation of own resources, whether taxes or other non-tax revenues (royalties, municipal taxes, rights, etc.);
- Intergovernmental transfers; and
- Debt

Paraguayan municipalities face important challenges in generating their own resources. This can be explained in part by a lack of capacity on the part of subnational governments to collect tax revenues, a common challenge in most Latin American countries. According to the OECD Revenue Statistics in Latin America and the Caribbean 2017 (OECD et al., 2017), for the 14 LAC unitary countries with available subnational data in

2014¹, the attribution of municipal tax revenues as a share of total tax revenue was of 2.69%. This low figure shows that subnational governments in LAC unitary countries tend to have responsibility over only a narrow range of taxes compared to OECD unitary countries, where the average is of 11.4%.

As in the rest of LAC, with the exception of Costa Rica, El Salvador and the Dominican Republic, property tax revenues represent the main own-source revenues of Paraguayan municipalities (Nickson, 2016). Other own-source revenues include driver's licenses, transfers fees for real-estate and land transactions, and commercial patents. But these taxes only have a significant impact in the wealthiest municipalities such as Asuncion, Ciudad Del Este and Encarnación.

Paraguayan municipalities are the only tier of government that collects property taxes, which represent 0.3% of the total GDP, way below the OECD average of 1.9% and the LAC average of 0.8% (OECD, 2016). Municipalities retain 70% of the revenues collected from this tax. The remaining 30% is transferred to the Central Government's Ministry of Finance, which redistributes 15% to the respective department.

According to Rosales (2012), the reasons for this low tax-collection performance in LAC countries at the local level are three-fold:

- Limited willingness on the part of national and local governments to expand municipal tax-collecting mandates;
- The existence of transfer and distribution mechanisms that discourage local collection, and
- Lack of capacity and infrastructure in local administrations to collect and manage tax revenue.

Evidence gathered during the fact-finding mission suggests that Paraguay encounters similar challenges:

- According to statements by officials, both at the central and at the municipal levels, many mayors prefer not to engage in tax collection in order to avoid potential conflicts with key stakeholders, notably important landowners;
- Government officials also underscored that current policy on fiscal transfers discourages municipal-level tax collection; and
- There is a significant skills and technological deficit at the local level to carry out this task, especially in municipalities in groups III and IV.

Two additional country-specific challenges can be highlighted in the case of Paraguay:

- First, there are historical challenges concerning land registry and municipal boundary definition, which have constituted a barrier to the collection of municipal taxes. In this regard, the Ministry of Finance is spearheading reforms to assist municipalities in modernising their land registry records, in order to increase local tax collection rates.
- Second, an important absence of systematic and on-time information constitutes a barrier for design and effective implementation of municipal revenue-generating capacity. As Gómez Sabaini and Jiménez (2011) argued, Latin American countries have been working with a broad definition of subnational resources, since there is a combination of the three aforementioned sources (generation of own resources, intergovernmental transfers and debt) without having the necessary information in all cases (2011). In the case of Paraguay, as they are autonomous entities, expenditures from municipal governments are not integrated

into the central government's Integrated Financial Administration System. However, municipal governments are legally obliged to send written reports on municipal finances for each budgetary cycle to the Ministry of Finance, but the process of collecting and processing municipal information is not yet automatic and the presentation of this information is usually delayed. Therefore, the Government does not possess comprehensive, systematic and automatic financial data on municipalities which would enable the generation of comparative analyses on, for instance, differences between municipalities own revenues, intergovernmental transfers and other sources of revenues such as debt as a percentage of GDP. In this regard, Paraguay should consider establishing a more dynamic and integrated system to collect and analyse this information in a systematic way, to better understand the financing options available to these jurisdictions beyond the predominance of central government transfers, and to develop and implement policy and fiscal decentralisation strategies based on reliable data-driven evidence.

Royalties and FONACIDE: the key role of inter-governmental transfers

With the exception of major districts, the vast majority of Municipalities is not in a position to carry out its functions autonomously. The large majority of the resources are administered directly by the central government, and in most cases without the need to consult or coordinate with departmental or municipal governments (Government of Paraguay, 2017). In general, municipalities can finance modest tasks, such as street paving, waste collection, bus stations, markets, squares and parks and in some cases social assistance. Most of them spend the lion's share of their revenues on administrative costs (salaries/wages, etc.). The Government of Paraguay estimates that this figure amounts to a whopping 90% of municipal budgets in many cases (Government of Paraguay, 2017).

Therefore, as in most OECD countries, intergovernmental grants constitute a key tool for the Paraguayan government to finance subnational spending and implement national policies. However, its governance is complex, and practices vary widely across OECD member countries (OECD, 2006)². In Paraguay, transfers to subnational governments come from the following sources:

- Allocations and grants from the National Treasury, which are transferred only to Departments.
- 15% of the Value Added Tax (VAT) that is collected in each Department, which are transferred only to Departments.
- Royalties from the Itaipú dam from the use of the hydraulic potential of the Paraná River, and compensations from the Yacyretá hydroelectric plant, for the flooded territories in the Paraguay River, and
- Gambling levies.

Additionally, special transfers are provided to specific subnational governments, such as compensation to Municipalities in the Canindeyú Department for the disappearance of the *Salto del Guairá* waterfalls as a consequence of the Itaipú dam's construction.

Figure 4.7. Evolution of National Transfers to Departments and Municipalities 2013-2016 in millions of Guaraníes

Departments	2013	2014	2015	2016	2017
Treasury resources	250969	517469	444017	491030	581011
Royalties	152400	137138	151772	192885	188855
FONACIDE	73922	62268	76,030	97169	96303
VAT	64305	66208	85911	86072	85013
Gambling levies	28871	29530	28533	32748	33546
INC Compensation	262	315	315	197	157
TOTAL DEPARTMENTS	570728	812928	786578	900101	984866
Municipalities	2013	2014	2015	2016	2017
Royalties	617589	524899	453737	834736	775212
FONACIDE	324293	251430	280816	368570	418016
Gambling levies	29555	25875	25629	36626	34808
Minor resources	13616	20232	27738	45477	49806
INC Compensation	982	906	892	633	481
Salto del Guairá Compensation	45772	31922	58709	58309	63841
Capital Law	-	43999	50000	50000	0
Jesús y Trinidad Compensation	-	-	7500	10000	7500
TOTAL MUNICIPALITIES	1031805	899264	905021	1404351	1349664

Source: Minister of Finance of Paraguay

Paraguay does not have a fix revenue-sharing model for municipalities, common in most Latin American countries. Instead, in Paraguay, the central government mostly transfers earmarked grants (grants that can only be used for a specific purpose) for infrastructure projects. These grants originate exclusively from royalties and compensations derived from the binational entities Itaipú and Yacyretá and can be grouped in two categories: Royalties and the “National Fund for Public Investment and Development” (Fondo Nacional de Inversión Pública or FONACIDE for its acronym in Spanish). In the case of Royalties the resources must be used for infrastructure projects, in the case of FONACIDE, for (primary) education infrastructure and school lunches (Box 4.1).

Box 4.1. Paraguay's National Fund for Public Investment and Development (FONACIDE)

FONACIDE is a development fund created by Law N° 4758/2012 to allocate rationally and efficiently the income that the country receives as compensation for the cession of the energy of the Itaipu Binational Entity to Brazil.

The fund focuses on the areas of education and scientific research, investment in infrastructure, health and credit. It can only be used for investments in infrastructure, technological and human capital and is coordinated by the Ministry of Education and Sciences.

FONACIDE resources are distributed as follows:

- 28% to the National Treasury.
- 30% to the Fund for Excellence in Education and Research.
- 25% to departmental and municipal governments (20% for departments and 80% for municipalities).
- 7% to the Financial Development Agency (AFD).
- 10% to the National Fund for Health.

Transfers to Departmental and Municipal Governments

One quarter of FONACIDE's funds are transferred to departments and municipalities for the following purposes:

- 50% to infrastructure projects in primary education (construction, remodelling, maintenance and equipping of educational centres).
- 30% to school lunch projects.
- 20% to public investment and development projects.

The transfer of these resources is done as follows: 50% are distributed equally between jurisdictions, and 50% are allocated according to the population of the jurisdiction. Within these parameters, the specific projects to be carried out in departments and municipalities are identified and assigned through a micro-planning process. This is a highly relevant practice, involving municipalities, educational establishments and other stakeholders, and consists on a technical assessment process of infrastructure or educational needs. Through micro-planning, each department and municipality proposes which schools should benefit with improvements in infrastructure or with funds for school lunch.

The micro-planning process consists of the following phases:

- Phase I: Departmental educational diagnosis.
- Phase II: Identification of requirements and reallocation of resources.
- Phase III: Allocation of resources.
- Phase IV: Evaluation.

For its implementation, the Ministry of Education and Science has specialized personnel to provide technical support (engineers and nutritionists). In addition, the government has issued manuals for microplanning.

The government has also developed the site "Comptroller FONACIDE", (<http://fonacide.mec.gov.py/contralorfonacide/>), an open government tool that allows citizens to be informed about the programme, and in particular, to control the status of educational establishments prioritized by micro-planning.

Sources: Government of Paraguay (nd) Contralor de FONACIDE, <http://fonacide.mec.gov.py/contralorfonacide/> ; Investigación y análisis de FONACIDE en Paraguay (nd) <http://analisisfonacide.ceamso.org.py/index.php/acerca-de/>

Treasury transfers to subnational governments represent about 4% of total public expenditure. With the exception of transfers from the Treasury to departmental governments, these are distributed as follows: 50% are distributed equitably between jurisdictions, and 50% are allocated according to the population of the jurisdiction³. Such a methodology does not include socio-economic indicators such as tax-collection performance, poverty rates, unemployment or relative service needs/gaps, thereby ultimately benefiting large municipalities, perpetuating and accentuating regional disparities. In this regard, Box 4.2 provides some information concerning the experience of OECD countries in developing vertical equalisation mechanisms that the central government could consider to reduce regional disparities (OECD et al, 2017).

Box 4.2. Overview of fiscal equalisation systems in OECD countries

Equalisation mechanisms are extensively used in OECD countries, introducing either vertical transfers (from the central government to financially weak subnational governments) or horizontal transfers (from wealthy jurisdictions to the poorer ones). Not only federal countries but also unitary countries have put in place equalisation procedures as a key part of their fiscal policy. Across the OECD, fiscal equalisation transfers average around 2.5% of gross domestic product (GDP), 5% of general government spending and 50% of intergovernmental grants. The differences in per capita GDP across jurisdictions results in unequal tax-raising capacities and, thus, differences in public service provision. In addition, the cost of public services is another factor that leads to unequal public service provision: special groups such as children, the elderly, the disabled, etc. will raise the cost of public services and geographical factors (mountains, islands, isolated or low density areas, etc.) will also have an impact on the cost per service unit.

Equalisation arrangements can hence be broken down into revenue versus cost/charges equalisation. While the former aims mainly to reduce differences in tax-raising capacity, the latter reduces the cost of providing public services. Most OECD countries apply various equalisation arrangements, although the combination of vertical and cost equalisation tends to be prevalent.

Across OECD countries, equalisation has a strong redistributive effect: on average it reduces pre-equalisation disparities by more than two-thirds and, in some countries – such as Australia, Germany and Sweden – revenue-raising disparities are virtually eliminated. Equalisation mechanisms should be tailor-made for each country. Fiscal equalisation depends on a set of institutional factors such as size and number of subnational governments, their geographical distribution, spending assignments and fiscal resources allocated to each jurisdiction, among others.

Although equalisation is now recognised as a necessity in a growing number of countries (and in certain countries such as Canada, Germany, Italy, Spain and France where it has constitutional force), it is often the subject of technical and political debate, and is often contested.

This is particularly true for horizontal equalisation, which limits local autonomy. Rules and criteria are constantly being adjusted. Debates have taken on greater importance with the crisis and as territorial inequalities deepen. Many reforms have been implemented recently or are ongoing in the OECD including a component aimed at improving equalisation mechanisms.

In France, the main general purpose grant (*Dotation Globale de Fonctionnement* - DGF) for Municipalities and inter-municipal co-operation bodies is being reformed. The goals of the DGF reform include greater simplicity, transparency and equity and to adapt the DGF to the

territorial reform. In fact, the DGF's architecture comprises a great number of components and distribution criteria based on charges, resources or specific constraints, which make it particularly complex and opaque. Its redistributive function could also be improved given the marked disparities between Municipalities in per capita DGF that are not justified by objective resources/charges criteria. Finally, the reform aims at encouraging pooling of services. This reform is also a chance to assess and revise other existing equalisation mechanisms, with the aim to make the whole system more coherent and to increase horizontal equalisation. In 2015, the vertical equalisation tools represented almost 80% of the amounts devoted to equalisation. Horizontal equalisation was introduced recently by the 2010 local finance reform, which established new fund mechanisms: the equalisation fund for inter-municipal and municipal resources (or FPIC), which is the most horizontal instrument (it aims at redistributing 2% of tax revenues in 2016), the departmental fund of equalisation of revenue from the transfer tax on property transactions (droits de mutations) and the Equalisation funds of the revenue from tax on businesses' added value (CVAE) for the Departments and regions.

In Sweden, a new audit of the equalisation system – already revised in 2005 – has been entrusted to a parliamentary committee in 2008 to find out if there were any growth-detering factors linked to the equalisation system. The review led to several measures adopted in 2012 and 2014 which finally benefited the subnational governments with the highest revenues (reform of the equalisation rate on tax resources and of the cost equalisation grant to simplify the evaluation of cost disparities and increase transparency). Since 2015, new measures are on-going to correct this situation.

Source: OECD (2017b), Making Decentralisation Work in Chile: Towards Stronger Municipalities, OECD Publishing, Paris; OECD (2017), Multi-level Governance Reforms: Overview of OECD Country Experiences; OECD (2016c), Territorial Review of Peru; OECD (2013), Fiscal Federalism 2014: Making Decentralisation Work

Vertical equalisation mechanisms can be integrated into a comprehensive decentralisation strategy, focused on equitable regional development as a key variable in the design and implementation of national territorial development policies. In this regard, the current multi-governance system could be enhanced within the framework of an integrated, strategic decentralisation strategy that is linked to equal and sustainable regional development and that reflects the need for capacity-building at the subnational level, notably with respect to public management.

The management challenge: strengthening skills and management tools at the subnational level

As explained in Chapter 5, one of the main multi-level governance challenges that Paraguay faces, and which was raised during several interviews with Government of Paraguay officials as the main barrier for effective decentralisation, is the lack of public management skills and administrative capacity at the subnational level. Public servants are paid less than their counterparts in the central government. Indeed, the most skilled officials usually move to the central government after some years, aggravating the situation in Municipalities.

The lack of skills at the local level affects subnational capacity to receive fiscal transfers from the Central Government. As mentioned, if Municipalities want to receive funds from FONACIDE in addition to the provisions established in the general budget, in terms of accountability to the Comptroller General of the Republic (CGR) and presentation of financial, patrimonial and management reports to the Ministry of Finance (MH), they need to send a technical form justifying the particular need for the funds (micro-planning process). However, there are Municipalities with few employees that lack the capacity

and skills to comply with these technical requirements. Therefore, they are less likely to receive funds from FONACIDE, which simply aggravates regional disparities, as these funds mainly end absorbed by the larger municipalities.

The Ministry of Education, which manages the FONACIDE programme, also has institutional limitations to guarantee an effective and equal transfer of these funds. While the ministry is present in most of the departments through education secretaries; it is ill-equipped from a technical point of view, since less than 30 technical staff (engineers and nutritionists) oversees approximately 9000 local institutions. In addition, according to information gathered during the fact finding mission, several municipalities use FONACIDE funds to pay salaries under the umbrella of technical services (as departments and municipalities can use these funds for the payment of personal services whenever they are related to the project of the education area, for example the hiring of a technical nutritionist).

In sum, the aforementioned political and fiscal decentralisation initiatives were not accompanied by a comprehensive process aiming to improve public administration at the local level. Therefore, the vast majority of departments and municipalities is suffering from inadequate human resources, infrastructure and administrative capacity, which impede the proper execution of their mandates.

Box 4.3. Multi-level governance reform challenges

This overview of past and recent multi-level governance reforms in OECD countries, with a special focus on Finland, France, Italy, Japan, and New Zealand, confirms that public administration reforms are sensitive and difficult to conduct.

- First, governance reform processes are highly context-dependent and are framed by structural constraints including countries' specific features and political conjuncture.
- Second, multi-level governance reforms confront policy makers with the problem of "reforming the reformer" since the public administration must indeed design and implement its own reform, often imposing measures which may be contested both at central and local levels. There is an increased administrative, financial and socioeconomic interdependency between levels of government. In that context, multi-level governance reforms refer to reshaping and improving vertical as well as horizontal interactions between public authorities, i.e. between central and subnational governments and also within subnational governments. These reforms are complex as they involve several layers of government, elected politicians and non-elected officials, as well as various other stakeholders with sometimes conflicting interests.
- Third, gaining citizen interest and public support is often a challenge: there is usually a lack of social demand. Citizens do not notice an efficient administration but tend to lose confidence in the government and in its capacity for reform when facing inefficiencies. Paradoxically, when citizens express an interest for multi-level governance reforms, public resistance is still often observed. Reforms tend to be perceived as threats to an existing social order and as a risk of loss compared to previous situations, as witnessed by the failure of several municipal mergers or regional reforms. As a result, the development of such reforms, from planning and design to implementation, project management and sustainability, is typically very slow. Reforms do not produce instant results and need adaptation, adjustments, and the introduction of complementary reforms.

Source: OECD (2017c), Multi-level Governance Reforms: Overview of OECD Country Experiences, OECD Publishing, Paris.

Improving this situation requires not only a more coherent, integrated approach to territorial development on the part of the central government, but an ambitious and comprehensive public-sector reform process at the subnational level as well, which according to the lessons learned from the OECD experience (Box 4.3), represents a complex task not only from a public management point of view, but from a political and economic perspective too.

OECD evidence shows that territorial reforms often imply institutional and public management changes, e.g. a reorganisation of responsibilities and human, technical and financial resources across the different levels of government (decentralisation or recentralisation). These changes should be anticipated and considered in advance in order to avoid potential difficulties (OECD, 2017c). In line with the absence of an integrated reform of the public sector at the central government (Chapter 1), state modernisation initiatives at the subnational level, such as the National Council for the Decentralisation of the State (Conade) created in 1997 and the National Secretariat for State Reform (SNRE) created in 1999, were never properly implemented in Paraguay.

Paraguay could therefore consider the development of modernisation objectives at the subnational level, in the framework of a broader national decentralisation strategy and aligned with the state modernisation plan recommended in Chapter 1. For this purpose, the Government could consider a more active role of the departments in providing technical assistance to the municipalities and aiming for the development of skills at the municipal level. Moreover, Paraguay could take into account the experience of other OECD countries in implementing pilot programmes, in particular in those departments willing to improve their management capabilities, as political momentum is a critical factor for the success of territorial governance reforms. Even if pilot programmes can have some limitations⁴, successful experiences can certainly stimulate the appetite for further reforms (Box 4.4).

Box 4.4. The experimentation of asymmetric and gradual regionalisation in Sweden

Until the late 1990s, the County Administrative Boards (central government agencies) were responsible for regional development in each county. Since 1997/1998, Sweden has launched a rather singular regional reform process. The national government has not imposed a single model on the counties but instead different regionalisation options (OECD 2010c). It has promoted an asymmetric and bottom-up regionalisation as a gradual and experimental process (a laboratory of regionalisation). The underlying idea is that decentralised policy making leads to more innovation in governance. Therefore, from 1997 onwards, Sweden developed various regionalisation options in terms of political representation and responsibilities in different regions and in different phases: directly elected regional councils in the two “pilot regions” of Skåne and Västra Götaland, resulting from the mergers of respectively two and three counties; an indirectly elected regional council for Kalmar; and a municipality with regional functions for Gotland. The second wave (2002-07) started with the Parliamentary Act of 2002. This Act made it possible for counties, if all local municipalities agreed, to form regional co-ordination bodies (indirectly elected bodies i.e. in line with the Kalmar model) to co-ordinate regional development work. The third phase of experimentation, since 2007, corresponds to a renewed bottom-up demand for regionalisation. It started with the publication of the recommendation for the future of the regional level, published by the Committee on Public Sector Responsibilities in February 2007. The Committee argued for the extension of the “pilot region” model, which was

assessed positively, the merger of current counties and the creation of six to nine enlarged regions in order address long-term challenges such as ageing. The reform was not applied as such until now but this bottom-up demand for regionalisation persisted, and since 1 January 2015, 10 county councils out of 21 counties are responsible for regional development.

Source: OECD (2017c), Multi-level Governance Reforms: Overview of OECD Country Experiences, OECD Publishing, Paris.

Building a strategic multi-level governance framework

Strengthening co-ordination across levels of government

Given the level of centralization of the Paraguayan public administration, the country has developed a tradition of siloed vertical implementation across the government: most line ministries in charge of public investment, such as public works, health and education, implement their territorial policies without consulting other institutions at the central level, departments or municipalities.

Taking into consideration this historical context, over the past decade, Paraguay has taken some concrete measures to enhance capacity in the centre of government institutions to articulate vertical and horizontal co-ordination across the executive branch. In this context, the following institutions play a key cross-cutting role in the relations to departments and municipalities:

- The “*Centro de Gobierno*”: Created by decree 1294/2014, it is Paraguay's “delivery unit” (see Chapter 2). Headed by the Secretary-General of the Presidency (who is also head of the Civil Cabinet) its mission is to advise the president, ministers and secretaries concerning the government's agenda and to achieve an effective programmatic co-ordination of government actions. To this end, it interacts with departmental and municipal governments, and thereby sometimes uses inter-governmental transfers, such as royalties, as a negotiation tool with to move forward the central government agenda.
- The *Technical Secretariat for Economic and Social Development Planning (STP)*: The STP is the central planning body of the government and is responsible for the Paraguayan territorial management process (STP, JICA, 2017). Its mission is to co-ordinate, promote, monitor and evaluate the design and implementation of national development strategies, both at the national level and with subnational jurisdictions. As explained in Chapter 2, it is the body in charge of co-ordinating the drafting and implementation of the National Development Plan Paraguay 2030 (NDP). In that capacity, it is in charge of co-ordinating the development of departmental and municipal development plans and ensuring that they are in line with the NDP, providing technical assistance and guidance material to departments and municipalities and guiding the constitution of local development councils. However, their capacities to perform this territorial work are quite limited, as they only count on the work of 5 senior officials to interact with the 17 Departments and the 254 Municipalities.
- The *Ministry of Finance* is responsible for the national budget cycle and for the financial transfer to departments and municipalities. In that capacity, it counts on a Departments and Municipalities Unit (DMU), created in 2010, which is responsible for integrating, articulating and co-ordinating actions with

departmental and municipal Governments, with the goal of strengthening the decentralisation process:

- The Ministry of Finance, through the DMU, works in co-ordination with the STP to establish institutional policy guidelines to implement the NDP at the local level. Moreover, the creation of the DMU signified an important improvement in the methodology of inter-governmental transfers. Since its creation, the DMU developed a one-stop shop for departments and municipalities. Moreover, it optimised the transfer processes, reducing transfer times to departments and municipalities, simplifying procedures and promoting transparency and accountability in the management of these resources (Government of Paraguay, 2017). All information regarding transfers to departments and municipalities is accessible to the public on the Ministry of Finance's website.
- The *Ministry of the Interior* is the central government body responsible for coordinating the actions with the sub-national governments, and to assist them technically and administratively (Decree No. 21917/2003). However, in practice, it mainly focuses on political matters and on public security co-ordination, as it does not have the capabilities to provide technical and administrative assistance in other governance areas.

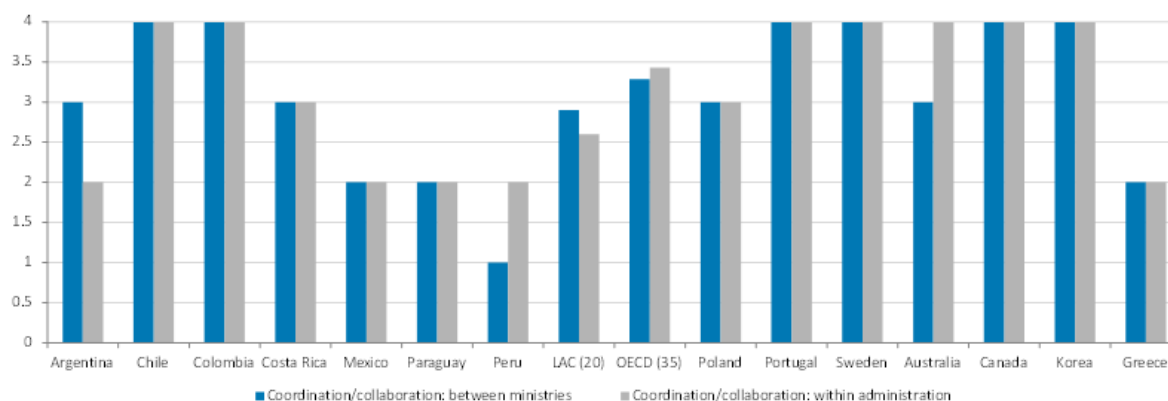
Moreover, Paraguay has developed the following instruments to promote horizontal co-ordination at the subnational level:

- The Country National Strategy Team (*Equipo Nacional de Estrategia País - ENEP*), which has already been described in Chapter 2. It is an official space dialogue made up of representatives from the government and key stakeholders from Paraguay's civil society: entrepreneurs, indigenous people, farmers, industrialists, social activists and academics, among others. Its functions are to advice on issues that are submitted from the executive branch (such as the NDP) and to propose topics that it considers relevant for the construction of public policies, particularly those linked to poverty.
- The Paraguayan Organization for Inter-municipal Cooperation (OPACI): Created in 1954 through Law No. 222 it was the main governmental institution for inter-municipal co-ordination until 1996, when it became a NGO. Its main function is to promote co-ordination between municipalities and with state and non-state public institutions. Despite the fact that it is no longer a public entity, it still has certain functions that should be reserved for the public sector: it manages the driving licences data of 198 municipalities. Moreover, it provides technical assistance mainly to municipalities belonging to group II and III on topics such as budgeting, transparency; environment and tourism.
- The Governors' Council is another non-public horizontal co-ordination organisation with the purpose of promoting and consolidating the decentralisation process of the Paraguayan state. Information received during the fact-finding mission indicates that the relevance of this council in multi-level co-ordination is rather low, in line with the lack of political and institutional strength of most departments compared to municipalities.

As explained in Chapter 2, Paraguay has only little experience in the development of co-ordination mechanisms. The strategic co-ordination challenges that the centre of government faces are also reflected in the lack of collaboration of ministries across siloes.

Figure 4.8 shows that perceptions of co-ordination among public institutions in Paraguay are rather low in comparison to LAC and OECD averages.

Figure 4.8. Perceptions of co-ordination among public institutions, 2016



Note: LAC average includes Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Guatemala, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, El Salvador, Uruguay, Venezuela

Source: IPD (2016), "2016 governance data", Institutional Profiles Database, <http://www.cepii.fr/institutions/EN/ipd.asp>

This can be partly explained by the fact that beyond the aforementioned instruments, whereof two are private institutions, no spaces nor incentives exist for horizontal co-ordination among departments or municipalities. Hence, most of the co-ordination activities between subnational entities and the central government are carried out on an ad hoc basis, strongly influenced by political alliances rather than regional planning.

Considering the co-ordination challenges that Paraguay is facing, and the absence of a decentralisation/comprehensive regional development strategy, the country could consider strengthening horizontal inter-departmental and inter-municipal co-ordination not only from a technical point of view but from a strategic decentralisation perspective as well.

In addition, departments should play a more central role in vertical co-ordination. Information gathered during the fact finding mission has shown that departments do not have the capacity to articulate inter-municipal co-ordination nor do they play an active role in territorial planning. Yet in most if not all cases the departments actually reflect functional regional economies: this provides an ideal opportunity to enhance the management of economies of scale in service design and delivery in such key strategic service areas as transportation and mobility, health, education, public security and water, waste-water and solid-waste management. As representatives of the executive branch, they could constitute a valuable channel through which the central government implements strategic and integrated territorial development policies that simultaneously contribute to advancing national development objectives, optimising the outcome of line ministries' spending at the territorial level, which is currently mostly done in a siloed way. Departments could also be a legitimate channel through which several Municipalities can transmit collective requests to the central government.

Box 4.5. Main mechanisms for vertical and horizontal co-ordination in OECD countries

Vertical co-ordination mechanisms

Legal mechanisms (binding laws and legislation) are the strongest method for organising multi-level governance relations. This mechanism is often used with respect to fiscal resources and to allocate competencies.

Standard setting. Many OECD countries establish universal standard setting to ensure a similar level and quality of service provision across the country. In Sweden, for example, Municipalities enjoy a high degree of autonomy in the provision of public services, but need to meet nationally set standards and regulations.

Contracts or agreements between national and subnational governments concerning their mutual obligations, i.e. assignment of powers of decision, distribution of contributions (including financial commitments) and contract enforcement mechanisms. These arrangements offer several advantages: they allow for customized management of interdependencies; they are useful tools for dialogue that can be used for clarifying responsibilities and making mutual commitments explicit; they open possibilities for judicial enforcement; and they can be used as learning mechanisms. In federal and decentralised countries, “contracts” are a particularly important tool for promoting co-operation, coherence and synergies among levels of government. Examples include “arrangements” in Canada, “joint tasks” in Germany, “accordi” in Italy and “convenios” in Spain.

Strategic co-ordinating committees and partnership groups. The interests and inputs of key actors from different levels can be co-ordinated through joint representation on administrative bodies or working groups. These committees can serve as forums for improved communication and dialogue on subjects of common interest. They can also help align interests and timing, and set the basis for signing contracts and agreements among levels of government. Finally, they can help disseminate good practices between different levels of government, or horizontally across regions. In some countries, co-ordination bodies are leading actors in fiscal capacity building by representing the interests of the local or regional level to national level decision makers. In Norway, for example, the Association of Local and Regional Authorities provides a forum to discuss the framework for distributing revenues in relation to the tasks carried out by local governments, the financial situation of local government and efficiency measures. In the Czech Republic, the Union of Municipalities and the Association of Regions have representatives on the national government’s Board of Deputy Ministers for Regulatory Reform and Effective Public Administration, and represent the regions’ interests in the Czech parliament, the Cabinet and in European institutions. In Spain, examples include the sectoral conferences and the Conference of the Presidents of Autonomous Communities.

Horizontal co-ordinating mechanisms (the following two examples reflect federal structures)

Australia: The Council of Australian Governments (COAG) is the main intergovernmental forum for the development and implementation of inter-jurisdictional policy. It is composed of the Australian Prime Minister (chair), Territory Premiers and Chief Ministers and the President of the Australian Local Government Association. The main role of the COAG is to promote policy reforms that need co-ordinated action by all Australian Governments. Its agenda is broad and focuses on reforms that have a direct impact on well-being. Through COAG, the federal and subnational governments have endorsed national guidelines on public-private partnerships, agreed to a national port strategy, and concluded intergovernmental agreements on heavy vehicles, rail and maritime safety. COAG also receives regular reports from Infrastructure Australia, a statutory body established at the federal level to support nationwide infrastructure investment and to advise governments and other investment stakeholders

Germany: The governments of the German Länder (Territorial entities, akin to Provinces or

constituent States in other federal states) co-operate through the Council of Prime Ministers and 19 subject specific standing conferences of ministers. The council/standing conferences are not part of the German government and cannot pass legislation. Nevertheless, they play an important role in the federal system. Councils have two primary functions. In policy fields where legislative powers reside with the Länder, they are the main forum for policy co-ordination across the Länder. In policy fields where the Länder have limited powers, council/conference resolutions articulate common interests of the Länder to other actors, such as the federal government or the European Commission. Co-operation in the council/conferences is consensus based and most decisions are made unanimously. Formally, the Council of Prime Ministers and most other permanent conferences require the approval of 13 of the 16 German Länder to pass a resolution. Although resolutions are not legally binding, they have a strong symbolic power, and are almost always enacted by Länder governments.

Some permanent conferences also draft model laws and regulations to support state administrations and to further harmonise laws across states. The Council of Prime Ministers convenes four times a year. After the council meetings, prime ministers meet with the German Chancellor. Subject-specific permanent conferences have their own meeting scheduled and tend to meet between one and four times a year. The federal minister in charge of the respective portfolio typically attends the meeting in an observing role. Several permanent conferences have established additional committees to discuss particular topics in more detail. The administrative structure of permanent conferences varies depending on their responsibilities. Some permanent conferences have their own permanent secretariats with sizable staff numbers while others use the administration of the state that holds the rotating presidency of the permanent conference.

Source: OECD (2016b), OECD Territorial Reviews: Peru 2016, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264262904-en>; OECD (2015a), Implementation Toolkit of the Recommendation on Effective Public Investment Across Levels of Government, www.oecd.org/effective-public-investment-toolkit/

Reinforcing multi-level governance and territorial development through planning instruments

Regional development strategies can be a useful tool for vertical co-ordination and multi-level governance (OECD, 2017b). In this connection, one of the main multi-level governance challenges that the Government of Paraguay itself highlighted is its relative incapacity to translate strategic decisions into actual concrete policies at the territorial level. Thus, the creation of the National Development Plan Paraguay 2030 is an important instrument that establishes territorial development as a cross-cutting long term goal, and that aligns national and sub-national policy agendas.

According to the Government of Paraguay, all national decentralisation objectives are implemented through the NDP. In this connection, each one of the NDP objectives contains a territorial dimension:

- *Goal 1: Poverty reduction and social development.* The territorial dimension focuses on participatory local development. It combines poverty reduction, social development and land use planning. Its goals include the strengthening of municipal social capital around public-private councils that lead municipal strategic planning, coordination and monitoring of actions in the territory.
- *Goal 2: Inclusive economic growth.* The territorial dimension focuses on regionalization and productive diversification. It combines inclusive economic growth with land use and territorial development. Its goals include increasing the

productivity of family farming and the share of household income in the Departments of San Pedro, Concepción, Canindeyú, Caazapá and Caaguazú, and strengthening productive chains in the Paraguayan Chaco.

- *Goal 3: Paraguay's integration in the world.* The territorial dimension focuses on regional economic integration. It combines the adequate integration of Paraguay in the world with territorial planning. Its goals include having efficient waterway systems in the Paraguay and Paraná rivers, developing efficient energy systems integrated with the region, and increasing the efficiency of the port and road transport systems.

Figure 4.9. National Development Plan Paraguay 2030: strategic axes and transversal lines

Strategic axes	Transversal lines			
	Equal opportunities	Efficient and transparent public management	Territorial planning	Environmental sustainability
Poverty reduction and social development	Equitable social development	Quality social services	Participatory local development	Adequate and sustainable habitat
Inclusive economic growth	Employment and social security	Competitiveness and innovation	Regionalization and productive diversification	Valorisation of environmental capital
Paraguay's integration in the world	Equal opportunities in a globalized world	Attraction of investments, foreign trade and country image	Regional economic integration	Sustainability of the global habitat

Source: National Development Plan Paraguay 2030 (2014)

In order to implement this territorial vision, the NPD mandated the preparation of *Department and Municipal Development Plans*. These local development plans aim to synthesise the aspirations of the local population. As highlighted in Chapter 6, they are co-created with representatives of the civil society and therefore constitute an innovative democratic action concerning local participation in policy design in Paraguay.

Each plan must be aligned with the national development plan and must be approved by the STP. For their design, the Government of Paraguay has developed specific guidelines and provided technical assistance in situ. Their preparation is mandatory and a condition for access to national transfers.

In order to ensure the preparation of these plans, and to expand in a coordinated manner the government action in the territory, the NDP requests the creation of Departmental and Municipal Development Councils (DMDCs). DMDCs are consultative bodies, consisting of members of civil society; local governments and the national government (see chapters 3 and 6). They are divided into several areas of work (Figure 4.10) and constitute an important initiative for stakeholder engagement and multi-level coordination, since they allow an articulation and dialogue between civil society and all levels of government.

The OECD fact-finding mission had the opportunity to visit the Paraguayan Municipalities of Carayao, Cecilio Baez, Ciudad del Este, and Minga Guazú in order to assess the work of the departmental and municipal development councils. As highlighted in Chapter 3, these visits of the municipalities showed the engagement of citizens within these councils, given that they represent an unprecedented opportunity to discuss with elected officials.

Figure 4.10. Departmental and Municipal Development Councils (DMDCs)



Source: Government of Paraguay, 2017

There was a consensus expressed by local authorities, representatives of civil society and the national government concerning the relevance of these councils, specifically during the preparation of the Departmental and Municipal Development Plans (DMDP). On both levels of governments, a broad range of stakeholders had the opportunity to discuss and define their jurisdiction's priorities for 2030 and agree upon a development plan.

However, there is a critical barrier that limits the effectiveness of this process and therefore the territorial impact of the NDP: local development plans are not linked to budget considerations. Moreover, as argued in the previous sections, the vast majority of municipalities do not possess financial autonomy and depend on earmarked grants from the central government to perform a limited range of tasks. In addition, the Ministry of Finance is not involved in their design process; therefore it does not have the capacity to assess if the plans are achievable in terms of budget.

Hence, this interesting participatory process has raised expectations both in local governments and the civil society that did not get confirmed through concrete policy outcomes. The capacity of the councils both as a space for dialogue and a co-ordination instrument was therefore negatively affected and in several municipalities they eventually stopped meeting due to the lack of concrete results.

In this regard, there are some institutional features linked to effective multi-level governance that Paraguay could consider improving. According to the councils' regulations, the Department Development Councils and the Municipal Development Councils are headed by the Governor and Mayor respectively. However, these political leaders usually have day-to-day problems to address, without having time to focus on the council's functioning. Moreover, as highlighted in chapter 6, most of these councils lack dedicated staff to monitor and follow up the decisions taken. Finally, concerning the department councils, no incentives for the participation of Municipalities exist. Therefore,

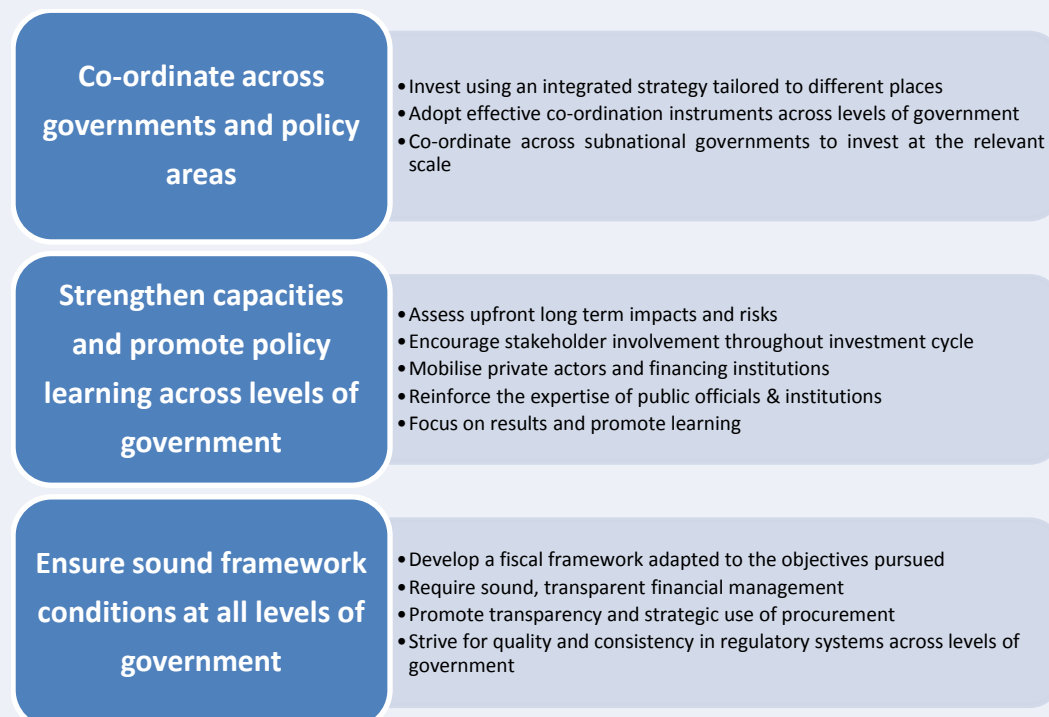
many Municipalities stopped sending representatives to these meetings, which has significantly undermined the efficiency of the councils for inter-municipal co-operation.

Hence, Paraguay's central government should explore ways to redefine local development councils and consider plans to link them with national policies at the local level. This would imply improving co-ordination instruments not only with departments and municipal governments, but across administrative siloes in the central administration. The STP could improve the impact of these plans if they were more integrated into the work of the Ministry of Finance and other line ministries, exploring potential links between municipalities' requests and the national budget within the framework of a comprehensive decentralisation strategy, which takes into consideration from an integrated and holistic approach regional disparities and the aforementioned fiscal and management challenges. In this connection, the OECD Recommendation of the Council on Effective Public Investment across Levels of Government, adopted in 2014, can constitute useful high level guidance on how to strengthen multi-level co-ordination (Box 4.6).

The national government could also accompany the councils more closely to support the development of skills to design, implement and monitor the performance of projects. According to information received during the fact-finding mission, in areas such as health and education some departmental co-ordination and planning with municipalities exists. However, in areas such as water, transport and waste collection, there is no systematic inter-municipal co-ordination; departments do not play an active role, and municipalities lack the skills/capacity for inter-municipal planning.

Box 4.6. Recommendation of the OECD Council on Effective Public Investment Across Levels of Government

The Recommendation groups 12 principles into the 3 pillars representing systemic challenges to public investment: co-ordination, subnational capacity and framework conditions.



The OECD also developed a Toolkit to guide policymakers in implementing the Recommendation. The toolkit provides implementation guidance, showcases good practice and allows users to compare indicators.

Source: OECD (2014b), Recommendation of the Council on Effective Public Investment across Levels of Government, <http://acts.oecd.org/Instruments/ShowInstrumentView.aspx?InstrumentID=302&InstrumentPID=319&Lang=en&Book>; OECD (2015a), Implementation Toolkit of the Recommendation on Effective Public Investment Across Levels of Government, www.oecd.org/effective-public-investment-toolkit/

Recommendations

OECD experiences show that multi-level governance reforms should be approached holistically, in a multi-dimensional and comprehensive way in order to avoid negative and counterproductive outcomes (OECD, 2017). This does not mean that the initial focus cannot be put on specific areas, such as infrastructure, or that decentralisation cannot be flexible process, allowing different regions to incorporate responsibilities and tasks according to their needs and capacities. But reforms aimed at improving governance across levels of government should be multi-dimensional, and they should take into

consideration regional disparities and the need to develop co-ordination instruments, limits on public management capacity at all levels of government, as well as the consolidation of stakeholder engagement mechanisms to ensure the sustainability of reforms aimed at greater decentralisation.

In sum, high levels of inequality persist across regions in Paraguay, as do significant limitations on sub-national administrative and fiscal capacity to deliver services to citizens properly. Department governments face significant capacity challenges to design and pursue local and regional development strategies that build on endogenous strengths and assets in each Department to drive regional economic growth in a way that contributes materially to the country's development. They also face significant challenges in sustaining effective inter-governmental co-ordination to pursue common regional and national development objectives successfully.

The Government of Paraguay could therefore consider designing and implementing a comprehensive, integrated regional development strategy that is fully aligned with the Government's National Development Plan. In so doing, the Government could continue forging a broad national consensus on the importance of coherent decentralisation, effective multilevel governance and robust regional and local administrative capacity to pursue regional (and national) development successfully, and on the idea that these can constitute key strategic tools to address the challenges noted above.

To do so, Paraguay could consider the following:

- *Develop an integrated strategy to define, pursue and consolidate political, fiscal and administrative decentralisation using an integrated, holistic regional and national development perspective.*
- *Engage with national and regional stakeholders within and beyond government at all stages in the development and implementation of the strategy, in order to generate buy-in and consensus on its merits.*
- *For the design and implementation of this integrated regional development strategy, Paraguay could consider the following:*
 - Clearly define the purpose and objectives of the strategy;
 - Integrate the strategy into the National Development Plan;
 - Tailor the strategy to reflect and integrate the development priorities across the different departments and municipalities' development plans, and identify mechanisms to reduce regional disparities;
 - In this connection, as part of the strategy, consider developing an equalisation-based distribution formula for royalties' revenues in order to reduce regional disparities. While developing this formula, Paraguay could consider taking into consideration socio-economic indicators.
 - Allow specific arrangements and pilot projects in specific departments/municipalities, recognising that asymmetric decentralisation as a process might be required to take into account differences in departmental and municipal capacities/resources.
 - Design the strategy through a broad stakeholder engagement process, including the Department and Municipal Development Councils and the Congress.
 - Develop specific decentralisation and regional development objectives/targets, to be monitored and evaluated regularly.

- Actively involve the Centre of Government, including the Presidency, the STP, the Economic Team and the Social Cabinet (or their successor institutional arrangements – see chapter 2) and the Ministry of Finance by ensuring high-level, sustained co-ordination in the elaboration of this strategy, to ensure coherence with the NDP and the national budget.
 - Define and adopt, in full dialogue with regional and local stakeholders, a “finance principle”, ensuring that all the tasks transferred to subnational governments are accompanied by the resources (from grants or other revenues) needed to finance and administer the new service, taking into account the effective availability of those resources in the budget. The approach in Sweden could be helpful here.
- ***Strengthen institutional arrangements at the national level to lead and co-ordinate the design, implementation and performance-monitoring of the decentralisation strategy. To do so, Paraguay could build on its existing institutional make-up to maximise efficiencies and synergies across strategy frameworks; in so doing it could consider the following, drawn from OECD practice:***
 - ***Provide a clear mandate and proper human and financial resources to an existing institution.*** This duly-mandated institution should be able to act as the Government of Paraguay's interface with the governor in the department to identify and partner on common decentralisation and regional development objectives, and lead (or set the rules for) co-ordination across administrative silos in the central government and partner with the Ministry of Finance, the Ministry of Interior and relevant line ministries (e.g. Education; Health; Social Services; etc.) in decentralisation/regional development policy and service design and delivery, and in defining and co-ordinating the design and delivery of investment strategies and resources across the central government and between levels of government in the pursuit of regional development goals:
 - Some OECD countries have created a Ministry of Regional Development for this purpose (Hungary, Czech Republic, Poland between 2005 and 2013);
 - In others, this mandate has been assigned to the CoG: in Austria, the Federal Chancellery (the equivalent to the Paraguayan Presidency) is in charge of Spatial Planning and Regional Policy; In Canada, federal regional development policy co-ordination is assigned to the Price Council Office (the CoG institution equivalent to Paraguay's Presidency), while a series of federal Regional Development Agencies (RDA) are charged with operationalising regional development policy by ensuring a sustained interface with the Provinces (and in some cases municipalities) on programme and service design and delivery;
 - In Japan, national spatial planning and regional policy responsibilities fall under the purview of the Ministry of Land, Infrastructure, Transport and Tourism.
 - In Denmark, regional development is a policy shared between the Ministry of Industry, Business and Financial Affairs and the Ministry for Economic Affairs and the Interior, the latter responsible for structural policy; economic forecast; governance of municipalities and regions; economics of municipalities and regions, and elections and referenda.

- ***Consider creating a national Regional Development Agency.*** If the selected institution is responsible for both policy and programming, then no need for the RDA; otherwise, if Paraguay wishes to create an operational agency charged with managing regional development programming, an RDA can carry out this mandate as part of the decentralisation/regional development policy framework developed by the institution and approved by the Government. In line with the recommendation to minimise responsibility for transactional activities in the CoG (see Chapter 2), under a scenario where, for instance, the STP is mandated to lead the design of a decentralisation/regional development strategy, creating the RDA would make sense so as not to encumber the CoG with operational responsibilities;
- ***Create a Decentralisation Committee of the Council of Ministers, mandated to oversee and co-ordinate across administrative silos the design and implementation of a whole-of-government decentralisation strategy and ensure that it is coherent with the NDP and other framework strategies of the government,*** with the institution mandated to lead the design of the decentralisation strategy also mandated to act as the technical secretariat for this Committee. Chapter 2 recommended that Paraguay consider the creation of an integrated economic and social development committee of the Council of Ministers, akin to Colombia's CONPES, that would insure that this integrated policy area is fully aligned with the National Development Plan. If this recommendation is implemented, then the Decentralisation Committee recommended here should be a sub-committee of this CONPES-like Economic and Social Policy Committee of the Council of Ministers in Paraguay. This Committee (or sub-committee) could be comprised of the key institutional stakeholders that would be implicated in any decentralisation strategy, including the Presidency, the Ministry of Interior, the Ministry of Finance, the STP, the SFP and key line ministries, to which representatives from departments and municipalities among other stakeholders could be invited.
- ***Strengthen departments' capacities in regional development and in the articulation of inter-municipal co-ordination.*** Paraguay could consider enhancing department's capacities in service design and delivery in such key strategic service areas as transportation and mobility, health, education, public security and water, waste-water or solid-waste management, in particular by:
 - ***Addressing the current tension in the Governor's mandate:*** Governors are currently simultaneously representatives of the central government and responsible for executing national policy in the Department, and democratically elected officials, having to advance their departments' interests vis-à-vis the central government. This risks generating tension-filled contradictions in terms of accountability.
 - ***Ensuring that departments constitute an institutional partner with which the central government can pursue strategic, integrated decentralisation and regional development goals,*** that simultaneously contribute to advancing national development objectives and optimising the outcome of line ministries' spending at the territorial level, by:
 - ***Giving departments more responsibilities for regional development and capacity-building at the municipal level, in particular through the creation of Regional Development Units in the Gobernación,*** dedicated to co-ordinate

the decentralisation strategy at the department level and to act as the interlocutor with their counterpart institutions at the national level. These units could also contribute to better identifying and communicating the department's strategic priorities to the national government, as well as to coordinate inter-municipal initiatives in strategic areas.

- ***Encourage the production of data at the sub-national level to inform investment strategies and produce evidence for decision-making.*** Such data may be collected by the General Directorate of Statistics Surveys and Censuses. This data could include information on municipalities own tax revenues to better understand the financing options available to these jurisdictions beyond the predominance of central government transfers. This could allow the development and implementation of policy and fiscal decentralisation strategies based on reliable data-driven evidence.
- ***Strengthen skills and management capacities at the subnational level, in particular through:***
 - ***The identification of state modernisation objectives at the department and municipal level,*** integrated into the national decentralisation strategy and in line with the state modernisation agenda recommended in Chapter 2. These objectives could be agreed with departments and municipalities and could include commitments to build local capacities in key governance areas such as budgeting (Chapter 3), human resources (Chapter 5), open government (see Chapter 6) and digital government among others. For this purpose, in line with the recommendation above, the Government could promote a more active role for the departments in providing technical assistance to municipalities, including the development of skills at the municipal level. Paraguay could take into account the experience of other OECD countries in implementing pilot programmes, in particular in those departments willing to improve their management capabilities, as political momentum is a critical factor for the success of territorial governance reforms. For example, to institutionalise greater transparency and accountability to citizens at the departmental and municipal level, the government could ensure that financial resources support each department and municipal council having a dedicated staff to monitor and follow up on their decisions.
 - ***The implementation of financial instruments to co-finance technical positions in departments and municipalities,*** for instance, through the creation of “technical teams”, based in departments to jointly serve specific groups of municipalities. These technical teams should strengthen inter-municipal co-operation as well.
 - ***The identification of effective funding sources while developing these objectives,*** possibly allowing resources from royalties to be used for this purpose.
- ***Provide financial incentives to projects involving inter-municipal co-operation in order to stimulate horizontal co-ordination.*** The central government could enhance inter-municipal co-operation (IMC) and the creation of public IMC entities, for instance through the use financial incentives (grants for projects involving IMC), or technical assistance, to be provided through departments.

- ***Foster co-operation with inter-department and inter-municipal co-operation bodies***, to facilitate the sharing of good public-governance practices in the departments and municipalities across the country.
- ***Make further efforts to link department and municipal development plans with the national and departmental budgets, fiscal frameworks and investment strategies***. Paraguay could ensure that all commitments in the National Development Plan, both at the national and subnational level, include the identification of effective and/or potential sources of funding. That would require restructuring the way in which department and municipal development plans are designed, as they would need a closer engagement of the Ministry of Finance in elaboration process.

Notes

1. Belize, Bolivia, Chile, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Panama, Paraguay, Peru, Trinidad and Tobago and Uruguay
2. <https://www.oecd.org/tax/federalism/37388377.pdf>
3. <https://pefa.org/sites/default/files/PY-Aug16-PFMPR-Public%20with%20PEFA%20Check.pdf>
4. See OECD (2017c), Multi-level Governance Reforms: Overview of OECD Country Experiences, OECD Publishing, Paris

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Chapter 5. Building a professional and performance-driven civil service

This Chapter takes stock of recent efforts by the Government of Paraguay to professionalise its public workforce, to improve the efficiency and impact of public spending. The chapter situates recent reforms within the institutional and legal context of public employment in Paraguay, and discusses the use of technological solutions to make civil service employment and reform more transparent and meritorious. The chapter concludes with concrete recommendations to ensure that recent reforms are embedded in new ways of working, and suggests additional reforms in the areas of civil service recruitment, pay, strategic people management, and leadership.

Introduction

A professional and skilled civil service is a basic building block for governmental efficiency. Having the right laws, regulations and structures in place to attract, recruit, develop and retain skilled civil servants is essential to make sure that the government can deliver on its priorities, be responsive and provide services to citizens. This implies first and foremost having in place a system where the best candidates are recruited based on merit. A transparent and merit-based recruitment system is a first step to building a skilled workforce and to ensuring that resources assigned to workforce management and planning are well spent. Transparent and merit based recruitment systems also promote trust on the part of civil society in the civil service and the public administration as a whole.

As stated in Paraguay's National Development Plan (PND) 2030, an efficient and professional civil service is a foundational element for the successful implementation of the PND. Social development and poverty reduction, inclusive economic growth, and international integration cannot be achieved without a professional and efficient civil service, capable of providing citizens with the services they need.

A professional civil service starts with merit-based recruitment to bring the right competencies into the civil service; it is also the starting point for a culture of public service. When patronage or political influence affects the recruitment system, professionalism can no longer be ensured as loyalty is diverted from serving citizens. Political influence in the recruitment system leads to a reduction in citizens' trust in the civil service and more broadly in the public administration. At the same time, political influence also affects civil-service capacity to recruit talent through regular channels, since potential candidates are deterred from applying through processes which lack credibility. This chapter discusses how concrete human resources (HR) practices and policies can support the government's public governance reform agenda by looking at the challenges and opportunities faced by Paraguay's civil service.

Paraguay ranks 123 out of 176 in the 2016 Corruption Perception Index¹, and it scores amongst the lowest in the World Bank World Wide Governance Indicators: 17 percentile rank in the 2015 Government Effectiveness indicator and 16 percentile rank in the Control of Corruption indicator². Up until recently, Paraguay was also amongst the Latin American countries with the lowest scores in terms of HR planning in the public sector³, of performance appraisals⁴ and compensation management⁵ (OECD 2016a). The weakness of basic planning instruments directly affects workforce quality and balance (OECD 2016a), even though Paraguay has recently made progress in terms of organisation of the HR function⁶ and civil-service merit⁷ through reforms implemented right before 2015 (OECD 2016a).

Although Paraguay's constitution ensures equal access to civil service positions, in practice patronage had traditionally greatly influenced recruitment into the civil service. Political influence negatively affects the capacity of the civil service to recruit needed skills and deliver on government priorities in an environment in which individual loyalty lies with the "patron" instead of with civil-service values and serving the public interest.

As a result, for Paraguay, improving the professionalization of the civil service has become an imperative to create a more efficient and responsive civil service, and is one of the areas where Paraguay has made the greatest improvements. Paraguay is making efforts to professionalise its civil service by investing in merit-based recruitment, establishing a more transparent compensation system, and building a more effective

performance system. Progressive investment in digital tools for recruitment and HR management is changing the way public institutions operate, making it more efficient, merit-based and transparent, acknowledged in IABD's latest civil service diagnosis based on the Ibero-American Charter for the Public Service (Dumas 2017).

As the civil service is becoming more transparent and accountable, it also becomes more attractive. Since 2012, the number of candidates to civil servants' positions has increased significantly. In 2012 there were 3 applicants for each vacancy; however in 2017 14 applicants were registered for each vacancy, suggesting a substantial increase in the civil service's capacity to attract skilled candidates.

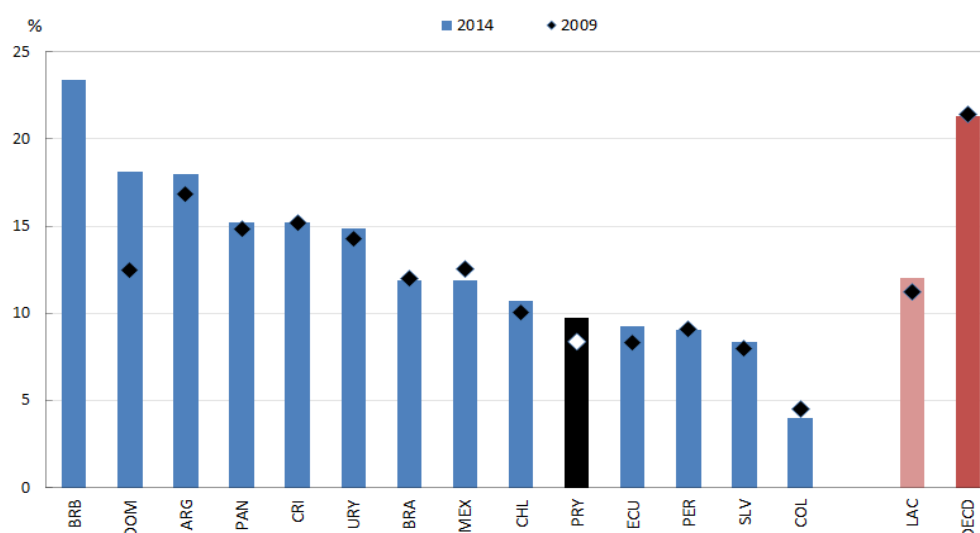
Fragmentation and the opacity of the compensation system created space to raise salaries arbitrarily for certain categories, multiply the creation of positions without institutional requirements, and use personal influence to obtain the right to accumulate multiple salaries. With a wage bill difficult to control, the Government has limited resources to allocate to PND priorities. In addition, salary increases based on subjective assessments affect the capacity of the civil service to maximise the benefits citizens receive from their taxes. Within such complex and hard to reform system, the Public Service Secretariat under the President of the Republic (*Secretaría de la Función Pública* - SFP) is working to increase the system's transparency in order to raise awareness in civil society of the importance of a merit-based, professional civil service, and use public pressure to reduce manipulation of the system.

Professionalization of the civil service is also about strengthening merit throughout individual career paths, namely through the performance system. Individual performance is not only about having a performance management system in place; it includes providing civil servants with the right incentives, including through encouraging skills development, and enhancing manager's capacity to engage civil servants and recognise good performance. Within Paraguay's continuous training system, skills development initiatives are often fragmented and good practices in this area appear to be difficult to scale up.

Careful implementation of civil-service reforms will be essential for the professionalization and modernisation of the public sector in Paraguay over the coming years. This chapter shows that once implemented, these reforms can contribute to a more merit-based and competent civil service, capable of attracting and managing the right people with the right skills to deliver the PND priorities of social development and poverty reduction, inclusive economic growth and the integration of Paraguay into the international community.

Size and shape of public employment in Paraguay

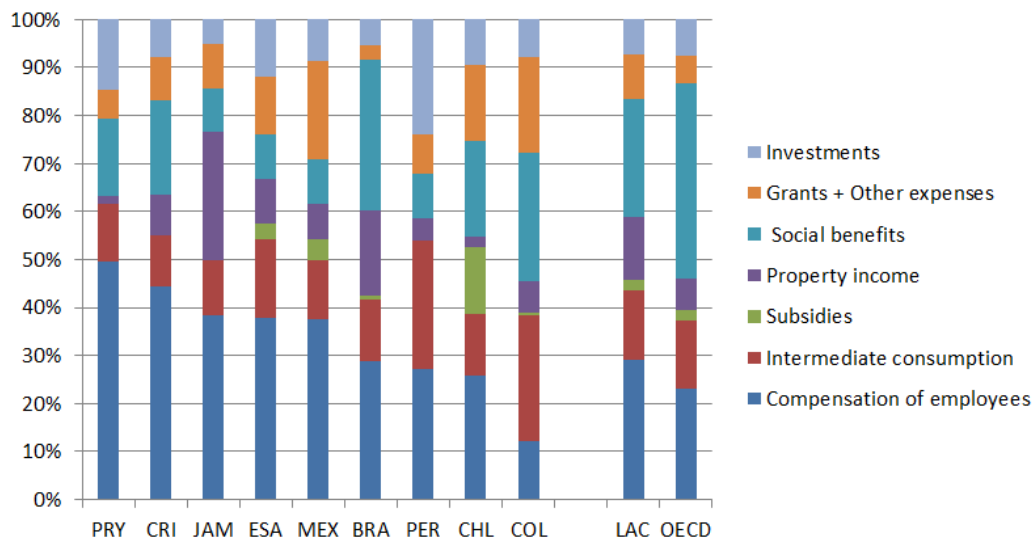
Employment in Paraguay's public sector accounted for slightly less than 10% of total employment in 2014, which reflects a small increase since 2009. On average, public sector employment tends to be higher in both LAC and OECD countries (12% and 21% respectively) (see Figure 5.1). In 2014 women accounted for around 50% of Paraguay's public sector employment, which is in line with the LAC average (OECD 2016a).

Figure 5.1. Employment in public sector as a percentage of total employment, 2009 and 2014

Note: Data for Argentina are for 2010 rather than 2009. Data for Brazil are for 2011 rather than 2009. Data for Costa Rica are for 2010 and 2013, rather than 2009 and 2014. Data for Chile, Ecuador, El Salvador and Peru are for 2013 rather than 2014. Data for Barbados are not included in the LAC average. Data for Argentina refer to urban areas only. OECD average: data for Austria, Czech Republic, Germany, Iceland, Israel, Luxembourg, the Netherlands, New Zealand, Turkey and the United States are not available; data for Australia, Denmark, Finland, Korea, Latvia and Portugal are also not included in the average due to missing time-series. Published in OECD 2016a

Source: International Labour Organization (ILO) ILOSTAT (database)

Despite a relatively lower share of public employment, Paraguay was in 2014 the LAC country which spent the most on compensation of government employees (49.5% of government expenditures see Figure 5.2). In comparison, only 15.8% of total government expenditures were allocated to welfare (represented by social benefits⁸ in Figure 5.3). As expenditure on compensation of government employees tends to be relatively stable (i.e. it is unlikely that a government would be able to reduce it significantly from one year to the next), the Government has limited power to allocate meaningful financial resources from the national budget to, for example, the PND's strategic axes of fighting poverty, social development or inclusive growth, given the size of the allocation to employee compensation.

Figure 5.2. Government expenditure by economic transaction as a share of total expenditures 2014

Note: Data for Peru and Paraguay are recorded on a cash basis. Data for Costa Rica and Jamaica for investment do not include consumption of fixed capital. Data for Jamaica are not included in the LAC average. Data for El Salvador and Mexico refer to 2013 rather than 2014

Source: IMF Government Finance Statistics (IMF GFS) database. Data for Mexico and the OECD average are based on the OECD National Accounts Statistics database. Published in Government at a Glance Latin America and the Caribbean 2017, <http://dx.doi.org/10.1787/888933431042>

This relatively high level of spending on employee compensation has two conflicting implications. On the one hand, the relatively high expenditure on compensation means that closer attention should be paid to the quality of HR and productivity of the public sector to ensure value for money. For high levels of spending on public employment to result in better public services, there needs to be a competent and capable civil service. Value for money is even more relevant in a context where the fight against poverty is a national priority.

On the other hand, the investments required to manage HR effectively are unavailable due to their high levels of spending on wages and salaries. Like other sectors, Paraguay's civil service reform has been highly dependent on foreign aid, especially for investments in the digitalisation of recruitment and capacity development of civil servants. Lack of flexibility in the budget allocation may hamper the success of the reforms if foreign aid is reduced and no funding is available from the national budget. These two implications will be further described throughout the chapter.

Institutional and legal context

Paraguay's Central Public Administration⁹ human resources management (HRM) system includes the SFP¹⁰ mentioned above and the Personnel Management and Development Units (UGDP in their Spanish acronym) which are decentralised operational units in charge of HR, located in State agencies and entities. The National Institute for Public Administration (*Instituto Nacional de Administracion Publica de Paraguay*, INAPP)¹¹ operates under the SFP. The SFP replaced the former Directorate General of Public Staff, and in 2003 it incorporated permanent positions of the former National Secretariat for the

Reform and Modernization of the State (*Secretaria nacional para la Reforma del Estado*, SNRE).

The system works under the principles of “regulatory centralisation and operational decentralisation”¹². This means that the SFP is mainly responsible for the formulation of HR policies and guidelines for the public sector¹³ while the UGDP are in charge of activities such as keeping individual career data records under the Centralized Integrated system for Administrative Career (*Sistema Integrado Centralizado para la Carrera Administrativa*, SICCA)¹⁴, participating in selection commissions, or conducting performance assessments.

This kind of delegation arrangements is also relatively common in OECD countries. Delegation of HR responsibility to ministries usually requires some level of common standards and central oversight to prevent political interference in staffing or important distortions in terms of pay or employment conditions, which could negatively affect the capacity of some public institutions to attract civil servants (OECD 2017a).

In this context, the SFP plays an advisory role regarding implementation vis-à-vis the Central administration, decentralized entities, and departmental and municipal governments¹⁵. Other SFP responsibilities include regulating the recruitment and promotion of public officials, identifying training needs, developing a system for classification and description of functions, or developing criteria to formulate the remuneration policy for public officials¹⁶. SFP’s institutional strategic plan 2015-2019 (projected towards 2023) sets priorities in 5 areas, and they cover SFP and State Agencies (Box 5.1).

The division of institutional responsibilities is established in the Civil Service Law¹⁷ (the CSL), which also includes provisions about the structure of the civil service, employment, performance, compensation, training and development, and human relations (see Figure 5.3). Many public entities¹⁸ have filed precautionary measures against the CSL (*Accion de Inconstitucionalidad*) to the Constitutional Chamber of the Supreme Court of Justice, but most have been solved and the Court has confirmed the applicability of the CSL.¹⁹

Box 5.1. The SFP's Institutional Strategic Plan 2015-2019

The SFP's institutional strategic plan 2015-2019 was developed in 2014 through a participatory process involving different areas of the institution, with support from UNDP. It is aligned with the government's NDP 2030 (which calls for the improvement of merit-based recruitment and management methods) and takes into account the Iberoamerican Chart for Civil Service (*Carta Iberoamericana de la Función Pública*, CIFP).

The strategic plan outlines a strategy to achieve 5 medium-term challenges: (i) implementing a process-based management system; (ii) developing a strategic communication to obtain the necessary political and citizen support, with a view to achieving the objectives; (iii) having sufficient budgetary resources to support the development of internal capacities; (iv) improving the management of human talent within the Secretariat and to project it towards the entire public sector; and (v) adapting the regulation and implementation of policies, with an approach of rights and powers for monitoring and penalties of the SFP.

SFP's institutional strategic map focuses on 5 key dimensions whose purpose is to increase SFP's impact on the Paraguayan society: learning & growth, internal processes, financial sustainability, state agencies and entities and their civil servants, and creation of public value.

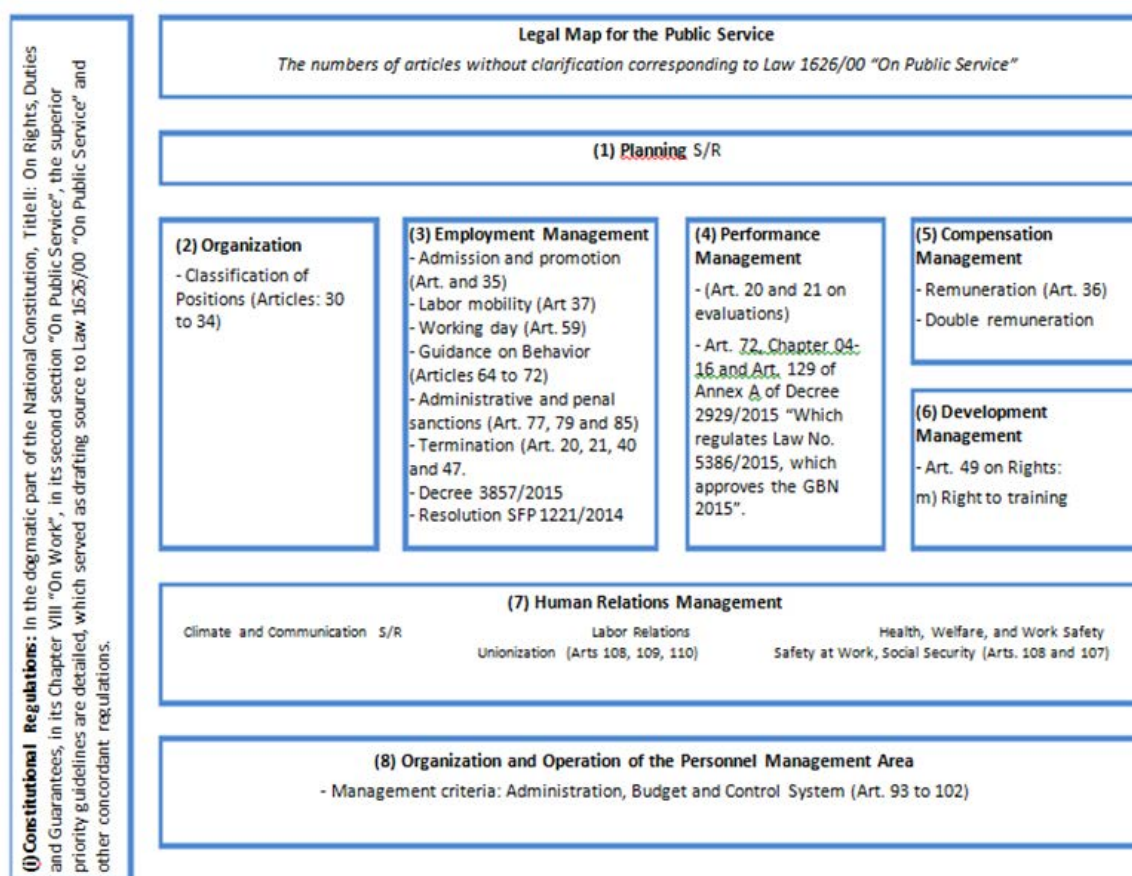
The final goal is to contribute to deliver a quality civil service, based on merit and professionalization, where public resources are used in a transparent and efficient way.

Source: Gobierno nacional (2014), Plan Estratégico Institucional 2015 – 2019 con proyección al 2023, available in https://www.sfp.gov.py/sfp/archivos/documentos/piesfp_vgni124y.pdf

Public administrations can only do what is established by law, which would require heavy legal processes to get the civil service reform approved. In Paraguay, the legal system assigns an important role to decrees or regulations, the main tool used to implement the current wave of civil service reforms. The creation by decree of a centralised integrated system for the administrative career, the development of the single employment portal *Paraguay Concurso* to increase transparency of the recruitment system, and the creation of INAPP are but some of the examples of the use of decrees in advancing civil service reform.

Relying heavily on decrees and regulations is also one of the weaknesses of the system, since the efforts conducted so far can be erased with relative ease if there is a lack of political support in a subsequent government.

Figure 5.3. Legal map of the Public Service



Source: Public Service Secretariat

This system has resulted in a fragmented approach to key HR functions such as performance management, training, or salary determination, since each institution can decide on its own *modus operandi*.

The SFP has acknowledged these challenges: some progress has been made since 2013, particularly in public competitions and in reducing the number of pay categories. The SFP has been able to make tools available to other institutions to support the civil service career, such as performance evaluations, transparency policies, anti-corruption, and counselling on the application of the CSL. The SFP also aims to continue addressing these challenges through its institutional strategic plan, by:

- Developing a strategic communication to obtain the necessary political and citizen support, with a view to achieving the objectives.
- Having sufficient budgetary resources to support the development of internal capacities (infrastructure, personnel, equipment, logistics, technology, etc.).
- Improving the management of human talent within the Secretariat and to project it towards the entire public sector.

Technology at the centre of civil service reform

The SICCA is one the major milestone initiatives implemented to support the efforts of professionalization of the public service. Launched in 2014²⁰, SICCA was developed by the SFP over 6 years with support from the IADB and later from USAID, in order to improve transparency in the HRM system. Inspired by the experience of Uruguay Concurra, SICCA consists of a web platform through which public institutions are expected to standardize their HR data and processes and make them transparent and open.

Figure 5.4. Integrated system for Administrative Career (SICCA)



Source: SFP

SICCA covers 9 subsystems (Figure 5.4) which, once implemented, should allow for the creation of a coherent HR system covering the whole public employment cycle: a) planning of job positions; b) selection (Portal Unico del Empleo Publico, PUEP) and admission; c) Labour mobility and promotion; d) performance evaluation; e) training; f) Digital file management; g) compensation; h) legal processes and i) contract termination. Besides improving transparency and HRM, SICCA also aims to become a central database with information on every civil servant.

SICCA is digital tool that aims to reduce administrative costs, improve workflow and increase process transparency, thereby extending the impact and reach of the SFP. SICCA complements SFP's index of personnel management (IGP) where agencies can self-evaluate their performance against indicators organised into 8 subsystems (Box 5.2). Digitalisation with SICCA means that institutions can conduct the evaluation on their own under SFP supervision, and with automatic reporting through real time data analysis within the system. Likewise, if there's an administrative proceeding (in case of a

complaint for example), one of SICCA's subsystem will select a judge. Since all HR information needs to go through the system, processes become more transparent and digitalisation is at the service of transparency. In this framework, the UGDP or HR Directorates of ministries and agencies are responsible for operating the different units of the SICCA. As such, they ensure the transparency of the system by registering all the data on civil servants, from recruitment to termination, with the SFP providing support and quality control.

SICCA subsystems cover different HRM components. The SFP is taking a phased approach to implement them, starting with foundational issues such as planning, selection, remuneration and training. The implementation stage of the various subsystems is very heterogeneous, for example the remuneration system is being implemented in 352 institutions while the subsystem related to legal processes is only being implemented in one. The subsystems for planning and selection, which are the first steps before running a public competition, are being implemented in 32 institutions. To facilitate SICCA's implementation, the SFP created a digital toolbox to support public institutions, which includes legal and administrative tools²¹. The SFP also created the Digital Personnel Management Index (*Índice de Gestión de Personas, IGP*), an online tool to self-evaluate the degree of development of the HRM system in public institutions (see box below).

Box 5.2. SFP's Personnel Management Index

The Personnel Management Index is an HR tool to evaluate the degree of development of the HR system in public institutions. It was developed in 2011 through a participatory process including the SFP, public Institutions and civil society organisations. The IGP is expected to promote good HRM and HRD practices across the civil service.

IGP includes over 100 indicators based on the analytical framework for institutional diagnosis of civil service system and the concepts established by SFP, in line with the National integrity plan and the Iberoamerican charts of civil service and quality in public management. The indicators are structured into 8 subsystems that form the Integrated System for People Management (Sistema Integrado de Gestión de Personas, SIGP):

- HRM planning
- Labour organisation
- Employment management
- Performance management
- Compensation
- Skills development
- Relations between the institution and the staff
- Organization and functioning of HRM

The IGP became an online tool in 2017 through the SFP resolution 0604/2017.

Source: SFP

SICCA is a dynamic tool and piloting modules by the SFP itself and in some Ministries is helping to further adapt the tool to institutions' needs. The final system will likely be adjusted to take into consideration lessons learned from the piloting exercise. The system can also incorporate new HRM developments, for example, the performance evaluation subsystem had to take into account Resolution SFP No. 328/2013²².

Many OECD countries also pilot new approaches in their HRM systems as it allows them to identify possible failures before large amounts of resources are invested (OECD 2017b):

- In Canada for example the Common Human Resources Business Process (CHRBP) was tested in few departments which also helped raise interest in the tool across government;
- The Netherlands gradually implemented its HRM shared service to manage payroll, personnel registration, management information, end-user support, or HR analytics (Box 5.3).

The SFP's commendable efforts to develop and implement SICCA have led to multiple operational improvements and improvements in accountability. Digital transformation is changing the way Ministries and the SFP operate, as processes become standardised and transparent. Piloting of SICCA modules creates relevant learning opportunities which will be useful for the implementation of future modules. Digitalisation is helping to build links across organisations, and SFP is making efforts to develop more interoperability. Even though SICCA is not yet well linked with funding, the HR function is becoming more strategic as public institutions are gradually including SICCA in their strategic plans.

The transparency made possible through SICCA is also producing greater accountability towards citizens and in particular job candidates. The accessibility to government data through the open government portal²³ (for example the appointment of civil servants) expected to contribute to increase trust in the recruitment into the civil service.

Transparency and communication about merit-based recruitment processes increases expectations and the number of possible candidates. Administrative data collected by the SFP²⁴ suggest an increase in the number of applications, and in the number of complaints, which can suggest that candidates expect recruitment processes to be fair. SFP pursues its efforts to further improve accessibility of information, namely through a future mobile application, to reach for example people with disabilities.

While SICCA seems to be an effective tool to improve different areas of HR, its implementation faces numerous challenges. First, the development of SICCA subsystems was made possible through financial and human resources support from USAID (of the 20 people working in SFP, 10 are financed through USAID). As the funding is expected to end in March 2018, the future of SICCA is uncertain; foreign technical assistance is not a long-term funding solution. Having to deal with such concrete challenges as well as daily business prevents the SFP team from thinking in a more strategic way about future orientations.

Box 5.3. Piloting experiences in HR management system in Canada and The Netherlands

Canada. The main objective of the Common Human Resources Business Process (CHRBP) was to standardise, simplify and streamline how human resources business is conducted across the Government of Canada. It has been designed to bring consistency in the delivery of effective and efficient human resources services while at the same time maximising the use of existing and innovative methods and tools.

Prior to its endorsement as the Government of Canada standard, some departments (approximately 5) became early 'adopters' and acted as pioneers in implementing the Common

Human Resources Business Process (CHRBP). During this initial phase, departments sought out ways to leverage the CHRBP to improve their current business and often came up with tools or strategies that eventually were re-worked or replaced. To demonstrate the benefits of the CHRBP, some departments also came up with some “quick wins” that helped to keep up the momentum and to garner interest from other organisations as well. Two of the main challenges were:

- Capacity to understand and carry out the related activities to implement the CHRBP within an organisation has been a challenge due to competing priorities and various fiscal restraint exercises happening within. To mitigate this, a team of professional resources (consultants) was procured to support and facilitate implementation efforts within departments through individual “Letters of Agreement” with OCHRO.
- Some organisations cited ‘technology’ issues or gaps through their CHRBP analysis-phase which could have led to significant investments in their HR systems on a piece-meal basis. That said, a parallel initiative is underway to develop an enterprise-wide HR system. As such, new business requirements and opportunities sought in the system are now being handled on an enterprise-scale, and organisations will soon be able to take advantage of this once the system development is complete and deployed.

The Netherlands. P-Direkt is a human resources management (HRM) shared-service that provides the ten Dutch ministries and their 120 000 end-users with a variety of administrative and informative HRM services in a standardised way, via a self-service portal and a contact centre. Services included on the portal include payroll, personnel registration, management information, end-user support, and HR analytics, among others. P-Direkt was built gradually:

- In the first year the Agency of the Ministry of the Interior and Kingdom Relations standardised the processes and built the first central personnel systems.
- In the next year the Agency finished building the personnel systems and started with gradually implementing the systems and the new way of working in the different ministries.
- In the third year the Agency built up - alongside five ministries - the biggest part of the shared service organisation, the contact centre, which in fact started working mid-2009 and was officially opened in January 2010. From that point, the Agency gradually rolled out the new way of working and all of the systems at the other five ministries, and the last ministry was connected in October 2011.

Source: OECD 2017b and OPSI platform

Second, the transparency and standardisation of SICCA’s processes may create resistance from public institutions. To begin with, using the system implies that institutions have less room to bypass HR rules, which may be perceived as a loss of power. In this regard, strategic communication within the public sector and towards the public (citizens, media) may be essential to raise awareness about the usefulness of the system in order to keep it open and transparent. More public visibility of the system may help increase awareness regarding its weaknesses; the publication of compensation data in the Paraguayan media led to a public backlash against compensation discrepancies, namely between qualified and non-qualified civil servants²⁵.

Resistance may also come from lack of experience with digitalisation. Developing strategic communication around transparency and digitalisation could help to get buy-in from public institutions. Using plain language instead of IT technical jargon could help raise awareness. Finally, it is important to note that some institutions already have HR systems in place. This implies that they may be reluctant to abandon them but perhaps more importantly it implies that while SICCA is not fully operational, the SFP will need

to consider some degree of interoperability between different systems to minimise duplication of efforts and increases in workload. For example, compensation of civil servants is processed through the Integrated System of State Resources Administration (SIARE, for its acronym in Spanish), managed by the Ministry of Finance. One of SIARE's subsystems is used to register civil servants within the file system and used for payroll, and SIARE is not connected with SICCA, obliging public institutions to register in both systems.

Systems interoperability such as between SICCA and SIARE is an important concern in country digital transformation strategies. It is also a key element in the OECD's Recommendation on Digital Government Strategies (OECD 2014). Lack of interoperability tends to constitute a barrier to collaboration and efforts to improve interoperability are an essential component in general e-government strategies:

- In Chile for example, the Ministry General Secretariat of the Presidency (*Ministerio Secretaría General de la Presidencia*, SEGPRES) has the power to establish technical regulations/standards, which include proposing to the President the need for new regulations to foster systems interoperability.
- The United Kingdom Government Digital Service worked on interoperability of public systems and sharing of resources within the process of rethinking digital public services within and across levels of government (OECD 2016b).
- Norway's digital agenda prioritises the development of common solutions and foster their use in the central and local government and facilitate interoperability with European solutions (OECD 2017c).

To get buy-in from institutions, the SFP is trying to strengthen professional networks around HRM and digitalisation. The SFP organises regular meetings with stakeholders from cooperation agencies and HR leaders from various ministries to set and follow up on goals, which are reported back to the Ministry of Finance and the President's office. The SFP expects that soon it will be possible to use these fora to share positive experiences in each of SICCA's subsystem areas and to strengthen inter-agency cooperation in order to make agencies more responsive.

As technology is a major pillar of the ongoing HR reforms, the human dimension of the reform should not be overlooked. HR reforms are about more than regulations and involve a great deal of culture change within institutions, and civil servants should be at the centre of reforms.

Finally, while transparency has improved, the SFP still needs to measure the impact of the development of SICCA on the professionalization of the system and on citizens' perceptions of it. Performance metrics should help the SFP understand the impact of the digitalisation of the HRM system on, for example, trust in government or on merit-based recruitment, to be able to measure (and communicate) SICCA's impact on the system. The SFP should pursue efforts to review internal progress and consider impact, effectiveness of indicators, for example using "control panels" or "dashboards" to assess progress.

The following sections will discuss the main opportunities and challenges faced by Paraguay in implementing its civil service reform, closely linked with the implementation of SICCA, benchmarked against experience in OECD countries in strengthening merit throughout the employment cycle, moving towards a more transparent and sustainable compensation system, and developing skills for improved performance.

Box 5.4. Using HR networks to support the effectiveness of the civil service system in Poland

HRM in Poland is decentralized. The Head of the Civil Service administers HRM processes in the civil service and tasks are executed with assistance from Directors General (DGs)²⁶. DGs and their representatives (mainly HR directors) are involved at the earliest possible stage of policy and law development in a context where division of powers and accountability seem to be crucial for the effectiveness of the civil-service system. A Forum of Directors General was created to improve cooperation between the Head of Civil Service and the DGs. It provided a framework for regular meetings to share information, discuss “hot issues”, elaborate drafts of solutions.

The role of the Head of the Civil Service in the field of HRM is inter alia to develop and reform the general framework of the system and to harmonize HRM tools (while preserving their diversity as regards details). To increase the acceptance for the improvements, or decrease resistance and generally take into account views and expertise of different actors, the Head of the Civil Service often establishes various working committees, as opinion or advisory bodies. In general these working teams were composed of representatives of academia, experts from the private sector, media, DGs and other civil service executives including HR managers. Such working groups support the Head of the Civil Service in diagnosing the situation and on this basis – in drafting new policies and/or different kind of legislation, guidance, training etc. Committees were established on: HRM standards; ethics and civil service rules, remuneration system, reform of the National School of Public Administration (KSAP), job description and evaluation of the higher positions in the civil service.

Network of ethics and integrity advisors

The function of the ethical advisors in the civil service is not obligatory but has functioned in many civil service offices since 2006. Their main purpose is to advise civil servants on how to solve possible ethical dilemmas and to support them in the proper understanding and application of the civil service rules and the ethical principles of the civil service corps. Additionally the advisor supports the head of the office in disseminating knowledge about the principles and as a result in promoting a culture of integrity in the office.

To build a culture of integrity in the civil service, the Head of Civil Service created a network of ethics and integrity advisors, inspired by the guidelines in the OECD 2017 Recommendation on public integrity. The network created a cooperation framework for civil servants facing similar ethical dilemmas and a forum to exchange knowledge, experience and good practices. The network is also consulted by the Head of Civil Service in all matters related to promoting and building a culture of integrity in the civil service, and increasing trust in the administration. A recent example is consultation of the network about the training programmes on ethics and ethical dilemmas included in the Recommendation of the Head of the Civil Service regarding the promotion of integrity culture in the civil service.

The draft Recommendation was consulted with the DGs and then presented to the network of the ethical advisors during one of its meetings. As a result, this group of stakeholders (key in the effective implementation of the Recommendation) became familiar with the Recommendation’s main goals and assumptions, and with their future tasks and. More importantly, they were involved at the early stage on the discussions about the training programs, which resulted in redrafting this *tool, reflecting different backgrounds and opinions*.

Source: Polish peer

Strengthening merit in recruitment and promotions

Equal access to civil service positions is guaranteed in Paraguay²⁷, including specific access by people with disabilities²⁸. Institutions are expected to reach a 5% target of staff with disabilities. The administrative career is governed by the CSL²⁹, which covers administrative officials³⁰ from the 3 State branches (Legislative, Executive and Judicial) and of the 3 government levels (national, departmental and municipal) (Box 5.5).

Establishing meritocracy in the recruitment process has been one of the main challenges for the Paraguayan administration. Investment in meritocracy is a way of investing in the professionalization of the civil service, which is expected to result in better capacity in the medium term. As such, professionalization is a way of counterbalancing clientelism and private interests in favour of a public service for citizens. The SFP started to implement merit-based recruitment in 2009 in 20 institutions, although some institutions, such as the Ministry of Foreign Affairs, already had some meritocratic policies in place (Box 5.6).

Box 5.5. Paraguay's administrative career

Paraguay's administrative career comprises over 65.000 people including administrative officials in the Central Government and officials in decentralized entities (17 Departmental Governments and over 254 municipalities), making it the second most important in the public sector, after the teaching career.

The administrative career is structured into positions and each position is assigned with a corresponding budgetary category³¹. Positions are structured into 7 hierarchical levels. The higher echelons comprise levels A-B and include political and high-level management, which tend to be elected or politically appointed positions like Directors and General Directors³². Levels C-E cover 3 categories of middle management³³ and levels F-G cover administrative and technical support and ancillary services. Elected positions (either at national, departmental and municipal levels)³⁴ are not considered civil servants.

Admission into the administrative career is done through a public competitive examination³⁵ which provides access to a position funded by the General Budget of the Nation, and whose duties are inherent to the function of the agency of State entity.

By contrast, contractual staff and ancillary service staff are also part of the civil service but can be subject to the Labour Code. Contractual staff (about 17% of the public workforce according to SFP³⁶) can be recruited through merit-based competition or through direct contracting. The share of people with disabilities is higher amongst contractual staff but the majority is hired on a permanent basis. To improve contractual staff labour conditions, in 2016 the government organised institutional competitions only open to them, to fill civil service positions under the General Budget. Ancillary service staff, which includes positions like cleaning staff or drivers, are recruited through a simplified selection regulation and their contracts are governed by the Labour Code.

Source: Decree n° 196/03 "Por el cual se establece el Sistema de Clasificación de Cargos Administrativos y se aprueba la Tabla de Categorías, Denominación de Cargos y Remuneraciones para Organismos de la Administración Central, Entidades Descentralizadas del Estado y del Poder Judicial", Art. 3

Box 5.6. National and Public Competition for induction into the Diplomatic Career in Paraguay

Law N° 1335/1999 on the Diplomatic and Consular Service establishes that the only mechanism for induction into a diplomatic career is through a National Competition, which consists of a merit-based competition with a competitive and transparent written evaluation process.

Brief description of the process for incorporation:

- Vacancies are established by the Ministry of Foreign Affairs;
- Procedural rules are approved by the authorities at the Ministry;
- The National Competition is opened (public announcement on national newspapers with a large circulation, web link access available at the Ministry's web page, massive media distribution, communication strategy and visits to different departments of the country, in order to facilitate participation of people who are not located at the capital);
- Registration (candidates are given a personal code in order to ensure anonymity during the evaluation);
- Registration is closed and documentary evaluation begins;
- A report of the candidates is presented to the Admissions Committee;
- A list of authorized candidates is published;
- Written examinations begin: usually consists of the following subjects: Economy and International Trade, History of International Relations of Paraguay in the universal context; Economic Geography; a foreign language (English, French, Portuguese or German); Grammar and writing; History of Paraguay; Basic Notions of Public International Law. The subjects may vary according to institutional needs.
- Examinations are eliminatory; candidates must obtain 60% of the total in order to sit for the next exam. After written examinations are over, candidates who passed all the exams must be subjected to psychological tests and a final Diplomatic Aptitude interview.
- After all evaluations are over, final scores are determined, and only the candidates with the top 15 or top 10 scores are accepted, according to the established vacancies and the criteria in article 8 of Law 1335/1999.

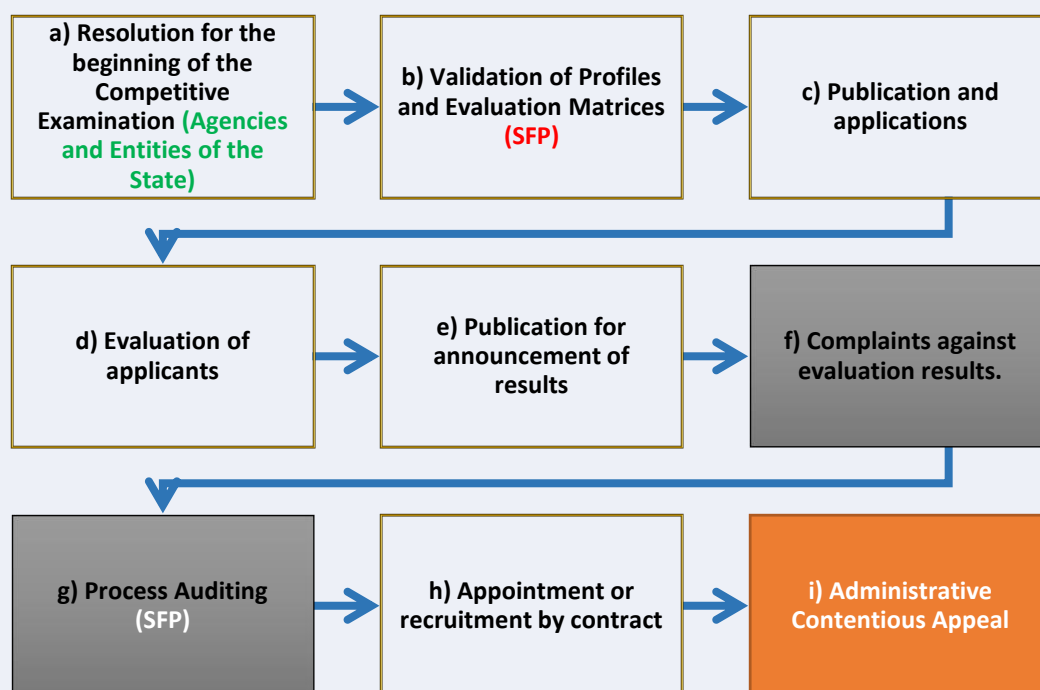
Source: Provided by the Paraguayan Ministry of Foreign Affairs

The biggest efforts to improve merit based recruitment have been made since 2013 through SICCA's job position planning and selection subsystems, which are currently being implemented in 32 institutions. Within SICCA, job position planning allows for a classification of organisational units (CUO), Job positions (CTP) and other organisational units (CCE) Selection is managed through the portal *Paraguay Concursa*, which has been operational since 2013 and registers all information related to the recruitment procedures (Box 5.7).

Box 5.7. Recruitment process through the *Paraguay Concursa*

Job applicants register and apply for job positions. Job descriptions include minimum and additional qualifications related to professional experience, education and competencies (soft and technical). They also include a 1-10 grading system for working conditions (pressure, mobility requirements, environment and physical effort). The weight of the evaluation criteria depend on the position but usually include Academic training, Continuous training, Working experience, an Exam related to the position, performance evaluations, Psychometric testing, and Interview with the selection commission. Academic training and work experience tend to have the highest weight.

Job descriptions are established by the Selection committee and are analysed by the SFP to make sure that pay and expectations for the position line up. SFP also suggests which recruitment tools should be used and monitors the recruitment process accordingly. The stages of the selection process include:



Source: Paraguayan administration

Paraguay Concursa covers admission and promotion for the three types of competitions³⁷ which fall under the responsibility of selection commissions (Box 5.8). *Paraguay Concursa* also establishes procedures to:

- Create and set up of competitive examinations
- Validate competitive examinations (SFP)
- Publish the job position online and receive applications
- Evaluate candidates
- Publish competition results
- Appoint or recruit people through contracts

In this framework, merit, performance and capacity are guiding criteria for admittance, career and other management and development policies of the people working in the public sector, and all agencies and entities of the State are expected to recruit and promote through the system.

Box 5.8. Selection commission for public competitions

Selection commissions are responsible for the public competitive examinations for appointments into the civil service; competitive examinations for promotions; and merit-based competitions for temporary contracting³⁸.

These commissions are placed under the highest institutional authority of the agency organising the competitive examination; they communicate closely with the SFP throughout the selection process (lack of communication implies suspension of the recruitment process) (art.11). Members of the selection commission include a senior management official appointed by the highest institutional authority (e.g. Minister, Minister-Secretary or highest position in the institution) of the area in which the vacancy of the job position subject to the competitive examination was generated, the head of the UGDP or equivalent (to act as Commission secretariat). Commission observers (which include the head of the transparency and anti-corruption unit or equivalent, a representative of civil servants or of a workers' organisation recognized by the Ministry of Labour, Employment and Social Security) can formulate suggestions about the process and they supervise respect for the procedures (Art. 12). The selection committee may also establish a technical support team for specialized job positions (art. 9).

Source: Paraguayan authorities

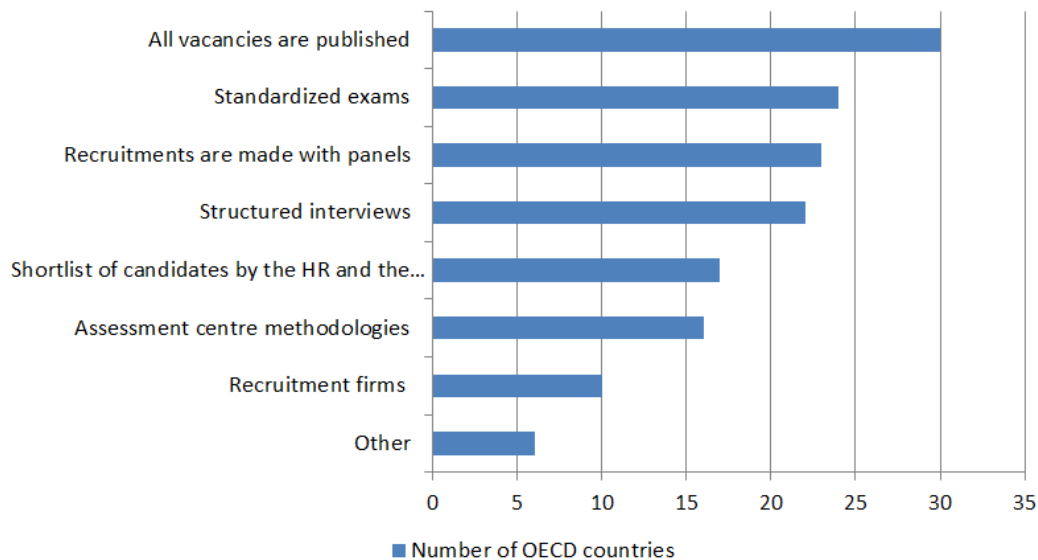
Like Paraguay, most OECD countries also use public advertisement of all vacancies to ensure transparency of merit-based recruitment processes (Figure 5.5), which remain the bedrock of professional civil services despite very diverse approaches to recruitment across OECD countries. Overall, recruitment systems replacing the traditional career or position-based systems and becoming more flexible and mixed, with most OECD countries reporting that all or most posts are open to internal and external recruitment. In OECD countries, Germany and Ireland are the ones using the most merit-based recruitment methods (7), while Luxembourg and Slovenia focus on the transparency of the job advertisement process.

The SFP aims to use the portal to advertise all open civil servant positions, to make it as transparent and accessible as possible. The SFP is working to improve accessibility through a mobile application and larger use of open source data available to the public. By using the portal, the SFP also aims to standardise the competition examination process, and base it on merit. In this framework, applicants have the possibility to challenge decisions throughout the selection process, in which case the process needs to be audited.

Accessibility to information through the web portal is also particularly important to increase the number of candidates (and in fine civil servants with disabilities). As part of its plan to promote inclusive opportunities, the SFP has submitted to the Ministry of Finance a proposal to fine institutions for non-compliance with the 5% target regulation. Funds collected could be used to support civil society organisations that provide training of Persons with Disabilities (PwD).

In 12 OECD countries PwD have preferential rights for job interviews or preference in the selection process. Poland for example gives priority to PwD in the final stage of selection processes, and is conducting a project to increase civil service awareness about service delivery for PwD (Figure 5.5). 13 OECD countries have hiring targets for PwD. In Spain there is a 7% quota reserved to PwD in all selection processes of any rank, in France the hiring target is 6%.

Figure 5.5. Merit-based recruitment in the selection process



Note: Responses of OECD countries to the question: Q35. How merit-based recruitment at the entry-level is guaranteed in the selection process

Source: OECD (2016), Strategic Human Resources Management survey

As *Paraguay Concursa* is building an evidence-base on meritocratic recruitment, it also seems to be increasing awareness and trust in the recruitment system. Meritocratic statistics have been published for the first time in 2009 and allow making an analysis by sector or position. For example, in the Executive Branch about 57% of recruitments into the civil service are done through merit-based competitions, while in the Judicial or Legislative it can be about 35% (Dumas, 2017). Recruitment through SICCA also seems to be improving the civil service attractiveness, as the number of applicants has increased from 3 candidates per position before the introduction of SICCA to 14 applicants per position in 2016. This may reflect a greater trust in the system; if potential candidates expect recruitment to be ethical and merit-based they are more likely to apply than if they believe that recruitment will be based on personal or political connections.

Box 5.9. Promoting inclusive opportunities for people with disabilities in Poland

Increase in employment of persons with disabilities

Increasing the employment rates of people with disabilities (PwD) in the civil service corps is one of the priorities of the Head of Civil Service. Employment of this group of employees has raised from 2,6% in 2010 to ca. 4% of civil service corps members, and the goal is to attain a 6% reference rate. The increase in employment of PwD in 2010-2016 took place in a context of general decrease in employment, which may suggest that the civil service is gradually becoming more open and willing to employ persons from this group.

The new law on civil service played an important role. Although general recruitment processes are decentralized, Directors General (DG) are responsible for ensuring respect for the overall recruitment principles (e.g. openness, transparency, equal access, competitiveness, the same tools and methods of evaluation etc.). At the end of the individual recruitment process, a recruitment commission proposes up to 5 best candidates and DG takes the hiring decision. PwD are given priority in the pool of 5 best candidates if in the hiring administration the rate of PwD is less than 6%. At the earlier stages of the recruitment process, all candidates participate and compete on equal terms.

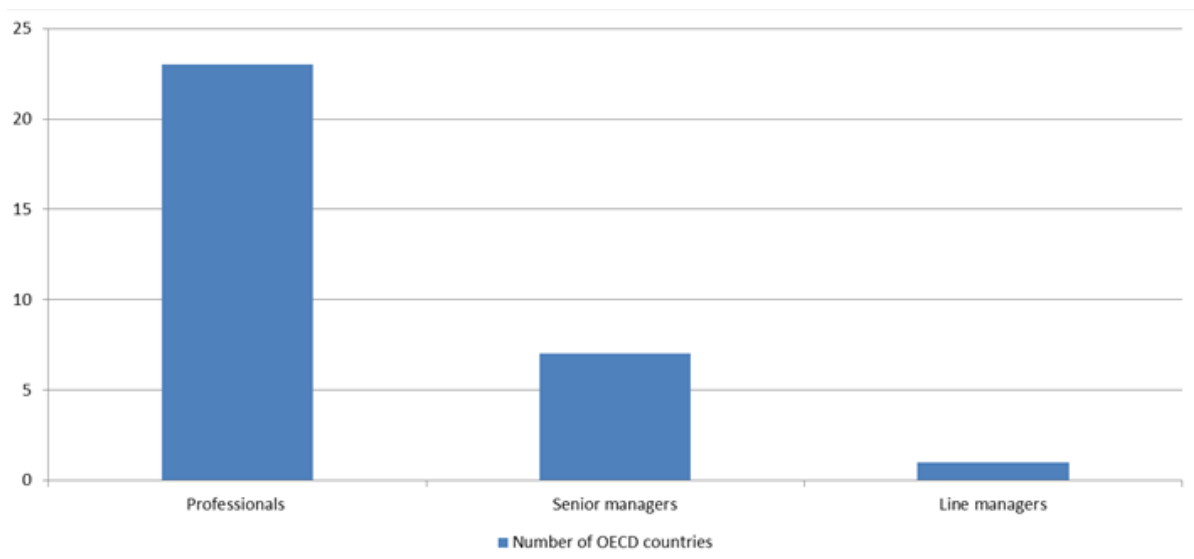
Making public services accessible to citizens with disabilities

The project “Different needs, equal standards” is being implemented in 2017 in the Polish administration with support from the Norwegian funds and funds from the European Economic Area (EEA). It aims at raising awareness and enriching the knowledge of officials on how to design public services to take into account also the needs of people with disabilities; and exchanging of knowledge, experience and good practices in the field of accessibility policy in Poland and Norway. Different capacity building activities are planned for over 300 civil servants, including training, conferences, seminars and study visits.

Source: Department of Civil Service, Chancellery of the Prime Minister of the Republic of Poland

Recruitment through an automated system like SICCA also provides information about Paraguay's challenges attracting qualified candidates for certain positions such as engineers. To improve certain skills levels and diversify skills profiles (many candidates are economists and lawyers), Paraguay has created a scholarship programme to send people abroad, which should help develop skills and begin developing a mind-set more open to diverse backgrounds and experiences. Some OECD countries also face challenges when recruiting certain categories of civil servants, especially professionals (Figure 5.6), namely for positions related to IT (ex: Austria, Belgium, Finland, the Netherlands), health (ex: Belgium, Chile), law (ex: Ireland) or engineering (ex: Israel, Luxembourg). Difficulties attracting professionals from these areas are usually driven by private sector competition, but some OECD countries also report certain skills shortages in the overall labour market.

However, while Paraguay has made commendable efforts to improve merit-based recruitment, it is not yet used by all institutions, and the system does not cover all positions, like internal competitions (used in promotions) and specifically politically appointed positions which consist of approximately 15% of positions³⁹. Hiring authorities have the discretion of appointing or opening a competition according to a competency profile. The creation of additional politically appointed positions can be rejected by the SFP on a technical basis, or by the Ministry of Finance on an economic basis.

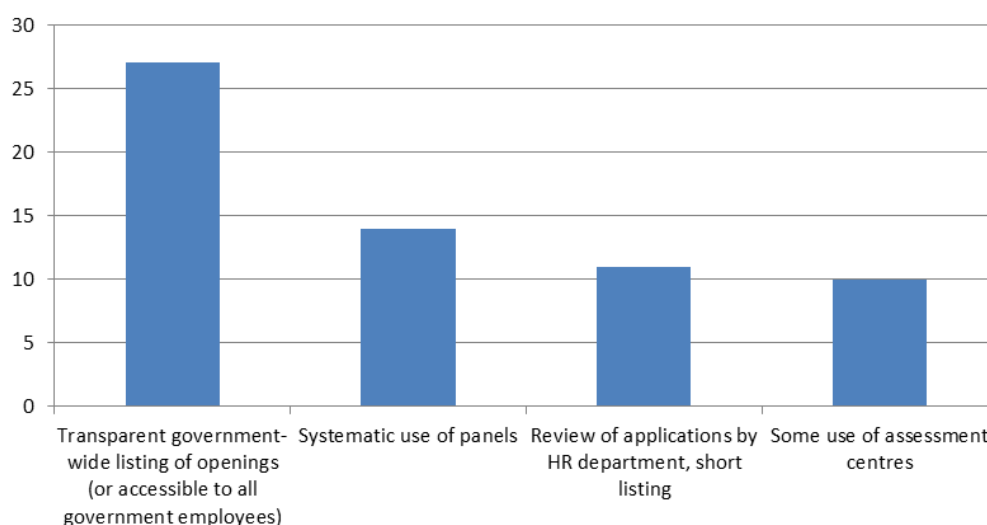
Figure 5.6. Groups hard to attract into the civil service (OECD 35, 2016)

Source: OECD 2016 SHRM survey

Recruitment for middle management positions still tends to be paper-based and pursued outside SICCA (mostly for technical reasons). Whenever recruitment for promotions is managed through SICCA, merit is ensured through the use of evaluation by stage (curriculum, written or oral exams, test and interview), where approval in one stage is necessary to reach the next; and evaluation upon completing all evaluation stages. The competitive examination may be managed through the portal *Paraguay Concurso* to guarantee objectivity and a greater degree of transparency on the calls. It is also subject to audit processes. Lack of open advertisement for promotions is likely to reduce the number of potential and skilled candidates and lack of transparency can create an opportunity for patronage within career progression. In the medium to long term, it may also hamper career progression for civil servants who entered the civil service through the merit-based system.

Most OECD countries have mechanisms to strengthen merit and transparency of the promotion system:

- In Greece for example promotions from one grade to the other are decided by each service board. Selection for the hierarchical level of head of Unit and Director is done through open call for applications. Selection to the hierarchical level of General Director is done through open call for applications and the decision is made by a single Central Special Board of Selections.
- The Netherlands uses a mix of instruments, depending on the vacancy. In Poland, a list of up to 5 best candidates is prepared for on-senior positions.
- In Portugal, career advancement is made through the change of the pay step as a result of performance assessment.
- Finally, in the UK the Civil Service Competency Framework has provided a common standard of promotion across the Civil Service.

Figure 5.7. Merit and transparency of the promotion system (OECD 35, 2016)

Source: OECD (2016) SHRM survey

Likewise, although municipalities are regulated by the same CSL as the executive, they are not required to use the system. This is explained by the fact that municipal level represents a small share of public employment, and financial resources are not handled by the Ministry of Finance.

Yet meritocracy is but a first step to improve civil service capacity and professionalization of the civil service in the medium to long term. As the number of merit-based recruitments increase, the question is how the civil service will be able to retain qualified people and ensure that they work in a positive and constructive environment. Attention should be paid specifically to career management, performance (SFP indicates merit-based recruited civil servants tend to have higher performance evaluations) and working environment, to make sure that merit-based recruited civil servants remain motivated and engaged when they start working in the civil service.

It is expected that it will take a decade for the SICCA to establish a new way of working in the administration, and 2023 will be an important milestone in this path. As SICCA creates space for a better management of competitions and workforce planning, which are essential to deflect political pressure, some challenges are brought to light and need to be addressed if SICCA is to remain a trustworthy tool to improve civil service professionalization at the service of citizens. These challenges relate mainly to the institutional capacity of stakeholders (such as the SFP, HR units in ministries, selection committees) and general management capability and culture.

As with any change process, the recruitment reforms in general and SICCA in particular are introducing new ways of working along with additional responsibilities on top of existing ones. These challenges affect mainly the SFP and the decentralized UGDP, but also ad hoc committees like the competition selection committees which lack experience because the process is too recent.

The increase in the SFP's workload without a proportional increase in human and financial resources may affect the smoothness of the recruitment processes and affect the system's credibility. During the fact finding interviews, many interlocutors expressed

concerns about the lengthiness of the process, even though they do not question the competition process' rigour or the importance of avoiding political interference. The SFP still has a great deal of work to cross-check applications and verify profiles (only 3 people assigned in SFP responsible for verifying 415 institutions), making processes last at least 60 days, (but in some cases 8 months). Complaints can further slow recruitment processes down. Lengthy processes affect the system credibility but as important, they increase the risk of losing good candidates. Last but not least, lengthy processes may create incentives for institutions to bypass the merit based recruitment system. As the extension of SFP's role is affecting its capacity to provide services efficiently, and considering SICCA's positive impact in the merit-based recruitment, it becomes urgent that more resources are allocated to the SFP so that it can provide the quality control and support for the process in a timelier manner.

In parallel, as SICCA is changing the *modus operandi* of public institutions and UGDs, they also face lack of capacity to administer competitions through SICCA, and some question the SFP's authority to impose recruitment standards. Especially in institutions that had organised open competitions prior to the introduction of SICCA, the involvement of the SFP may appear as an additional – and unnecessary – level of bureaucracy. While in theory recruitment practices could be tailored to the capacity of each ministry, the system is not yet mature enough for this to work.

While for the moment the SICCA system does not have a feedback mechanism, the SFP works closely with UGDs to identify problems. SFP is also developing guidelines for institutions which should help them use of the system in a more autonomous way, while also contributing to reduce the SFP's workload. The SFP could consider using the HR network mentioned above to discuss implementation issues and to further involve other institutions in designing and piloting SICCA's recruitment submodule. Designing training modules to implement SICCA could also be an option. Reaching out to other government levels is also an additional challenge.

Capacity on the part of hiring managers to integrate merit-based recruitment also needs to be considered for the successful implementation of SICCA. The procedures and control throughout the SICCA recruitment process reflect some lack of trust in hiring managers. As many of them occupy politically appointed positions, their decisions tend to be considered subjective. Hiring managers also generally lack the experience of recruiting through selection committees. For example, in the application process, psychometric testing and interviews have a lower weight in the evaluation process as they are considered to be more subjective and as such are less trusted. However, elements such as educational attainment, which may be easier to measure objectively, tend to be weaker predictors of job performance. Given the current transition toward open merit-based staffing, this is likely ideal for this moment, but eventually the weighting should change so that educational attainment and experience are used for screening initial candidates, with the final decision based on the results of tests and interviews conducted by strong, values-driven managers. The Ministry of Finance is conducting training to improve the management capacity of Directors and Coordinators to deal with recruitment processes, and is now working with department managers specifically to reinforce broader management competencies.

The progress and challenges highlighted above reflect a need to strengthen current capacity for execution but also the need to think carefully about long term impact. Lack of implementation capacity can jeopardize the smooth running of recruitment processes and the credibility of the system. In the medium to long term, the SFP needs to keep in

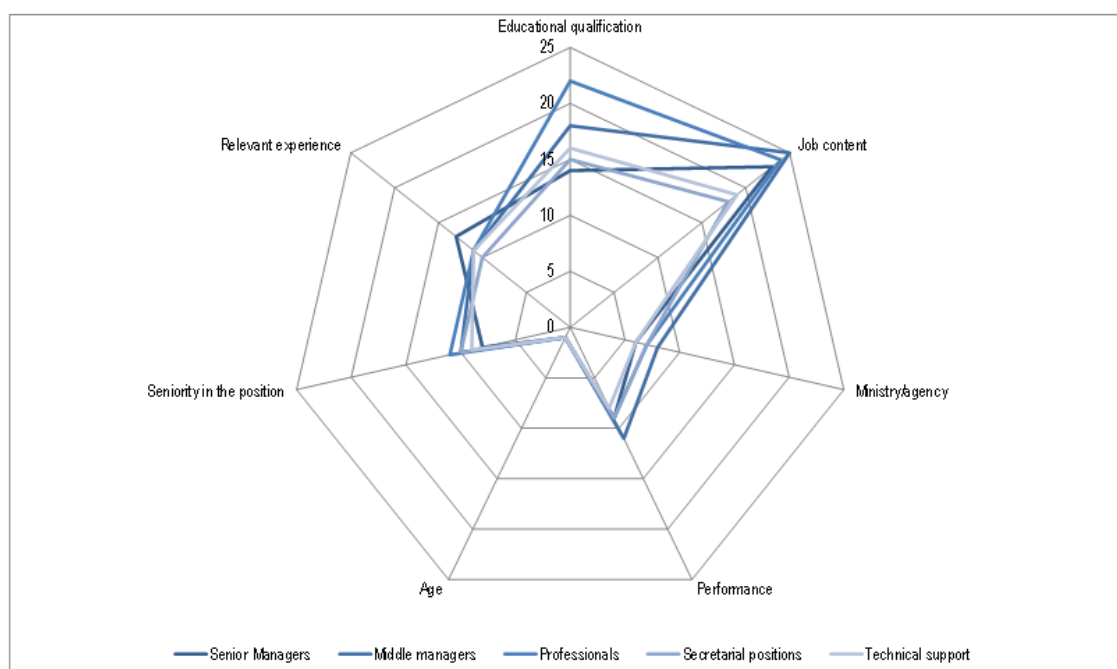
mind that merit-based recruitment is only the first step for a professional civil service. Closer attention needs to be paid to the successful integration of the newly recruited civil servants within public institutions where the management culture may not always be ready to make the most out of the new competencies brought in by SICCA.

Ensuring transparency and merit in compensation

Ensuring that civil servants' compensation is based on the work they do, the level of responsibility they hold and the skills they bring could help Paraguay further reinforce the merit principle within the public administration. Trends in OECD countries show that the most important factors to determine base salary are job content and education qualification, regardless of the hierarchical level (Figure 5.8). In the Netherlands, for example, salaries are associated with the job family system, which is related to job content and competencies needed. Japan is the only OECD country where salary is linked to age.

Figure 5.8. Key factors affecting base salary in OECD countries

Responses of 35 OECD countries to Survey Q114: What are the most important factors to determine the base salary for senior management position/middle management positions/professionals/secretarial positions/technical support? 2016



Note: Lines represent the number of OECD countries reporting the factor as of “key importance”

Source: OECD (2016a), “Survey on Strategic Human Resource Management in Central/Federal Governments of OECD Countries”, OECD, Paris

Strengthening the value citizens receive from the public service is a challenge for the Paraguayan administration. To achieve a more transparent and efficient compensation system, Paraguay's current main challenges are trying to reduce salary spending, equalise pay for same work (namely by reducing salary categories), and reduce opportunities for manipulation and corruption of the salary system.

Box 5.10. Salary system in Paraguay

Quantity and type of job positions vary according to the State agency and are established every fiscal year in the State budget in a Staff annex, equivalent to the remuneration table. Creation of positions is approved by the Ministry of Finance, who also prepares a salary grid proposal after decision from the SFP (whose analyse includes for example the relevance of the position).

Proposals are submitted to the Congress for approval as part of the Nation's General Budget.

Base salary is mainly determined by the education level (i.e. academic degree), the work content, the specific Ministry (which affects responsibility in the position) and seniority in the job position. In addition to base salary, civil servants can be entitled to different allowances (such as residence, subsistence, representation, or family), and bonuses (for academic degree, for seniority, for budgetary management, for responsibility in certain positions, for budgetary management, etc.).

Source: SFP

The salary system in Paraguay has, until recently, been highly fragmented and not reflective of the value of the work (e.g. level of responsibility, technical complexity, skills required, etc.), with high remuneration levels affecting the availability of resources for government priorities. Salary categories are determined separately for each agency⁴⁰, and the Congress can increase individual salary categories and create job positions in the Staff Annex (equivalent to the remuneration table) of the General Budget of the Nation. This situation led, until 2014, to a proliferation of job positions where Paraguay's public administration counted about 1700 different categories with different salaries. Likewise, in 2012 the Congress proposed and approved a 30% increase in the budget for public salaries⁴¹. Another important increase was proposed by the Congress for the 2017 budget⁴² as well as a number of appointments and creation of positions, which eventually led to the President vetoing the budget proposal.

As wage imbalances across the civil service also affect institutions' capacity to recruit, the government started to simplify the salary structure by gradually reducing the number of salary categories and additional bonuses and allowances. A new salary matrix was approved in 2015 and salary categories were progressively reduced from around 1700 to 340 in 2016. The new matrix reflects different levels of responsibility, and civil servants are only entitled to one bonus related to their specific role. In this framework, remuneration consists of 70% of fixed salary, and 30% variable (i.e. bonuses and allowances). Before the introduction of the law, the situation was the opposite, and heads of entities had a large discretion on their decisions.

Another major recent improvement led by Paraguay's administration relates to the accumulation of multiple salaries by civil servants. In principle civil servants cannot accumulate more than one paid activity within the civil service⁴³ to avoid conflicts of interest or to dedicate themselves fulltime to their job. In practice, some officials, mainly retirees, can obtain court orders to allow re-employment. Likewise, the same Constitution allows more than one remuneration to teachers and researchers, and a law (700/2008) allows more than one job to health care professionals (e.g. some doctors that work in more than one hospital).

Within a system which is hard to reform, transparency became a powerful ally to expose the salary accumulation practice to the public. By publicly disclosing requests to receive

multiple pay, with a major impact in national media, the SFP tries to prevent civil servants from requesting exceptions to the rule. Efforts in terms of remuneration are being supported by SICCA's remuneration subsystem. Currently implemented in 352 institutions, it is one of the most advanced subsystems together with recruitment. For the time being, focus is on increasing transparency about remuneration, and some information (namely on salary levels and components) is made available through Paraguay's open data portal⁴⁴. Indeed, the payment system⁴⁵ is still processed by the Integrated System of State Resources Administration (SIARE) managed by the Ministry of Finance. The interoperability of SICCA and SIARE would facilitate the workflow of public institutions, which for the moment need to register in both systems.

While HRM seems to be a top priority, wages as a proportion of the budget appear to have been reduced in recent years⁴⁶ in an attempt to apply fiscal sustainability to the wage bill.

Progress in terms of transparency, remuneration rates and reducing the number of double employment contracts are commendable. Working towards a more structured, transparent and merit-based system is an important step to prevent manipulation of positions and salaries. Increases which are not based on an analysis of institutional and public service needs are likely to be redundant and reduce the availability of funds for government priorities. Yet, long term sustainability of current efforts is not yet guaranteed. Like in other HR areas, efforts are being achieved through decrees or regulations. The new salary grid does not have force of law and could therefore be abandoned by a successor government if civil service professionalization is no longer a priority for an incoming administration.

In this context, transparency about remuneration can help raising awareness about the need to get value for money from the public sector, and the importance of pursuing HR reforms to help achieve strategic PND objectives.

Motivating individual performance

A professional civil service starts with merit based recruitment and compensation, and continues with the creation of opportunities for civil servants and employees to use their skills. The performance management system is a way to assess the results from the use of skills and in many OECD countries it is also a way to incentivise better performance, for example through public recognition. A well-established theory of employment performance (Boxall and Purcell, 2011) highlights that to perform well, employees need abilities related to their job, motivation to do their job well, and opportunities to put their abilities and motivation to work on government priorities (Figure 5.9).

Managing the career of civil servants remains a big challenge in the Paraguayan administration. Although it may seem easier to focus on formal performance assessment systems, improving overall performance calls for a holistic approach which involves investing in merit-based recruitment, skills development, incentives to improve motivation and focusing on the role and competencies of middle managers to drive performance.

Figure 5.9. The ability, motivation and opportunity (AMO) model of performance

Source: OECD (2017b)

Incentivising performance in Paraguay's civil service

Paraguay's current performance assessment system⁴⁷ gives the SFP a central regulatory role while the concrete implementation of the performance system is left to the discretion of individual institutions. Within the system, the SFP records performance evaluations through SICCA, provides guidelines to public institutions and approves their performance systems. Performance assessments are carried out by an Evaluation Commission within public institutions at least once a year and at the most twice a year. Like most OECD countries, performance assessment in Paraguay applies to almost all civil servants, including people in politically-appointed positions (for an exemption, the organisation must justify its decision to the SFP). Out of the 31 OECD countries that have a formal performance assessment system for all or almost all civil servants, 28 consider it an HRM priority. Canada and Ireland have recently implemented performance management systems; Canada has standardised a single system across the Core Public Administration, while Ireland has simplified their assessments to a two-point scale – satisfactory or not (OECD, 2017a).

Performance assessments look at employees' work attitudes (behavioural orientations to work and to the public service) and capabilities (ability to team work, to maintain interpersonal relationships), as well as individual factors that may influence performance, knowledge, or attitudes. In Paraguay, evaluation results are used in decisions related to admission, promotions, and occasional performance rewards of civil servants. Definitive admission into the civil service depends on two performance evaluations before 2 years of seniority. Performance is also one of the criteria for promotion, in addition to technical expertise, academic credits obtained by the completion of formal courses or specialisations, and certification. Performance results are an input to develop improvement plans for civil servants and to identify health, welfare and work safety

problems. Finally, poor performance results for two consecutive assessments may lead to contract termination⁴⁸.

Improving performance is about creating the right incentives, which may or not include performance related pay (PRP). Indeed, PRP is not a necessary component of a high-performing civil service, and some high-performing countries such as Belgium do not use it. In Paraguay, PRP consists of occasional rewards “for services or tasks performed, for better or greater production and results of the administrative and financial management or other institutional management indicators during the fiscal year”. Bonuses are occasional and do not constitute monthly supplementary remuneration. They are allocated according to budget availability (PRP is established in the annual budget law), and depend on each public institutions’ internal regulations.

Improving Paraguay’s performance management system is likely to be one of the civil service’s main challenges, because it is not just about creating regulations, but it implies a shift in the management culture. Taking into account the Abilities-Motivation-Opportunities framework above, a performance management system should be about creating conditions that enable performance, and not seen as a tool to punish or reward. In this context, while integrating performance within the broader SICCA system seems necessary to address disparities across institutions, further involving middle and senior managers in improving actual performance will be a key issue.

Developing skills across the civil service

Skills are dynamic and change with time. Digitalisation for example requires civil servants constantly to update certain skills. Lifetime and policy can influence the proficiency or loss of certain skills over time (OECD 2016c), and skills may also depreciate due to a lack of use (Desjardins and Warnke 2012). Maintaining a professional and skilled civil service requires the capacity to train and develop civil servants at different stages in their careers.

In OECD countries the oversight of learning and training in the central public administration tends to be under the responsibility of the executive institution responsible for HRM in the civil service (21 OECD countries). While OECD countries have different approaches to learning in the public sector, schools of government are often in charge of delivering at least some training for civil servants.

- The Finnish Institute of Public Management (HAUS) trains civil servants and supports organisations in the field of training. Some agencies in Finland offer joint training programmes and institutions like the Office for the Government, and the State Treasury play a horizontal role.
- In Portugal, the Directorate General for Qualification of Employees in Public Functions (former National Institute for Administration) promotes competency development and qualification of employees in the civil service, but there are also other public and private organisations that administer learning to public employees.

Like many OECD countries, INAPP is Paraguay’s main continuous training provider for civil servants and has been a key stakeholder in improving civil servants’ qualifications. An important step in this direction was the creation of partnerships with universities in 2013 to help over 3000 civil servants earn academic degrees through lower tuition fees. In parallel, INAPP also develops its own continuous training programmes (and trains around 350 civil servants per year), advises public institutions and assesses their institutional

training plans. INAPP is in charge of implementing SICCA's training subsystem, which includes the above-mentioned scholarships for civil servants in addition to short-term continuous training courses.

Within this framework Paraguay shares common civil-service training priorities with many OECD countries. INAPP's continuous training programmes cover a wide range of topics, including IT and digital skills, but also organizational and motivational leadership. In addition, INAPP trains civil servants on the SICCA system and provides technical training for specific jobs, such as accounting or public procurement. Training needs are identified through assessments against the indicators from the Personnel Management Index and through the results of performance assessments. While in OECD countries performance assessments are also often used to identify skills gaps, these methods tend to look at training as a remedy for poor performance, instead of taking into account current and future skills priorities.

Figure 5.10. Training priorities in OECD countries



Source: OECD (2016) SHRM survey

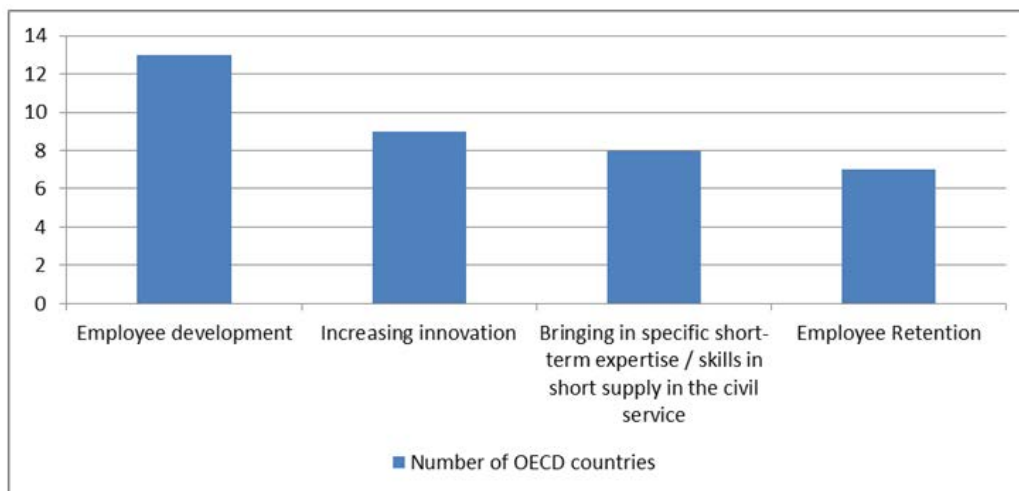
Induction training upon entrance in Paraguay's civil service remains under the responsibility of each public institution. Delivering some kind of induction training could be useful for Paraguay to strengthen connections between civil servants; in particular those recruited through SICCA's merit-based processes. Some OECD countries provide common induction training to all civil servants as a way to strengthen a whole-of-government perspective, instil civil-service values and strengthen loyalty towards the broad public administration and serving the public interest. Most OECD countries (28) report having some kind of initial training for civil servants. In most cases it tends to be to some public servants only, Switzerland for example has induction training for HR managers. Eight OECD countries differentiate training according to seniority level; in Korea for instance newly-recruited grade 5 officials should take 16 week induction training. Training for lower grades (7 and 9) training is at the discretion of each Ministry⁴⁹.

The professionalization of Paraguay's civil service through training faces important challenges despite INAPP's efforts in terms of training development and delivery. As with other areas of civil service reform, the main challenges relate to funding and capacity for implementation: INAPP is run by only 5 civil servants and it has no budget from the government with the exception of criteria that fall under the national budget. These constraints limit the possibilities for INAPP to improve its training offer and to provide effective support to public institutions (in particular considering its role under SICCA). Another difficulty is the impossibility for INAPP to receive funds from Paraguayan public institutions, even though they all have a training budget. International support helps fund immediate training needs but INAPP's dependence on donors limits its strategic capacity. To organise and deliver its training programmes, every year INAPP presents proposals to different donors (mainly international organisations and bilateral cooperation mechanisms), who decide on which programmes will be funded. Accountability requirements change from one cooperating agency to the other, which also increases INAPP's workload to comply with evaluations and overall procedures. INAPP could consider setting up a donor co-ordination structure to facilitate inclusive and continuous dialogue.

To strengthen its delivery capacity, INAPP is involved in international networks, partnerships with universities and develops on-line courses (about 50% of the training offer). Some leadership courses for example are developed at the Ibero-American level, and INAPP is part of Latin American working groups who share pedagogical material on common training themes. While the development of an on-line training offer is essential to reach wider audiences, uneven access to internet may limit the ability of all civil servants to benefit from this possibility.

Collaboration with universities tends to focus on the need to base the courses design on experience in the civil service and academic knowledge; trainers in INAPP are usually required to have a status of educator and civil servant. OECD Schools of government have different approaches to recruit trainers. In France (*Ecole nationale d'administration, ENA*), Portugal (*Direção Geral da Qualificação dos Trabalhadores em Funções Públicas, INA*) or Spain, for example, trainers tend to be practitioners working in the civil service, but in other countries, they may have an academic background.

Considering INAPP's challenges, the civil service could consider using additional mechanisms to develop civil servants skills, such as mobility programmes. While only 11 OECD countries report having specific programmes to encourage mobility in the civil service, in 2016, most countries (27) reported plans to increase internal mobility within their public administration. Mobility programmes tend to be used for professional development of civil servants (Figure 5.11).

Figure 5.11. Objectives of mobility programmes (OECD 35, 2016)

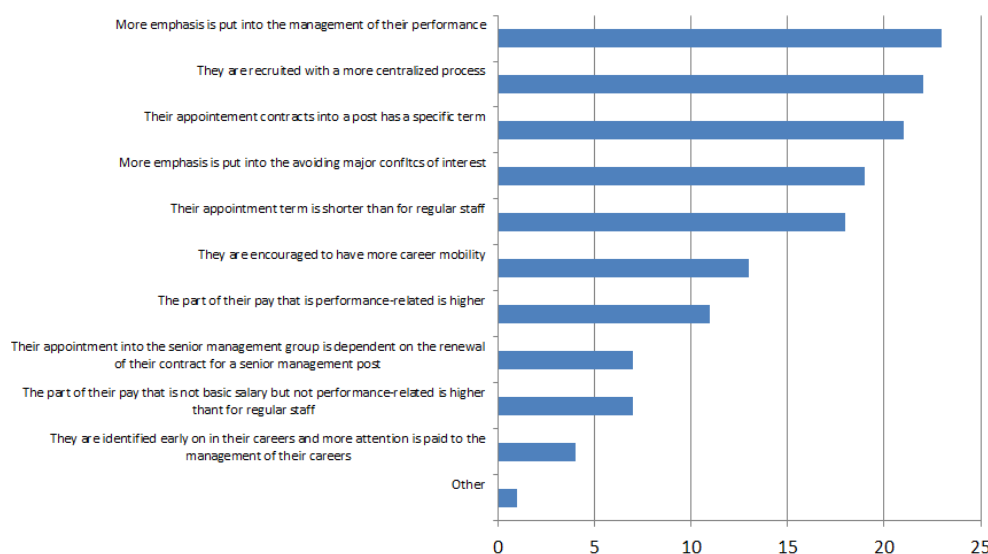
Source: OECD (2016) SHRM survey

Mobility is one of SICCA's submodules currently under development. It is expected to facilitate and encourage mobility within the public administration as part of the civil service career. Currently, mobility is not yet encouraged but a civil servant may be transferred for reasons of service within the same body or entity, or to different ones, and within or outside the municipality of residence of the official⁵⁰. Mobility regulation⁵¹ is based on the need to reassign duties to public servants for a better organization and to meet institutional needs to provide a better service.

Managers' skills for a better management culture

Many OECD countries have a special employment framework to take into account the specificities and constraints of public managers, in particular Senior Civil Servants (SCS) (Figure 5.12). Indeed, SCS are expected to manage their teams while also being experts, they need to implement top-down decisions while taking a citizen-responsive approach; they need to manage change while ensuring continuity of operations.

Managerial positions are particularly relevant for civil-service performance. Within their institutions, the SCS influence the organisational culture and values, and under the right conditions they can have a positive effect on the performance, motivation and satisfaction of their teams (Orazi et al., 2013). As such the SCS should be equipped to develop and support their teams to achieve organizational objectives and to align the organisation with its environment (Van Wart, 2013). SCS influence the way organisations are structured, they select employees, align resources, open doors and remove barriers for their teams. Without the support and commitment of top leadership, public sector innovation cannot take hold (OECD 2017).

Figure 5.12. Differences between the employment framework for senior managers and other civil servants





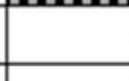

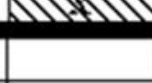

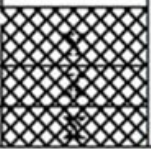
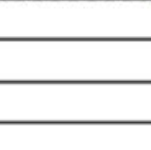
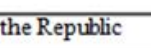
Source: OECD (2016) SHRM survey




Although leadership is not considered in the SICCA system, it is a particularly challenging area in Paraguay where the highest hierarchical levels tend to be politically appointed positions. In the institutions under the Presidency of the Republic there are more political appointments than in other State agencies (see Figure 5.13). When a big part of public managers is composed of politically-appointed individuals, their loyalty tends to be partisan, focusing on serving their politicians rather than the public interest and the professionalization of the civil service. Political appointments are also an important source of instability, since they serve at pleasure and are discretionary, and the end-of-term of a political appointment does not translate into a responsibility to leave a legacy for the administration⁵². In Paraguay merit-based selection mechanism can be used to recruit for politically appointed positions but are neither compulsory nor controlled by the SFP.

About half OECD countries have mechanisms to ensure merit in political appointments which could be inspiring experiences for Paraguay. The most common is the identification of merit-based criteria that are matched to the candidate in a transparent manner. In some countries an independent organisation prepares a shortlist based on merit from which the political appointment is made; sometimes the appointment needs to be confirmed through the legislature (Figure 5.14).

In Canada for example the Clerk of the Privy Council plays a key role in the selection of deputy ministers, based on short lists proposed by COSO (the cross-government Committee of Senior Officials), and Senior Personnel administer the process.

Figure 5.13. Classification of the highest hierarchical positions

General Directors			 Positions of Trust				 Career Positions
Directors							
Department Heads				X			
Division Heads				X			
Professionals				X			
Technicians				X			
Assistants				X			

	Of Trust in all Agencies and Entities of the State
	Of Trust in the Institutions under the Entity Presidency of the Republic
X	Of Administrative Career in all Agencies and Entities of the State
	Of Administrative Career in the Institutions under the Entity Presidency of the Republic

Source: SFP

Figure 5.14. Ensuring merit in political appointments of civil servants



Source: OECD (2016), Survey on Strategic Human Resources Management in Central/Federal Governments of OECD Countries

Despite large numbers of politically appointed positions among senior managers, Paraguay has a centrally-defined skills profile for senior managers: the Classifier of Job positions – Requirements' Map⁵³. These requirements include work experience, formal education and continuous training, and a list of competencies and skills, including those identified in the 2016 dictionary of competencies for Ibero-American public servants (*Guía Referencial Iberoamericana de Competencias Laborales en el Sector Público*)⁵⁴.

Considering the important role of the SCS, many OECD countries are reviewing the leadership competencies needed to select and develop top level leaders. The Netherlands' new leadership vision emphasises reflection, co-operation and integrity. In Australia, the

New South Wales' civil service has also identified leadership “derailers” – aspects of leaders' approach/behaviour that may work against their effectiveness in certain situations, and how to be aware and manage for these. Estonia is looking at areas such as innovation and strategic agility. Chile created a central senior civil service system to establish a professional senior management (Box 5.11).

Paraguay's senior and middle managers have the right to continuous training⁵⁵ and once a year they can attend training related to the work programme of their agencies. Longer training periods are subject to hierarchical approval and an opinion from the SFP. However discussions with interlocutors suggest that managers lack training in key areas for civil service performance such as motivational leadership, decision-making or risk management. Scrutiny from citizens and media can be a source of paralysis and lead to strong risk aversion from managers. Skills development and more transparent planning and management systems could help overcome blockages.

In light of these challenges, the SFP is currently working on the professionalization of the top management inspired and in partnership with Chile's National Civil Service Direction of Chile (DNSC). This triangular cooperation (USAID / SFP / DNSC), is developing tools which can permit improvement in fields such as performance evaluation, induction and competition eligibility standards and procedures for addressing cases of sexual and employment-based harassment and discrimination in public administration cases.

Individual performance and skills (in particular managers') are necessary to support professionalization in the civil service, but in order to contribute to better services for citizens they need to be linked with national and institutional objectives. For example, discussions with interlocutors suggest that institutions and civil servants remain widely unaware of the PND. Ideally, individual performance objectives should align with broader objectives. In 11 OECD countries SCS are accountable for performance improvement of the civil service as a whole, and not only the performance of their departments.

Ireland established in 2014 a Civil Service Management Board (CSMB) to bring together all Secretaries General and Heads of major offices and is chaired by the Secretary General to the Government. Its role is to strengthen the collective leadership of the Civil Service and ensure that the Government has the support of a cohesive executive management team to manage the delivery of whole-of-Government priorities and outcomes. To provide oversight on accountability and performance across the Civil Service system, Ireland established in 2015 an Accountability Board with members from different ministries⁵⁶ and high ranking civil servants and external members.

Box 5.11. Senior Civil Service Recruitment and Selection in Chile: *Sistema de Alta Dirección Pública*

In 2003, the Chilean government, with the agreement of all political actors (opposition political parties, non-governmental organizations, civil society), created the *Sistema de Alta Dirección Pública* (ADP), a central senior civil service system. The aim of the ADP was to establish a professional senior management. Following the reform, there are three distinct groups:

- The most senior positions which are filled by direct designation by the government (1,000 positions out of 2 million in central government)
- The ADP, for which recruitment is based on public competition (1,000 positions in

central government). There are two levels within the ADP: approximately 1% at the first hierarchical level (heads of service, directors general), and the remainder at the second hierarchical level (regional directors, heads of division)

- Middle management positions (2,000 positions in central government) at the third hierarchical level, which form part of the career civil service

The ADP system has been implemented gradually by recruiting by open competition whenever a post falls vacant and by expanding it over time to additional groups. For example, it has been expanded to include 3,600 Municipal Education Directors and 2,800 new senior management posts in municipalities.

Most of the selection process for the ADP is contracted out to specialised recruitment agencies. The National Civil Service Directorate (DNSC) is responsible for management of the ADP. However, the Senior Public Management Council (*Consejo de Alta Dirección Pública*) is in charge of guaranteeing the transparency, confidentiality and absence of discrimination of the selection process. It is chaired by the director of the DNSC and has four members proposed by the President of Chile and approved by the Senate. The selection process, which takes about four months, begins with the publication of the vacancy in the media. A specialised enterprise commissioned by the Council analyses the curricula vitae of the different candidates and prepares a shortlist for the Council or a selection committee (under the Council's supervision). Professional competence, integrity and probity are some of the criteria used in the selection process. Subsequently, the Council or the committee selects the best candidates for interview and prepares a final shortlist for the competent authority for the final appointment.

The ADP system was based on international experience. In particular, the experience of OECD countries such as Australia and New Zealand strongly influenced the Chilean model. The system is considered one of the main achievements of the modernisation of Chile's public management. One effect has been the decline in the number of political appointees in the central government; they currently represent only 0.5% of the total public workforce. It is also argued that the presence of women in senior positions has increased under the system; they occupy 32% of positions, compared to 15% in the Chilean private sector.

Sources: Weber, Alejandro (2012) 'Alta Dirección Pública', presentation given at the seminar Fortaleciendo la Capacidad del Empleo Público Colombiano, Bogota, 27 July 2012.

Final considerations

As the civil service pursues the implementation of HR reforms, attention should be paid to the sustainability of HR reforms. First and foremost, political resistance or change may reduce the scope for action of the SFP. The SFP has a small team and small budget, and needs capacity to be able to engage other public stakeholders in the reform process. Second, the SFP should keep in mind the long term vision for the civil service while building a strong professional foundation for the civil service.

Further strengthening transparency and public visibility of HR processes should continue to build broad support and exert pressure for pursuing reforms. Citizen pressure for a more professional civil service and for a more efficient use of the HR budget may be an effective counterbalance to an eventual political resistance. Institutional performance metrics should help getting evidence for greater support to the different HR initiatives.

Comparison with civil service trends in OECD countries shows that SICCA has the potential to strengthen professionalization of the civil service. Yet, it depends on its successful implementation and its resilience, not a foregone conclusion in Paraguay:

- First, many of these changes were introduced through decrees and regulations that can be easily removed once another government takes office. For this reason, it's important that the SFP can make the case for the relevance of the different civil service reforms to get political buy in from different political parties, and increase the chances of sustainability. The current efforts in terms of transparency may provide leverage to the SFP because the media and the citizens can help make the case for a more professional civil service.
- Second, budget constraints may affect SFP's capacity to implement its work programme. Most of the programmes implemented so far have been supported by international donors, including training or performance management systems. Political support to the civil service professionalization should be reflected through a better alignment between the role of the SFP and the resources available to it. In this regard, reforming the compensation system may help achieve this goal.
- Third, while the SFP is to be commended for the work it has developed in recent years, it has limited human and financial capacity. In parallel with reinforcing the SFP's capacity, HR reforms should involve other institutions and civil servants as much as possible (for example through HR networks), to get institutional buy-in and increase the chances of success and sustainability over time.

Recommendations

In light of the assessment above, Paraguay should **continue efforts to implement a transparent and merit based civil service, and reduce political influence in the HR system**. Professionalization is a way of counterbalancing clientelism and private interests in favour of a public service for citizens. Paraguay has made commendable efforts to professionalise its civil service and this beginning to show in terms of better attraction and performance. There is still much work to be done as funding for the open recruitment and merit systems remain unstable, and the decrees which enact them can easily be undone under a change in political priorities.

To achieve this, it is essential that Paraguay continue its efforts in this area and find resources to ensure the systems are implemented effectively. Until now, Paraguay's civil service reform has been highly dependent on foreign aid, especially for investments in the digitalisation of recruitment and capacity development of civil servants. In addition, as the extension of SFP's role is affecting its capacity to provide services efficiently, and considering SICCA's positive impact in the merit-based recruitment, it becomes urgent that more resources are allocated to the SFP so that it can provide the quality control and support for the process in a timelier manner.

Additionally, the SFP has a small team and small budget, and needs additional resources to be able to engage other public stakeholders in the reform process. Strategic communication within the public sector may be essential to raise awareness about the usefulness of the system in order to keep it open and transparent. Digitalisation is helping to build links across organisations, and SFP is making efforts to develop more interoperability. HR reforms should involve other institutions and civil servants as much as possible (for example through HR networks), to get institutional buy-in and increase the chances of success and sustainability over time. **To this end, Paraguay could:**

- *Promote wider use of transparent and standardised recruitment procedures across the public administration, especially for managers and extend this to*

internal competitions. This should also be extended to other HR process, through SICCA to make processes more standardised and transparent;

- *Make efforts to speed up recruitment processes so as to avoid creating long delays due to complaints and approval procedures.* At the moment SFP appears to be under-resourced for all of the functions it is expected to provide. Additional resources and/or collaboration with other HR departments could help;
- *Develop a communications strategy to build awareness and commitment for the open and transparent systems.* This may include collecting and disseminating meritocratic statistics data and institutional performance metrics to help build the evidence-base for greater support to the different HR initiatives. This should also include developing HR networks across the different civil service institutions to create a coalition that can help to build a movement around an open and merit based civil service.
- *Ensure that all implicated bodies are appropriately resourced to carry out these functions in a timely and effective manner.*

Increase the transparency of the compensation system in order to limit opportunities for manipulation and promote merit in compensation. Public scrutiny of the system can help to decrease risks of manipulation, such as arbitrary salary increases, or multiplication of positions without institutional requirements. This can have an overall positive benefit to Paraguay's public budget. **To this end, Paraguay could:**

- *Continue efforts to clean up the salary system by reducing salary categories and developing standardised pay bands.* This should be done in a way that ensures sustainability in the long term, under the force of law.
- *Assess pay discrepancies in the public sector and take necessary steps to equalise pay* for same work.
- *Reduce opportunities for manipulation and corruption of the salary system* by increasing transparency through online systems.

Pursue efforts to develop a culture of public service and performance. HR reforms are not only about regulations. They also require a great deal of culture change within institutions, and civil servants should be at the centre of reforms. The question is how the civil service will be able to attract and retain qualified people and ensure that they work in a positive and constructive environment. Merit-based recruitment is only the beginning. Once hired, civil servants need to remain motivated and engaged when they start working in the civil service. They also need to upgrade their skills. However, within Paraguay's continuous training system, skills development initiatives are often fragmented and good practices in this area appear to be difficult to scale up. **To this end, Paraguay could consider:**

- *Delivering induction training* to strengthen connections between civil servants; in particular those recruited through SICCA's merit-based processes.
- *Enhancing attractive individual career paths*, including through encouraging skills development and enhancing manager's capacity to engage civil servants and promote good performance.
- *Setting up a more stable funding stream according to the availability of resources* (either from the national budget, from payments by ministries and agencies, and/or through a donor co-ordination structure) to support a coherent approach to training and development.

Leadership/Senior Civil Service. Although leadership is not considered in the SICCA system, it is a particularly challenging area in Paraguay where the highest hierarchical levels tend to be politically appointed positions. While these highest levels remain outside the scope of the laws requiring meritocratic recruitment, Paraguay could implement some minimum standards to ensure that senior positions are filled by people with the right skills and competencies for the job and not only the right loyalty to ruling party. **To this end Paraguay could consider:**

- *Developing training for senior managers in key areas for civil service performance* such as motivational leadership, decision-making or risk management.
- *Using merit-based selection mechanisms to recruit top management positions* following the example of Chile (Box 5.11).

Notes

1. https://www.transparency.org/news/feature/corruption_perceptions_index_2016
2. <http://info.worldbank.org/governance/wgi/index.aspx#reports>
3. <http://dx.doi.org/10.1787/888933431308>
4. <http://dx.doi.org/10.1787/888933431323>
5. <http://dx.doi.org/10.1787/888933431335>
6. <http://dx.doi.org/10.1787/888933431345>
7. <http://dx.doi.org/10.1787/888933431315>
8. Consisting of social benefits other than social transfers in kind and of social transfers in kind provided to households via market producers
9. Paraguay's Central Public Administration (CPA) includes the Executive, Legislative and Judicial branches, their offices and departments, and this chapter will focus on the Executive branch
10. Law 1626/00, Art. 93 and 99
11. Created by Decree 17443/02 on June 7, 2002
12. Law n° 1626/00, Art. 98
13. In line with the Ibero-American Charter for the Public Service
14. Including for example: results of the performance evaluations, promotions, administrative penalties, training received, payments and benefits received, and other personal, family, academic and employment data
15. Law n° 1626/00, Art. 96
16. CSL Art. 96
17. Law n°1626/00, CSL
18. Including for example the Supreme Court of Justice, the General Comptroller of the Republic, some Departmental Governments (Guaira) and Municipalities (Asuncion, Ciudad del Este, Encarnacion, Luque). See here for updated list: <https://www.sfp.gov.py/sfp/seccion/104-oe-con-ai-as.html>
19. The list of institutions that have gotten agreement of unconstitutionality ruling is available at https://www.sfp.gov.py/sfp/archivos/documentos/lista%20de%20oe-con%20ai%20as_ho7i35y1.pdf

20. Decree n° 1212/14 approving the implementation of the single portal of public employment “Paraguay concursa” and the operationalisation of the centralized integrated system for the administrative career”)
21. fp.gov.py/cajaherramientas
22. fp.gov.py/cajaherramientas
23. Datos.sfp.gov.py
24. Source of data was not available
25. <http://www.ultimohora.com/groseras-diferencias-salariales-se-registran-instituciones-publicas-n1094912.html>
26. DGs are Senior Civil Servants with hiring responsibilities
27. Article 47, 1992 National Constitution
28. Through Law n° 2479/2004 qu’establece l’obligatoriedad de l’incorporación de personas con discapacidad en las instituciones públicas
29. Law n°1626/2000 also regulates the legal situation of most public officials and employees, staff of trust, contractual staff and ancillary service assistants. Exceptions include for example the President and Vice-President of the Republic, Ministers, Senators, Diplomats, Teachers, Magistrates of the Judicial Branch, etc. (CSL Art. 2)
30. According to the “Inter-American Convention against Corruption”, ratified by Law No. 977/96, “Public Official”, “Government Official”, or “Public Servant” means any official or employee of the State or its agencies, including those who have been selected, appointed, or elected to perform activities or functions in the name of the State or in the service of the State, at any level of its hierarchy
31. Law 1626/00, Art. 31 and 32 Law
32. Law N° 1626/00, article 8. In the Presidency of the Republic the four higher hierarchical levels correspond to politically appointed positions
33. High, administrative/ technical and operational
34. Laws 977/96 and 2035/05. Elected positions at national level: President and Vice-President of the Republic, Members of Parliament and Senators); at departmental level: Governors and Departmental Councillors; at municipal level: Mayors and Municipal Councillors
35. Law N° 1626/2000
36. Source of data unavailable
37. Article 5 and article 27 of Law 1626/2000
38. Article 5 and article 27 of Law 1626/2000
39. SINARH/SIARE (integrated system of financial information at the Ministry of Finance)
40. The information detailed by Agencies and Entities of the State is available in detail on the website of the Ministry of Finance, <http://www.hacienda.gov.py/web-hacienda/index.php?c=825>
41. www.hacienda.gov.py, Reports and Documents section, Reports on public finances (Informes y Documentos / Informes sobre las finanzas públicas)
42. Namely teachers and health staff
43. Constitution, Art. 105 and Law n° 700/96. Teaching (and part-time scientific research for Councillors) is an exception

44. datos.spf.gov.py
45. Regulated by Article 102 of Decree 8127/2000 “Establishing the Legal and Administrative Provisions that Regulate the Implementation of Law No. 1535/99, “On State Financial Administration”
46. Some suggests reductions from 85% of the public expense to 70%, although these numbers are unverified by the OECD. The OECD’s comparative methodology suggests approximately 50% of public expenditure went to the wage bill in 2014 as presented in figure 2 of this chapter
47. Approved in 2013 through Resolution SFP No. 328/2013 “Whereby the General Instruction for the Performance Evaluation and Identification of Potential for Permanent Public Officials and Contractual Personnel of the Agencies and Entities of the State is approved”, available in http://www.oas.org/juridico/PDFs/mesicic5_pry_sfp_norm_resol_sfp_328_2013_eval_desem.pdf
48. Civil service law
49. In the Korean system, Grade 9 is the lowest and Grade 1 is the highest
50. Civil service law
51. See SFP Resolution No. 150/2008 “Establishing the Procedure for the Implementation of the Labor Mobility Policy of Permanent Officials in the Public Service, in Accordance with the Provisions Set Forth in the Establishments in Articles 37 and 38 of Law No. 1626/2000 ‘On Public Service’”
52. Art. 8, Law 1626/2000
53. Resolution SFP N°. 180/2016 que reglamenta el alcance de varios artículos del anexo del decreto n° 3857/2015 “por el cual se aprueba el reglamento general de selección para el ingreso y promoción en la función pública, en cargos permanentes y temporales, mediante la realización de concursos públicos de oposición, concursos de oposición y concursos de méritos, de conformidad con los artículos 15, 25, 27 y 35 de la ley n° 1626/2000 de la función pública”, y define los mecanismos de adecuación del SICCA
54. Approved by the XVII Conferencia Iberoamericana de Ministras y Ministros de Administración Pública y Reforma del Estado (CLAD 2016)
55. According to the civil service law
56. Taoiseach, Tanaiste, Ministers for DPER & Finance

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Chapter 6. Open Government in Paraguay

This chapter assesses Paraguay's open government strategies and initiatives within the broader context of the ongoing public sector reform agenda. It benchmarks Paraguay against OECD standards, principles and instruments, most notably the ten provisions of the 2017 OECD Recommendation of the Council on Open Government. The chapter recognises the Technical Planning Secretariat as the key actor for the co-ordination of open government strategies and initiatives in Paraguay and identifies a number of significant achievements, including the incorporation of open government principles in Paraguay's 2030 National Development Plan, the creation of Municipal Development Councils as well as the country's ambitious Open State agenda. The chapter also finds that there is a need to foster the institutionalisation of Open Government and guarantee the sustainability of ongoing efforts, including by reforming the National Open Government Roundtable and by improving the monitoring and evaluation of open government strategies and initiatives.

Introduction

The government of President Horacio Cartes has placed the open government principles of transparency, accountability and stakeholder participation high on its political agenda. In fact, these principles constitute one of the cross-cutting axes underpinning the government's most important policy document, the National Development Plan Paraguay 2030 (NDP).

In line with the NDP's objective to raise the country's international profile (see chapter 1), Paraguay has also made strategic use of its open government agenda to enhance its international profile: President Cartes - along with five Ministers of his Cabinet and one Supreme Court Justice - participated in the Global Open Government Partnership (OGP) Summit in Paris in December 2017. Paraguay submitted its candidacy for a position on the OGP Steering Committee for the 2017 elections, placing fifth out of twelve candidate countries.

The purpose of this chapter is to analyse Paraguay's open government strategies and initiatives within the broader context of the ongoing public sector reform agenda. Given that at the time of writing the electoral mandate of the current administration is coming to an end, this chapter aims to take stock of past achievements and suggest potential follow-up actions for the next administration to make use of open government principles to strengthen citizens' trust in the institutions of the state and create a more inclusive Paraguay.

The chapter constitutes an initial "Open Government Scan" that benchmarks Paraguay against the 2017 OECD Recommendation of the Council on Open Government. In a second step, this scan could be complemented with a fully-fledged OECD Open Government Review of Paraguay.

The OECD approach to Open Government

The OECD has been at the forefront of international efforts to promote and disseminate open government principles for over fifteen years. Since 2001, the Organisation has collected and analysed information demonstrating the importance of the open government principles of transparency, accountability and participation to support countries' efforts to deliver citizen-centred public services, foster democracy and regain peoples' trust. The Organisation has carried out Open Government Reviews across the globe and conducted regional and global stocktaking exercises on the status quo of open-government reforms, including the most recent OECD Report on Open Government: The Global Context and the Way Forward (OECD, 2016).

Resulting from its long-standing experience in working on open government in member, accession and partner countries across the world and in responding to a call by countries for an OECD instrument on the governance of open government, the OECD developed an **OECD Recommendation of the Council on Open Government** over the course of 2017. The Recommendation was adopted by the OECD Public Governance Committee in November 2017 and provides the first internationally recognised legal instrument on open government worldwide.

The OECD Recommendation aims to provide countries with a comprehensive overview of the main tenets of the governance of open government strategies and initiatives in order to help them improve their implementation of OG strategies and initiatives and their

impact on peoples' lives. It defines a set of criteria that will help adhering countries to design and implement successful open government agendas.

This chapter of the OECD Public Governance Review of Paraguay assesses and benchmarks Paraguay against the provisions of the Recommendation. The assessment is based on the results of OECD peer review mission to Paraguay as well as recent OECD work on open government with Paraguay (Box 6.1).

Box 6.1. OECD work on Open Government in Paraguay

In 2013/2014, the OECD conducted a regional stocktaking exercise of open government strategies and practices in eleven Latin American and Caribbean (LAC) countries, including in Paraguay. Its main findings are reflected in the **OECD Report: Open Government in Latin America**, allowing Latin American countries to compare and benchmark their national open government agenda against good international standards and good practices. Recognising that the region as a whole is endowed with great knowledge on open government, the report included regional policy recommendations aimed to support the efforts of Latin American governments to jointly tackle common challenges and to ensure that open government contributes to address national and regional policy priorities.

Resulting from the report, the **OECD Network on Open and Innovative Government in Latin America and the Caribbean** was launched in October 2015 in the framework of the Open Government Partnership Global Summit held in Mexico City. The Network, of which Paraguay has been an active member, is a platform to provide the LAC region with the opportunity to engage in policy dialogue, knowledge transfer, and exchange of good practices with OECD countries in the areas of good governance, open government, public sector innovation, digital governance and open data, and citizen participation.

The 2016 **OECD Global Report on Open Government "The Global Context and the Way Forward"** provided an in-depth, evidence-based analysis of open government initiatives and the challenges countries face in implementing and co-ordinating them. Based on the 2015 Survey on Open Government and Citizen Participation in the Policy Cycle, which included 13 LAC countries (including Paraguay), the report identified future areas of open work in order to move towards open states.

Paraguay has expressed interest in becoming a signatory to the **OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions** and is an active member of the **OECD-IDB LAC Public Integrity Network**.

Source: Author's own elaboration

The enabling environment for Open Government in Paraguay

A solid enabling environment for Open Government is an essential and necessary precondition for the successful implementation of open government strategies and initiatives in any country. Evidence gathered in OECD Open Government Reviews points to the importance for countries to have a clear definition of open government in place in order to guide a country's approach to the implementation of open government reforms. The OECD Recommendation of the Council on Open Government (see above) further highlights the importance for countries to develop an open government strategy with all stakeholders and points to the crucial necessity for countries to adopt a robust legal and regulatory framework for Open Government to flourish.

Defining Open Government

The OECD defines Open Government as “a culture of governance that promotes the principles of transparency, integrity, accountability and stakeholders’ participation in support of democracy and inclusive growth” (OECD, 2017). Defining what is meant by Open Government is an important first step in the development of any country’s open government strategies and initiatives. The definition should be widely accepted by all stakeholders. Countries can elaborate their own definition or adopt definitions from external sources to their specific cultural, historical, institutional, social and political context.

The *OECD Report on Open Government: The Global Context and the Way Forward* (OECD, 2016) provides an overview of existing definitions of Open Government and outlines why a “good definition” is important:

- It informs the public about the essential elements of open government, and the extent and limitations of the term;
- It facilitates a common understanding and usage of open government, aligning all stakeholders and policy makers against the same goals;
- It facilitates a robust analysis of the impact of open government strategies and initiatives across different institutions and levels of government;
- It supports international comparisons of open government strategies and initiatives.

In its response to the 2015 OECD Open Government Survey (OECD, 2015) Paraguay indicated that the country did not have a single definition for Open Government in place. At this moment of time, 51% (49% in OECD countries) of all participating countries¹ reported having a single definition for open government (Box 6.2). Out of these countries, 30% (29% in OECD countries) had crafted their own definition.

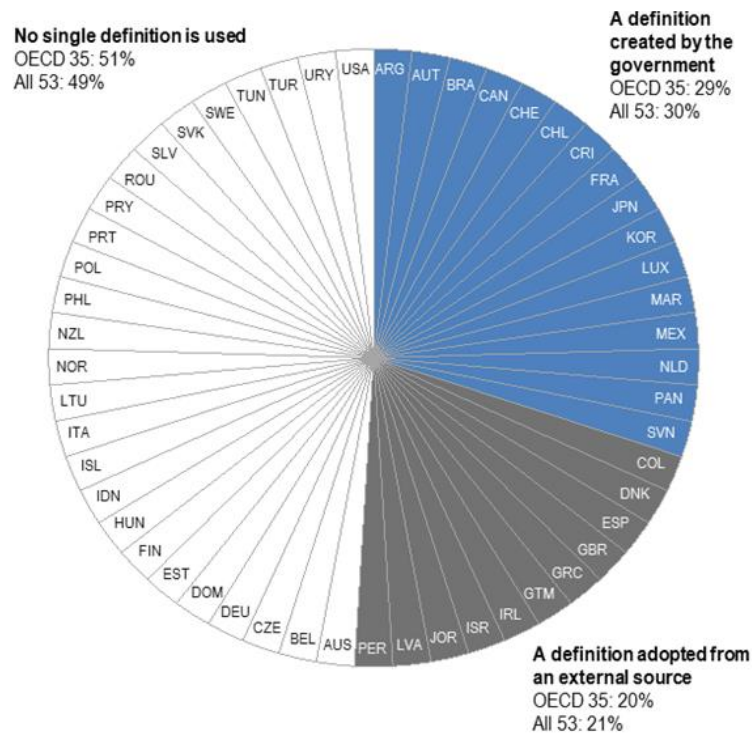
According to information received from the government, Paraguay has started making use of the vision for Open Government that is outlined by the OGP in recent years. For instance, the country’s third OGP Action Plans states that “Open Government is a form of relationship between public power and citizenship; based on the participation and permanent collaboration of its members in the exercise of citizen rights and the compliance with obligations”.

While the inclusion of this vision in the third OGP Action Plan is an important step forward, by OECD standards, a government’s vision for Open Government does not represent a single definition. More efforts are needed to make sure that all stakeholders develop a common understanding of Open Government. The government of Paraguay could therefore consider developing a single national definition that is tailored to the national context together with all stakeholders. The National Open Government Roundtable (*Mesa Conjunta de Gobierno Abierto*, the “OG Roundtable”) or the

¹ The 2015 OECD Survey on Open Government Coordination and Citizen Participation in the Policy Cycle (hereafter, the “OECD Survey”) was a direct response to the request to collect better data on the design and implementation of a single open government strategy and initiatives of OECD member countries and non-member economies that participated in the OECD Open Government Forum, held in Paris on 30 September 2014. Overall, 54 countries (including all 35 OECD member countries and 13 countries from Latin America and the Caribbean) participated in the Survey

Parliamentary Commission on Open Government (see below) could provide a useful forum for the development of such a definition.

Figure 6.1. Countries with and without official definitions of open government



Source: Country responses to OECD (2015a), “2015 OECD Survey on Open Government Co-ordination and Citizen Participation in the Policy Cycle”, OECD, Paris.

Box 6.2. Country examples of single official definitions of open government

Canada

A governing culture that holds that the public has the right to access the documents and proceedings of government to allow for greater openness, accountability and engagement.

Chile

A public policy applicable to the whole of the public apparatus, aimed at strengthening and improving the institutional frame and management of public affairs by promoting and consolidating the transparency and access to public information principles, as well as the mechanisms for citizen participation in the design, formulation, implementation and evaluation of public policies. All in the context of the current public institutions’ modernisation process, whose goal is to move towards a state at the service of all citizens and to improve the population’s quality of life.

France

Open government is seen as the transparency of public action and its openness to new forms of participation and collaboration with citizens and civil society. In France, the historical roots of the definition of open government are found in the 1789 French Declaration of Human Rights.

Article 15 stated that society has the right to make any public agent of its administration accountable. Open government contributes to promoting:

- The construction of transparency and democratic trust through open data, open decision-making processes and accountability.
- Citizen empowerment based on the possibility of informed decision and an active citizenship through digital tools and shared resources for increased autonomy.
- The adaptation of government practices to the digital revolution through co-creation, agility and simplification, innovation, data-driven strategies, the transformation of the administration into a platform, etc.

Korea

Government 3.0 (Open Government Initiative) is a new paradigm for government operation to deliver customised public services and generate new jobs in a creative manner by opening and sharing government-owned data with the public and encouraging communication and collaboration between government departments. Government 3.0 aims to make the government more service-oriented, competent, and transparent, thus pursuing the happiness of citizens.

Luxembourg

Government of an accountable and democratic constitutional state based on the rule of law and justice which works to achieve, as far as possible, useful and not in contradiction with human rights or other fundamental values, a maximum level of transparency and citizen participation.

Mexico

Open government is a new model of governance that seeks to transform the relationship between government and society to strengthen democracy. It is creating an environment that positions the government as a platform for innovation. Open government is based on a culture of transparency, collaboration, participation and accountability that allows the creation of new ventures and the generation of solutions to public challenges surrounding the development of the country.

Netherlands

A transparent, facilitative and accessible government.

Note: Some of the definitions were translated from the original languages by the authors of this report.

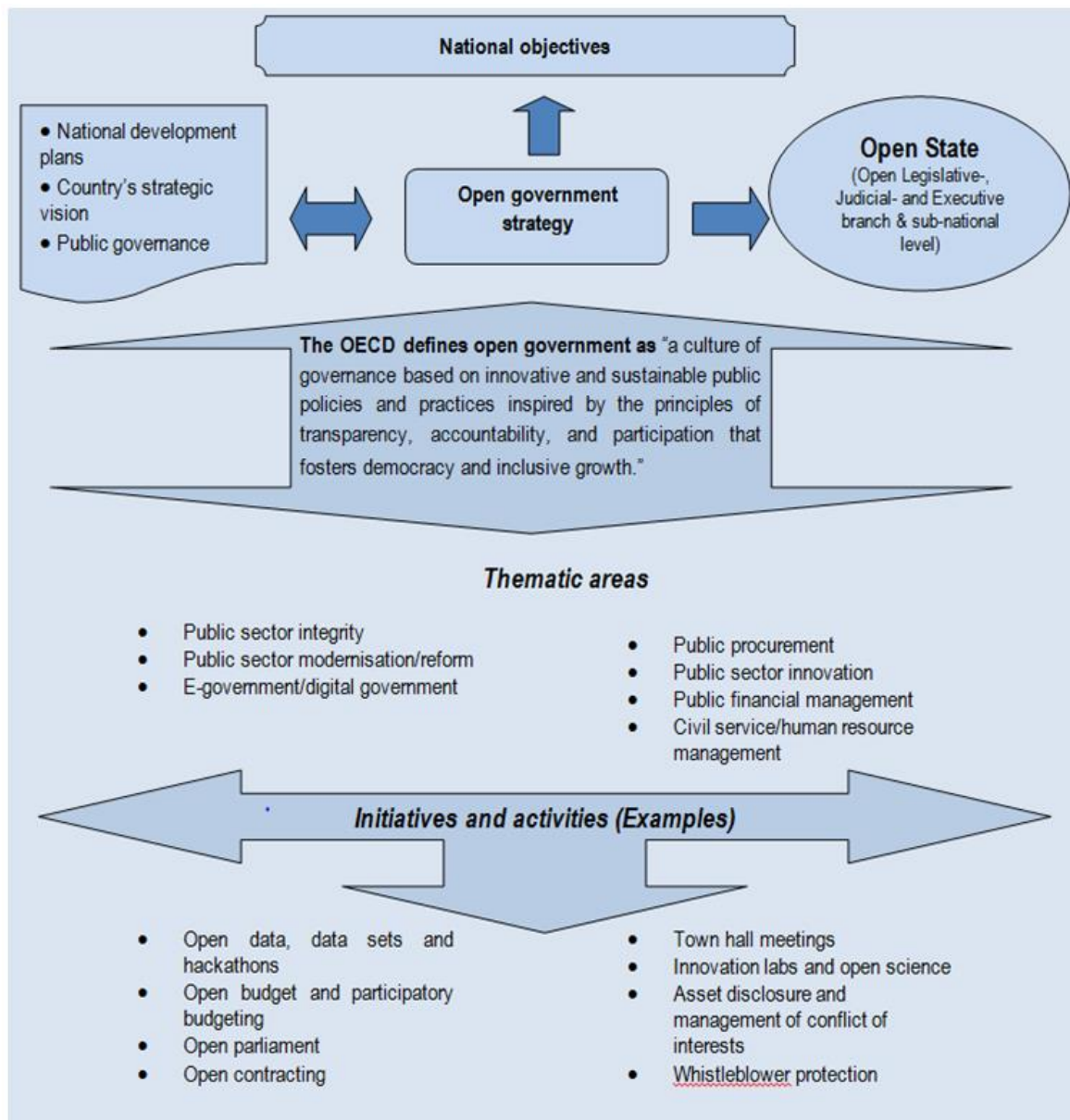
Source: Country responses to OECD (2015a), “2015 OECD Survey on Open Government Co-ordination and Citizen Participation in the Policy Cycle”, OECD, Paris

From scattered initiatives to a single National Open Government Strategy

Box 6.3. Provision 1 of the OECD Recommendation of the Council of Open Government

“Take measures, in all branches and at all levels of the government, to develop and implement open government strategies and initiatives in collaboration with stakeholders and to foster commitment from politicians, members of parliament, senior public managers and public officials, to ensure successful implementation and prevent or overcome obstacles related to resistance to change.”

Figure 6.2. The central role of an Open Government Strategy



Source: OECD (2016), Open Government: The Global Context and the Way Forward, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264268104-en>

Paraguay's National OGP Action Plans

The development of open government strategies and initiatives is another key element of a solid enabling environment for open government. Many countries, including Paraguay, have elaborated OGP Action Plans (NAP) and some have integrated open government in their National Development Plans / Modernization Plans. While these initiatives are of course of great importance, the OECD suggests that countries go one step further and develop an independent National Open Government Strategy that “operationalizes” the country’s definition of open government, links the implementation of open government

initiatives in different areas to broader national policy objectives and provides a clear direction for the implementation of OG strategies and initiatives to the entire public sector (Figure 6.3). The examples of Ontario (Canada) and of Costa Rica discussed below illustrate the role of a National Open Government Strategy in concrete terms.

Paraguay joined the Open Government Partnership in 2011. Since then, the country has elaborated three OGP Action Plans and is currently in the process of elaborating its fourth plan. These National OGP Action Plan processes have contributed to raising the profile of open government initiatives in the country and have allowed the government to make new connections with external stakeholders and the organised civil society. Over the years, thanks to the NAP processes, an increasing number of institutions and stakeholders have become familiar with the term ‘open government’ and more and more of them have started getting involved in the promotion of open government principles.

Moreover, the OGP process in Paraguay has contributed to the achievement of an important number of immediate and high-level policy objectives related to the promotion of transparency, accountability and stakeholder participation, such as the implementation of legislation on Access to Information (ATI). According to the evaluation of the second Action Plan of the Independent Reporting Mechanism (IRM) of the OGP, Paraguay’s second Action Plan contained two commitments with a high level of potential impact, namely the “Adoption of the Access to Information Law” and the “Creation of Municipal Development Councils” (see below for a discussion of both) (Open Government Partnership, 2015).

While the NAPs have allowed Paraguay to make important progress in certain open government areas, given their biannual nature (which, in many cases, is not aligned with the government’s policy cycle) and their focus on more short-term policy issues, NAPs do not constitute a comprehensive National Open Government Strategy and should be complemented with OG provisions in other policy documents, including National Development Plans (as in the case of Paraguay). As discussed further below, a National Open Government Strategy can provide the missing link between high-level commitments and short-term delivery-oriented commitments included in the biannual OGP Action Plans.

Aligning Open Government with the broader national development agenda and the SDGs: The National Development Plan 2030

The implementation of OG strategies and initiatives should be a means to an end: OECD experience shows that open government policies can actually be a valuable tool to contribute to the achievement of broader policy objectives, including fostering trust in public institutions and more inclusive economic development. Therefore, it is recommended for countries to make the link between their open government agendas and broader national development objectives.

Both Paraguay’s OGP Action Plans and the National Development Plan 2030 show that the government believes in the importance of open government for the achievement of its development objectives. The country’s most important development policy, the National Development Plan 2030 (see Chapters 1, 2 and 3 for a discussion of the plan), includes “efficient and transparent public sector” as one of its cross-cutting axes. The plan also mentions open government in its vision and as one of its key objectives, and makes explicit reference to the NAP.

Moreover, the third NAP clearly recognises as one of its main challenges the need to “improve the quality of life of people by linking the Open Government Action Plan with the National Development Plan 2030 (PND 2030) and the Sustainable Development Goals 2030 (ODS 2030)” (Government of Paraguay, 2016a). The government has made important efforts to align the NAP with the NDP: For instance the commitment on access to information included in the third NAP is aligned with strategic objectives 22 “Increase access to public information and procedures through electronic networks”, 25 “Decentralization” and 47 “Ensure transparency of public spending in the three levels of government and in the three Powers of the State” of the National Development Plan (Government of Paraguay, 2016b).

Overall, the NAP has been used by the government as short-term implementation plans for some of the long-term NDP objectives. The government should continue along these lines by ensuring that the fourth OGP Action Plan, which it is currently designing, is also fully linked to the objectives of the National Development Plan.

Toward the development of a National Open Government Strategy

As discussed above, open government initiatives are critical for the achievement of positive policy results in areas as diverse as the fight against corruption, infrastructure and education. As outlined in the OECD Report on Open Government (2016), “in order to streamline all the different initiatives that cover a wide range of areas, it is important to have a single National Open government strategy that brings together all the scattered initiatives and ensures that all of them are reaching the same national objectives in co-ordination.”

Box 6.4. Whole-of-government frameworks in Costa Rica and Ontario, Canada

As one of the first countries worldwide to do so, Costa Rica issued a national open government strategy in December 2015. In addition to the country’s second OGP Action Plan and the Declaration on the Open State, the open government strategy is aligned with the country’s National Development Plan 2014-18 “Alberto Cañas Escalante”. This highlights the government’s commitments to open government by making it one of the three pillars of national socio-economic development. The national development plan further includes several constitutive elements of this new culture of inclusive policy making, such as national dialogues and the promotion of gender equality in public life.

In Canada, the Government of Ontario has launched an open government strategy. The purpose is to give citizens new opportunities to participate in and strengthen public policy. Through its Open Dialogue component, the government is developing a Public Engagement Framework to help it engage a broader, more diverse range of Ontarians more meaningfully and will be tested across government in a number of pilot projects.

Source: OECD (forthcoming), Open Government Review of Costa Rica: Towards an Open State, OECD Publishing, Paris; Country responses to OECD (2015a), “2015 OECD Survey on Open Government Coordination and Citizen Participation in the Policy Cycle”, OECD, Paris

Such a single National Open Government Strategy (NOGS) can provide the missing link between high-level commitments (such as the ones in the National Development Plan of Paraguay) and short-term delivery-oriented commitments included in the biannual OGP Action Plans. The development and implementation of a NOGS can also streamline those

existing initiatives in areas of relevance to OG principles that have not found their way into the OGP Action Plan.

If Paraguay decides to develop a NOGS, it should be co-created through a participatory methodology like the one that is currently being used in the development of the OGP Action Plans. The government could also consider including additional actors such as the Legislative and Judicial branches in the co-creation in order to support the ongoing move towards an open state (see below). The Technical Planning Secretariat (STP – see chapters 1 and 2) as the co-ordinating entity of the National Open Government Roundtable (Figure 6.3) could take the lead in the development of the NOGS which could take place in the framework of the National Open Government Roundtable or the Parliament’s Open Government Commission.

Figure 6.3. The role of a National Open Government Strategy – providing the link between the NDP and the NAP



Source: Author’s own elaboration

The constitutional, legal and regulatory framework for Open Government in Paraguay

Box 6.5. Provision 2 of the OECD Recommendation of the Council of Open Government

“Ensure the existence and implementation of the necessary open government legal and regulatory framework, including through the provision of supporting documents such as guidelines and manuals, while establishing adequate oversight mechanisms to ensure compliance.”

Effective open government reforms need to be rooted in, and backed up by, a robust constitutional, legal and regulatory framework (OECD, 2016). Relevant laws and regulations for a strong open government enabling environment include laws on access to information, national archives, digital government and open data, anti-corruption and whistle-blower protection, among others.

Paraguay’s Constitution enshrines Open Government at the highest legal level

As in most other Latin American countries, open government is enshrined in Paraguay’s 1992 Constitution (Republic of Paraguay, 1992). Article 1 of the Constitution states that “the Republic of Paraguay adopts representative, participatory and pluralist democracy for its government, based on the recognition of human dignity”. Article 28 of the Constitution further recognises the right to access public information. It states that “the right of the persons to receive true, responsible, and equitable information is recognized” and “the public sources of information are free for everyone (...).”

While constitutional provisions on open government are an important part of an open government enabling environment, they are not sufficient as such. Countries have to go beyond their highest legal document and elaborate specific laws and regulations in key areas of Open Government in order to provide the basis for successful implementation of strategies and initiatives.

The existence of two separate laws on Access to Information in Paraguay

As stated in the OECD Report on Open Government (OECD, 2016), a law regulating access to public information is the cornerstone of any country’s enabling environment for open government. To date, all OECD countries and most LAC countries have an access to information legislation in place.

In 2014, after a lengthy process, Paraguay’s Congress adopted the country’s first access to information law. According to information gathered during the OECD fact-finding mission, civil society organisations were instrumental in pushing for this law. In fact, the complexity of the process led to the adoption on two separate laws relating to access to information:

- 1) Law 5189 from 2014 creates the obligation to provide information on the use of the resources and the remuneration of the civil servants of the Republic of Paraguay.
- 2) Law 5282 from 2014 on Free Citizen Access to Public Information and Government Transparency (and its regulating Decree 4064 from 2015) guarantees the constitutional right of citizens to have access, without discrimination of any

kind, to public information from the legislative, executive and judicial branches, and from independent agencies and universities.

By OECD standards, law 5282 can be seen as the actual access to information legislation. The law for instance provides that Offices for Access to Public Information should be set up in public institutions, and it mandates that a website for the public to access information should be created (the website was subsequently developed: www.informacionpublica.gov.py). The law further requires public institutions to respond to inquiries submitted by email or letter and to deliver the information in less than 15 days and foresees trainings for officials.

As of April 2018, 10,769 requests for information have been entered into the country's access to information portal, of which 80.0% have been answered (Government of Paraguay, 2018). Most requests were directed to the Ministry of Justice with the Ministry of Education coming in second position followed by the Ministry of Finance (Ibid.). According to information gathered by the IRM (Open Government Partnership, 2015), since the creation of the Directorate of Access to Public Information in the Ministry of Justice, about 700 officials have been trained on the implementation of the law and 70 offices for Access to Information have been created in public entities (Ibid.).

One weakness of the law is that it does not create a formal guarantor for its implementation, as is the case in other countries such as in Mexico and Chile (Box 6.6). It only establishes the Ministry of Justice as the co-ordinator of its implementation (see Articles 12 and 13 of Decree 4064). The Ministry of Justice does, however, not have formal enforcement powers and, according to information received during the fact-finding mission, it is understaffed which may hinder its capacity to follow-up on requests. More human and financial resources for the office of the Ministry of Justice responsible for the implementation of the law should be foreseen. In addition the government could identify alternative indirect ways to incentivise compliance since sanctions are not an option under law 5282 (Law 5189 only contemplates sanctions for authorities who do not release mandatory salary information).

In general, despite the lack of sanction for non-compliance, the two laws have considerably altered the preeminent secrecy culture in the public sector. According to information gathered during the OECD fact-finding mission, an increasing number of citizens have started making use of their right to access public documents and the law has contributed to reinforced citizens' control of the institutions of the state. Civil society organisations also expressed great optimism and saw important progress in the implementation of the access to information laws. In order to continue this positive process, the government could make sure that access to information offices or focal points are set up in every institution and at all levels of government and that citizens are well aware of their right to request information. This could involve conducting further outreach and promotion campaigns.

Box 6.6. Examples of bodies that provide oversight to transparency laws: Chile and Mexico

Chile

The Council for Transparency is an autonomous public body with its own legal personality, created by the Law on Transparency of Public Service and Access to Information of the State's Administration. Its main task is to ensure proper enforcement of the law, which was enacted on 20 August 2008 and became effective on 20 April 2009.

The boards' direction falls under four designated counsellors appointed by the President, with the agreement of the Senate, adopted by two-thirds of its members. The board is entrusted with the management and administration of the Council for Transparency. The counsellors serve six years in office, may be appointed only for one additional period and may be removed by the Supreme Court at the request of the President or the Chamber of Deputies. The council has the main following functions:

- Monitor compliance with the provisions of the Law on Transparency and apply sanctions in case of infringements of them.
- Solve challenges for denial of access to information.
- Promote transparency in the public service by advertising information from the state administration bodies.
- Issue general instructions for the enforcement of legislation on transparency and access to information by the bodies of the state administration, and require them to adjust their procedures and systems to such legislation.
- Make recommendations to the bodies of the state administration aimed at improving the transparency of its management and to facilitate access to the information they possess.
- Propose to the President and to the Congress, where appropriate, rules, instructions and other regulatory improvements to ensure transparency and access to information.
- Train directly or through third parties, public officials in matters of transparency and access to information.
- Carry out statistics and reports on transparency and access to information of the organs of the state administration and compliance of this law.

Mexico

The Instituto Nacional de Transparencia, Acceso a la Información y Protección de Datos Personales (INAI) (National Institute on Transparency, Access to Information and Protection of Personal Data) was established under the Ley Federal de Transparencia y Acceso a la Información Pública Gubernamental in 2002 (Federal Law on Transparency and Access to Public Governmental Information).

The Institute is composed of a Presiding Commissioner and six other commissioners, who are appointed by the Federal Executive for six years, without the possibility of renewal of the term. As established in the law, the institute has complete independence and reports annually to the

Congress. Its threefold mandate can be summarised as guaranteeing the access of governmental information to the public, fostering accountability and defending the right to privacy. In addition, the Institute aims to:

- Assist in the organisation of the national archives.
- Promote a culture of transparency in public expenditures
- Foster accountability within the government to raise trust among its citizens.
- Contribute to the processes of analysis, deliberation, design and issuance of judicial norms of relevance to the archives and personal data.
- Enhance the legislative processes targeted to improve and strengthen the normative and institutional framework for transparency and access to public information.

Sources: Consejo para la Transparencia (n. d.), “Qué es el Consejo para la Transparencia?”, webpage, www.consejotransparencia.cl/que-es-el-cplt/consejo/2012-12-18/190048.html (accessed 24 March 2016); BCN (Biblioteca del Congreso Nacional de Chile) (2008), “Sobre Acceso a la Información Pública”, www.leychile.cl/Navegar?idNorma=276363 (accessed 24 March 2016)

Consolidating Paraguay’s legal and regulatory framework for Open Government

A solid legal framework for Open Government can guarantee continuity of efforts from one government to another and hence provide implementation stability. The country should therefore make efforts to complement its legal and regulatory framework for Open Government over the next years. The inclusion of relevant commitments in the fourth OGP Action Plan could provide the necessary impetus for these efforts.

Complementing the legal framework could include adopting legal/regulatory provisions on stakeholder participation. While citizen participation and engagement are enshrined as a right in many Constitutions worldwide (including in Paraguay’s Constitution), according to the results of the OECD Survey (2015), less than 50% of countries have an overarching document that regulates peoples’ right to participate. Only a small number of countries, including Colombia (Box 6.7), have adopted specific laws on democratic and/or citizen engagement.

Box 6.7. The Colombian law for the promotion and protection of the right to democratic participation

The objective of Law 1757 from 2015 is to promote, protect and ensure the different modalities and mechanisms of the citizens’ right to participate in the political, administrative, economic, social and cultural spheres in Colombia. Article 2 stipulates that any development plan must include specific measures aimed at promoting participation of all people in decisions that affect them and support the different forms of organisation of society. Similarly the management plans of public institutions should make explicit the way in which they will facilitate and promote the participation of citizens in their areas of responsibility.

The law also created the National Council for Citizen Participation, which will advise the national government in the definition, development, design, monitoring and

evaluation of public policy on citizen participation in Colombia. The council is made up of the following representatives: the Minister of the Interior and the National Planning Department from the National Government; an elected governor from the Federation of Departments (states or provinces); an elected mayor from the Municipal Federation; members of victims' associations; a representative of the National Council of Associations or Territorial Councils for Planning; community confederation; the Colombian University Association; the Colombian Confederation of Civil Society Organisations; citizen oversight associations; trade associations; trade unions; peasant associations; ethnic groups; women's organisations; the National Youth Council; college students; disability organisations; local administrative bodies. The heterogeneous composition of the council ensures that several groups of society are represented in the council and guarantees that all voices are heard.

This same law on citizen participation in Colombia defines participatory budget practices as a process to ensure equitable, rational, efficient, effective and transparent allocation of public resources that strengthens the relationship between the state and civil society. It is also a mechanism by which regional and local governments promote the development of programmes and plans for citizen participation in the definition of their budget, as well as in the monitoring and control of public resource management.

Source: Presidency of the Republic of Colombia (2015), "Law 1757 from 2015", presidency website, <http://wp.presidencia.gov.co/sitios/normativa/leyes/Documents/LEY%201757%20DEL%2006%20DE%20JULIO%20DE%202015.pdf> (accessed March 2016)

As further discussed below, there are currently several legal provisions that foresee stakeholder engagement in policy processes in Paraguay such as mandatory public hearings and participatory budgeting processes. However, the lack of a unified legislation that promotes stakeholder participation prevents it from becoming a mainstreamed practice and makes it difficult for citizens to understand where and when they can participate. Paraguay could learn from the positive experience with co-creation made in the OGP process and engage stakeholders more actively in the development, implementation and monitoring and evaluation of policies. Adopting a law on participation, as done by Colombia, or creating an overarching document on stakeholder participation, could help Paraguay in this endeavour.

From laws and policies to effective and efficient implementation of open government strategies and initiatives in Paraguay

In order to implement their policy and legal frameworks for Open Government successfully, countries also need to provide an effective governance structure: this includes having the right institutions with appropriate co-ordination mechanisms in place, assigning dedicated human and financial resources to these institutions and creating strong mechanisms for monitoring and evaluation (M&E) for results.

The institutional framework for Open Government in Paraguay: Whole-of-government co-ordination of open government strategies and initiatives

Box 6.8. Provision 4 of the OECD Recommendation of the Council on Open Government

“Coordinate, through the necessary institutional mechanisms, open government strategies and initiatives - horizontally and vertically - across all levels of government to ensure that they are aligned with and contribute to all relevant socio-economic objectives.”

According to OECD good practices, an adequate institutional framework for Open Government that guarantees the effective and efficient co-ordination of open government strategies and initiatives includes two key elements: a government institution in charge of the national open government agenda and an open government steering committee that counts with the participation of all relevant stakeholders from government, civil society, academia, and the private sector.

The Technical Planning Secretariat – the leader and co-ordinator of the open government process in Paraguay

The implementation of open government policies requires vision and leadership, as well as the capacity to effectively and efficiently co-ordinate, tasks that according to OECD experience are best taken over by an institution located in a country’s “Centre-of-Government” (CoG) (OECD, 2016). According to the OECD Report on Open Government (2016), situating the responsibility for open government in the CoG can be beneficial for several reasons:

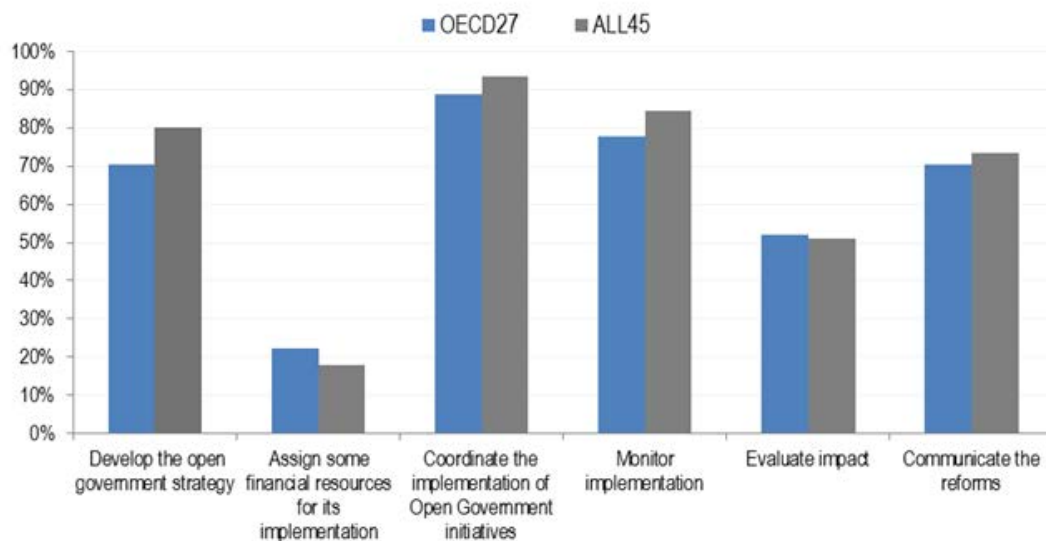
- The CoG can facilitate the link between open government objectives with the broader national ones by connecting open government principles, strategies and initiatives across government (including different sectors and different levels of government) and with non-state actors in order to foster a shared vision on open government agenda.
- It can also promote visibility across the government and towards citizens of existing good practices in the area of open government, as well as institutional champions.
- The CoG can strengthen the strategic use of performance data across the public sector in order to support the monitoring and evaluation of the impact of open government strategies and initiatives (OECD, 2015b).

As per the results of the 2015 OECD Open Government Survey, in most countries the office in charge of co-ordinating the open government agenda from a horizontal perspective in fact has its institutional anchorage in the Office of the Head of Government or in the Cabinet Office/Chancellery/Council of Ministers (in 64% of all respondent countries and in 62% of OECD countries). It is, hence, institutionally located in the CoG.

This is also the case in Paraguay, where the open government agenda is co-ordinated by the Technical Planning Secretariat (STP) of the Presidency of the Republic. The STP has been driving the national OGP process since its beginning. The STP is also the institution responsible for co-ordinating the National Open Government Roundtable, the “*Mesa Conjunta de Gobierno Abierto*” (Figure 6.4), for developing, co-ordinating the

implementation, monitoring and communicating the OGP Action Plans, as well as for promoting open government principles in the country. However, according to the results of the 2015 Survey, the STP does not assign resources for the implementation of open government initiatives and it does not evaluate impact, except for the self-assessment done in the framework of the OGP that includes an evaluation on processes and outputs of the OGP commitments (Figure 6.4).

Figure 6.4. Responsibilities of the co-ordinating office



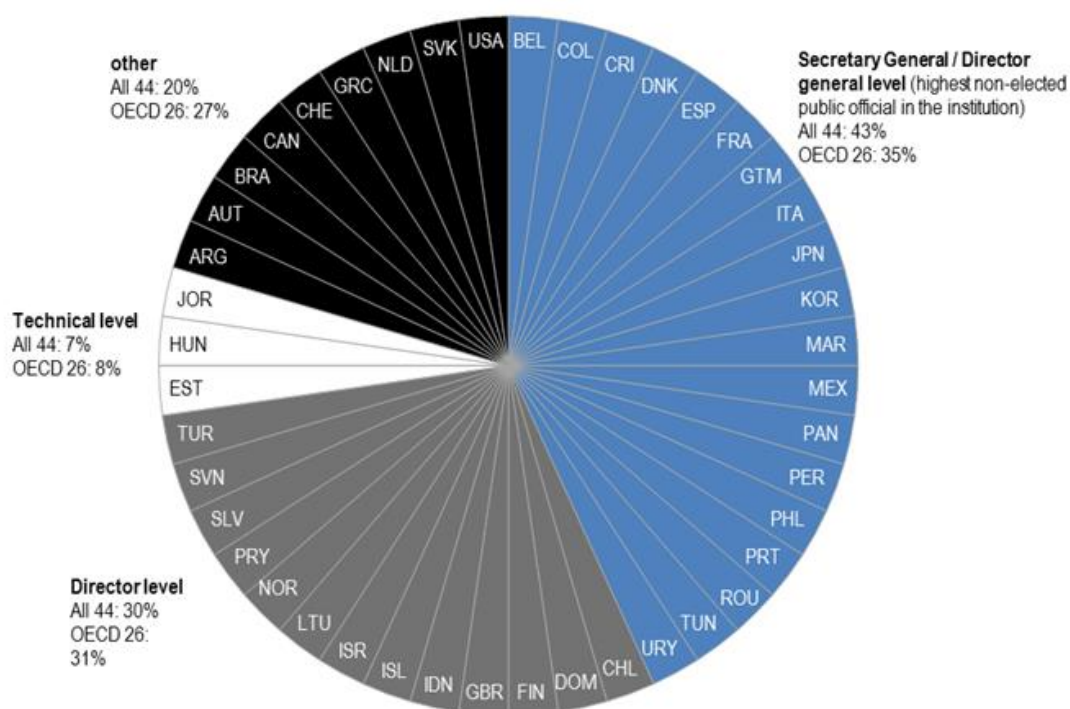
Note: Question was only asked to countries which responded that they have an office responsible for horizontal co-ordination of open government initiatives

Source: Country responses to OECD (2015c), “2015 OECD Survey on Open Government Co-ordination and Citizen Participation in the Policy Cycle”, OECD, Paris

In addition, and as discussed in Chapter 2, the co-ordination of the Local Development Plans (both departmental and municipal) and of the National Development Plan Paraguay 2030, is also ensured by the Technical Planning Secretariat, an important and highly strategic competence that puts it in an ideal position to link the country’s OG agenda with the wider development agenda.

Within the STP, the responsibility for OG is situated at the level of a Director General. This is also the case in approximately one third of all countries that participated in the OECD survey (Figure 6.5), while it is situated at a higher level in 43% of all and in 35% of OECD countries.

Figure 6.5 Hierarchical level of the horizontal co-ordination office



Note: Question was only asked to countries which responded that they have an office responsible for horizontal co-ordination of open government initiatives. Australia “To be determined pending the finalisation of machinery of government changes”

Source: Country responses to OECD (2015c), “2015 OECD Survey on Open Government Co-ordination and Citizen Participation in the Policy Cycle”, OECD, Paris

The STP’s dedicated staff has achieved notable results in advancing the country’s open government agenda. However, the Office of the Director General for Open Government in the STP operates within a complex institutional framework. The office responds to the Minister of the Technical Planning Secretariat, who himself responds to the President of the Republic and the General Coordinator of the Government. At the same time, other actors/units within the Presidency of the Republic and the government can have an important influence on the capacity of the STP to perform its open government related functions. These include the Centre-of-Government unit within the Presidency of the Republic, the *Equipo Económico Nacional* (see chapter 2 for a description of this body) and the *Equipo Nacional de Transparencia* which was created by decree 4719 in 2015.

The *Equipo Nacional de Transparencia* (ENT) is comprised of those institutions that form part of the *Equipo Económico Nacional* (including the Technical Planning Secretariat, STP and the National Anti-corruption Secretariat, SENAC) with the aim to improve Paraguay’s position in international anti-corruption perception rankings through the implementation of actions to foster integrity and fight corruption (Republic of Paraguay, 2015). As such, the ENT sets the tone for Paraguay’s transparency agenda and serves as a platform to articulate the positions on the country’s transparency agenda of those public sector institutions that participate in it.

Paraguay could consider broadening the scope and functions of the *Equipo Nacional de Transparencia* for it to become the national “Open Government Steering Committee”, for

instance by extending the responsibilities of the *Equipo Nacional de Transparencia* to the wider open government agenda (including initiatives in the areas of transparency, integrity, accountability and stakeholder participation). If it decided to do so, the government would have to make sure that all relevant contributors to the country's open government agenda are members of the reformed *Equipo Nacional de Transparencia*.

Generally speaking, while the current CoG-arrangements for Open Government are agile and have positive impacts on consensus-building, the complex layers of hierarchy and responsibility can be time-consuming from a decision-making perspective as they engender high transaction costs that could potentially reduce the effectiveness of Paraguay's open government agenda. In addition, due to limited institutionalisation, these arrangements are subject to easy alteration following a change in government. In order to improve decision-making processes, the STP should strengthen institutionalisation, sustain strong alliances with other key government Ministries and Secretariats and continuously encourage all relevant entities to remain engaged in the open government agenda.

As in any country, a wide variety of government actors are involved in the Paraguay's open government and OGP processes. Further key players from the central government include the *Secretaría de la Función Pública* (see chapter 5), the Ministry of Justice (MinJus), and two additional institutions within the Presidency of the Republic with Ministerial rank, namely the National Secretariat of Information and Communication Technologies (SENATICS) and the National Anti-Corruption Agency (SENAC).

- The **Ministry of Justice** is one of the main actors responsible for the country's transparency agenda (together with the National Anticorruption Secretariat, see below) and for the implementation of initiatives related to access to information (and the implementation of the access to information law) and passive transparency initiatives. The Ministry of Justice has been very engaged in the OGP process from the beginning and has led the implementation of various commitments in different OGP Action Plans.
- The **National Secretariat of Information and Communication Technologies** (SENATIC) is responsible for the development of the Unified Portal for Access to Public Information and for policies related to open data and digital government. SENATIC is also responsible for all electronic government and digital government initiatives and for the government's technology and information needs, including the sustainability of government websites and cyber security.
- The **National Anticorruption Secretariat** (SENAC) is another key actor responsible for the country's transparency agenda and is in charge of designing public policies on anti-corruption, integrity and active transparency, as well as for promotion and trainings on active transparency. According to Presidential Decree 10.144 from 2012, the institution monitors the compliance with the obligations of active transparency within its jurisdiction.

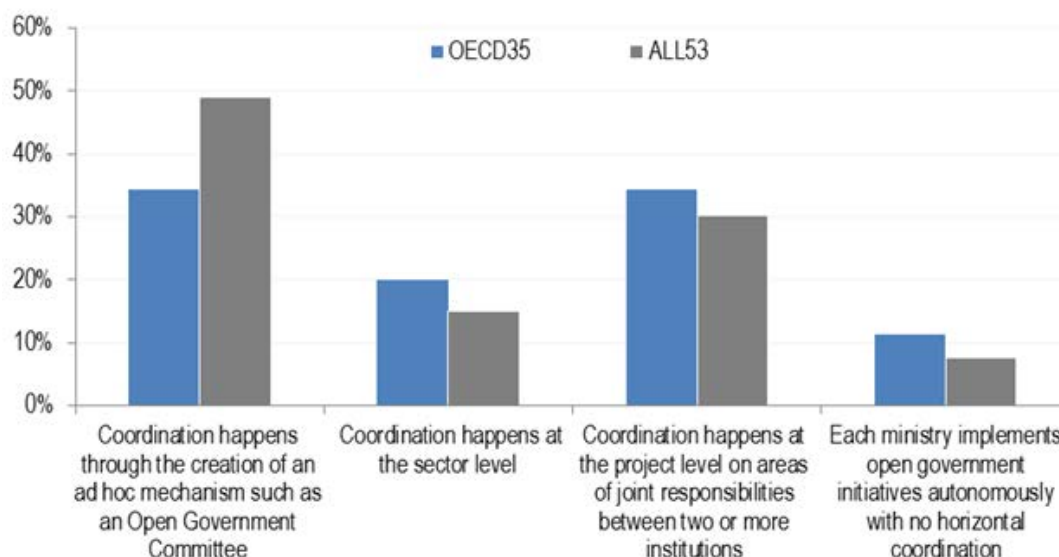
Moreover, some units of the **Ministry of Finance** have been actively involved in the open government agenda. Through its budgetary powers, the Ministry can make an important contribution to the promotion of open government principles in line ministries. It should therefore further enhance its current role as one of the STP's main partners in the implementation of open government strategies and initiatives in Paraguay.

The National Open Government Roundtable

In Paraguay, the Joint Open Government Roundtable (*Mesa Conjunta de Gobierno Abierto*) is the main co-ordination entity of the OGP process. The creation of the

Roundtable is in line with practice in approximately 50% of countries (34% in OECD countries) that participated in the OECD Survey where co-ordination also take place through an ad hoc mechanism, such as an Open Government Committee (Figure 6.6).

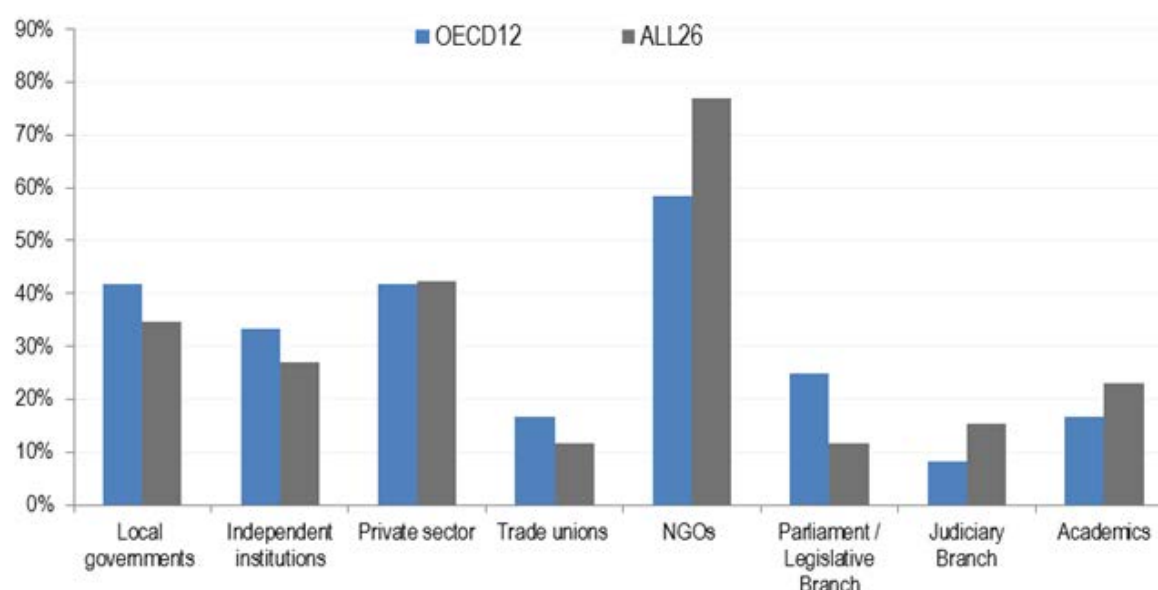
Figure 6.6. Mechanisms used to co-ordinate open government initiatives



Source: Country responses to OECD (2015c), “2015 OECD Survey on Open Government Co-ordination and Citizen Participation in the Policy Cycle”, OECD, Paris

In its current composition, Paraguay’s Roundtable includes a wide variety of public institutions from the public sector as well as civil society. The government informed the OECD that 26 public institutions and 62 civil society organisations participate in the meetings of the Roundtable. The important number of public institutions and of civil society organisations is a great opportunity to ensure inclusiveness but, if not well managed, can also create a co-ordination challenge and hinder the Roundtable’s effectiveness. The government could consider, on the one hand, selecting a number of key public institutions that represent the government’s position in the Committee and, on the other hand, letting civil society organisations select a smaller number of organisations to represent them in the Committee. A smaller number of present organisations would allow for Committee meetings to take place in a more participatory manner and to take more management decisions.

Moreover, while the inclusion of civil-society organisations (CSOs) in the co-ordination body is a standard practice (77% of all countries and 58% of OECD countries that responded to the 2015 OECD Survey include non-governmental organisations), the representativeness of the OG Roundtable could be further enhanced through the inclusion of actors from the private sector, the media, other branches of power as well as local government and local civil society organisations (see the section on the open state below).

Figure 6.7. Members of the horizontal co-ordination mechanism on open government

Note: Only countries that responded that coordination happens through the creation of an ad hoc mechanism such as an Open Government Committee were asked this question

Source: Country responses to OECD (2015c), “2015 OECD Survey on Open Government Co-ordination and Citizen Participation in the Policy Cycle”, OECD, Paris

In Paraguay, the Roundtable meets on a regular basis (at least every three months, having met five times in 2017), and its meetings are public and broadcasted online. The STP functions as the Roundtable’s Secretariat and prepares its agenda. The Roundtable was created for the process leading to the second OGP Action Plan. For the time being, the Committee’s responsibilities mainly focus on the OGP process. Its functions include:

- Developing of the biannual OGP Action Plans in a participatory manner;
- Monitoring the implementation of the Action Plan;
- Receiving and reviewing monthly and quarterly reports from public institutions with commitments under the Action Plan.

In line with the government’s ambition to move its open government agenda beyond the scope of the OGP process, Paraguay could consider extending the Roundtable’s responsibilities to the broader open government agenda of the country and to transform it into a real Open Government Steering Committee that meets more regularly and takes management decisions, as for instance done in Tunisia where the Committee is composed of five government institutions and five civil society organisations and meets monthly.

Given its representativeness, the Committee could for instance be used for the development and implementation of a National Open Government Strategy (see above). Indeed some CSOs interviewed during the OECD mission mentioned that in their view the Roundtable was rather a space for information, consultation and ratification but that there was still too little co-implementation and co-evaluation. The government informed the OECD that during the second NAP-cycle, civil society organisations were nominally assigned to each goal; during the third NAP-cycle, CSOs were given joint assignment to goals but there was mixed CSO participation in the evaluation meeting. In any case, the

government should address CSO concerns and make sure that civil society is fully involved in all steps of the open government policy cycle.

There are also opportunities to enhance communications among committee members. The communication application WhatsApp and Facebook are widely used as the main communication tool. WhatsApp is undeniably an effective tool for co-ordination. However, it ought not to be the only tool and decisions ought not to be made using that space. A dedicated interactive web-space (for instance, on the existing website www.gobiernoabierto.gov.py) and more regular meetings between members of the Roundtable could help enhance transparency and inclusiveness in communications among stakeholders.

Lastly, the functioning and the responsibilities of the Roundtable are currently regulated by a roundtable resolution. The Roundtable might benefit from a higher level of institutionalisation and its functioning and responsibilities could be regulated by a decree (as done in Costa Rica) or through other official regulation that is the subject of broad agreement between all involved stakeholders. This regulation could also define sub-committees in charge of specific topics, such as access to information, open data and stakeholder participation. Creating a regulatory basis for the roundtable would further institutionalise this important space and guarantee continuity of the country's open government agenda.

Open government literacy, human resources, education, training and capacities

Box 6.9. Provision 3 of the OECD Recommendation of the Council on Open Government

“Ensure the successful operationalisation and take-up of open government strategies and initiatives by:

- (i) Providing public officials with the mandate to design and implement successful open government strategies and initiatives, as well as the adequate human, financial, and technical resources, while promoting a supportive organisational culture;
- (ii) Promoting open government literacy in the administration, at all levels of government, and among stakeholders.”

Integrating Open Government in the culture of the civil service

At the moment, there are only few institutions in Paraguay, including the STP, MinJus, SENATICs, Ministry of Finance and SENAC that have staff that is especially assigned to (or specialised in) the broader open government agenda. All 26 public institutions that participate in the Open Government Roundtable have at least one representative assigned to their different OGP commitments. In most Ministries, these representatives are institutionally located in the offices for planning, anti-corruption, or transparency. While the nomination of staff that is dedicated to the implementation of OGP commitments is an important step forward, for many of these people the OGP agenda is one of many professional commitments they have in their portfolio. The government should consider creating open government contact points in each public institution that are in charge of the wider open government agenda of their institutions.

In addition to hiring or assigning staff that is especially dedicated to Ministries' open government agendas (beyond the OGP process), further efforts are needed to embed an open government culture in the public service. For the time being, there are no specific open government requirements in terms of skills for civil servants in Paraguay. Except for some training on the implementation of the access to information law, new employees of the state do not receive open government training, and human resources management (HRM) policies (such as recruitment etc.) are not used to promote open government nor include open government related skills in their competencies frameworks.

The government could consider collaborating with INAPP, its National Institute for Public Administration (*Instituto Nacional de Administración Pública de Paraguay*, *inter alia* Paraguay's main continuous training provider for civil servants (see chapter 5), or a national university, to elaborate an open government curriculum for interested students and/or public servants, as for instance done by Chile. It could further promote "Open Government Diplomas" which civil servants can obtain by participating in capacity-building events. The Secretariat of the Civil Service (*Secretaría de la Función Pública*, SFP) is the driver of the civil service reform in Paraguay and is one of the STP's most important partners in the promotion of Open Government through HRM. Paraguay could involve the SFP even more actively in the open government agenda (for instance by giving it a seat in a reformed and more streamlined OG Roundtable and, possibly, a reformed Equipo Nacional de Transparencia. The government could also consider including HRM elements in its fourth OGP Action Plan.

A complex financial context for Open Government in Paraguay

Donors have played a vital role in the development of Paraguay's open government and OGP agendas. CEAMSO (*Centro de Estudios Ambientales y Sociales*), a CSO that is largely funded by the United States Agency for International Development (USAID), and the USAID office in Asunción have contributed to Paraguay's open government agenda since 2006/2007 by supporting the development of the different OGP Action Plans, providing funding for the implementation of commitments (in different ministries) and hiring staff for open government related initiatives. USAID has also supported the government in pushing its open government agenda beyond the formal requirements of the OGP process by supporting open government initiatives that were not included in the OGP action plans, such as the Modelo Estándar de Control Interno del Paraguay (MECIP) and administrative reforms to foster open government principles in the Judicial Branch.

Evidence gathered during the fact-finding mission suggests that open government initiatives in some ministries (and in line ministries in particular) are largely dependent on the financial support provided by CEASMO and USAID. This fact has an important impact on the sustainability of open government efforts in the country. This is especially true as it seems that USAID is slowly reducing its support to Paraguay's open government process. With the end of USAID's current country strategy in April 2019, large amounts of funding may disappear, underscoring Paraguay's need to move away from current donor-dependency or at least diversify its donor portfolio.

Hence, there is a need to create lasting human and financial capacities both in the ministries in charge of the open government agenda and in line ministries. Thanks to the support provided by donors and to capable and dedicated staff in key ministries, open government has little by little gained a foothold within the state apparatus. In order for Paraguay's open government movement to continue, additional financial resources

assigned from the national budget will be needed. As stated above, Paraguay could also diversify the donors involved in supporting Paraguay's national open government process.

Creating a more robust monitoring and evaluation framework

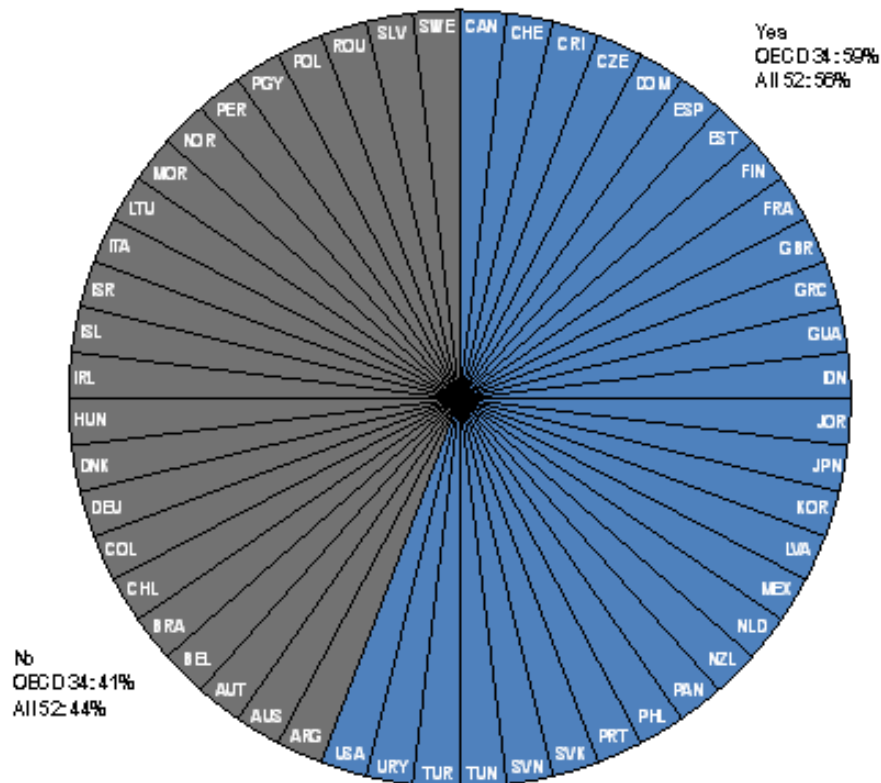
Box 6.10. Provision 5 of the OECD Recommendation of the Council on Open Government

“Develop and implement monitoring, evaluation and learning mechanisms for open government strategies and initiatives by:

- (i) Identifying institutional actors to be in charge of collecting and disseminating up-to-date and reliable information and data in an open format;
- (ii) Developing comparable indicators to measure processes, outputs, outcomes, and impact in collaboration with stakeholders; and
- (iii) Fostering a culture of monitoring, evaluation and learning among public officials by increasing their capacity to regularly conduct exercises for these purposes in collaboration with relevant stakeholders.”

Monitoring and evaluation (M&E) systems are indispensable to ensure that public policies achieve their intended goals and learn from the experience made to elaborate more sound and robust public policies (OECD, 2016). In the specific context of Open Government, monitoring and evaluation mechanisms are all the more important, as data availability, communication of impacts and their evaluation from stakeholders, the so-called “feedback loop”, lay at the heart of the open government principles (Ibid.).

To ensure that open government strategies and initiatives are sound, robust and accountable, they need to be developed on the basis of evidence. Hence, monitoring and evaluation should be an essential element of the policy process, yet it is still done in a limited way in most countries, including in Paraguay. The results of the OECD Report on Open Government (2016) show that almost half of the countries that participated still do not evaluate the impact of open government initiatives for results (Figure 6.8).

Figure 6.8. Countries that evaluate the impact of open government initiatives

Note: Luxembourg did not provide an answer to the question

Source: Country responses to OECD (2015b), “2015 OECD Survey on Open Government Co-ordination and Citizen Participation in the Policy Cycle”, OECD, Paris

Over the past years, Paraguay has made important progress with regards to the monitoring of its open government agenda. For example, the country has developed an ambitious monitoring system for its third OGP Action Plan. The Technical Planning Secretariat has, for instance, designed an Open Government dashboard that allows civil society and interested citizens to monitor the implementation of commitments under the OGP Action Plan (via the country’s open government website <http://gobiernoabierto.gov.py/content/plan-de-accion-2016-2018>).

However, monitoring of the implementation of open government commitments and the inclusion of performance data in the dashboard is mainly done by the civil servants of the STP with inputs from other ministries and civil society during the Roundtable meetings. For the time being, there are no independent indicators from third party sources that are being used and the existing ones mainly focus on process.

The participation in monitoring activities of civil society and of academia could thus be further enhanced, for instance through the organisation of additional M&E meetings asking CSOs to provide feedback on and rank commitments that are being or have been completed. The government could also consider creating strategic alliances with independent institutions and universities to enrich its monitoring activities, as in the case of Costa Rica that is detailed in Box 6.12.

In order to increase the overall awareness about results of its monitoring activities they need to be communicated more widely and in ways that are appealing and easier to understand by stakeholders. Communicating results, as well as sharing performance data in an open format, are crucial to maintaining the momentum of open government strategies and initiatives and people's confidence in them (OECD, 2017).

While monitoring has advanced considerably, evaluation is an area in which the country could make further progress, just as many other countries. Currently, in Paraguay, the evaluation of open government efforts is mainly done by the OGP Self-Assessment and the OGP's Independent Reporting Mechanism. Whereas this is common practice in the OGP community, evaluating the impact of open government initiatives (both of those in the OGP-process and outside of it) could benefit from being included in the formal ongoing evaluation mechanisms of the government, which, in turn, would provide the information and data to compile the OGP requirements.

In this endeavour and in order to move to the monitoring and evaluation of impact/outcome, the government could make use of the experience made with the monitoring and evaluation system created by the STP for the National Development Plan (the SPR-system) which is already linked to the monitoring and evaluation of the OGP Action Plan. Additionally, the government could consider making additional efforts at communicating the impact of its open government agenda across the country, including by raising awareness about the benefits of Open Government in those institutions that have not yet participated in the open government agenda and by sharing positive results with Ministers and in Cabinet.

Communication, access to information and participation in practice

Box 6.11. Principles 6, 7 and 8

“Actively communicate about open government strategies and initiatives, as well as about their outputs, outcomes and impact, in order to ensure that they are well-known within and outside government, to favour their uptake, as well as to stimulate stakeholders' buy-in.”

“Proactively make available clear, complete, timely, reliable and relevant public sector data and information that is: free of cost; available in an open and non-proprietary machine-readable format; easy to find, understand, use and reuse; and disseminated through a multi-channel approach, to be prioritised in consultation with stakeholders.”

“Grant all stakeholders equal and fair opportunities to be informed and consulted and actively engage them in all phases of the policy-cycle and service design and delivery. This should be done with adequate time and at minimal cost, while avoiding duplication to minimise consultation fatigue. Further, specific efforts should be dedicated to reaching out.”

Principles 6, 7 and 8 of the OECD Recommendation encourage countries to implement effective communication tools; foster access to public information and open data; and involve stakeholders in all phases of the policy-cycle. While a detailed analysis of these key principles and of the full ladder of participation (Figure 6.10) goes beyond the scope of this assessment and is usually dealt with through a full chapter in an OECD Open

Government Review, this section provides an initial benchmarking of Paraguay's efforts in the areas of open government communication and stakeholder participation. A brief discussion on the implementation of access to information is included in the section "The existence of two separate laws on Access to Information in Paraguay" above.

Open Government Communication

In order to be truly open a government needs to communicate about its initiatives and reforms in any policy area. Given the scope of this chapter, this section will focus on the effective and efficient communication of open government reforms. As discussed above, a successful open government agenda cannot be implemented without efforts to disseminate achievements/challenges as well as the benefits of the implementation of open government initiatives to all key stakeholders inside and outside of government (OECD, 2016b). Being a relatively new topic on the global agenda, many stakeholders – including public servants, civil society organisations, companies and the media – remain unaware of the great potential of open government reforms (OECD, 2014a). The communication of a country's open government agenda and the benefits it brings should therefore be an important element of the implementation of any country's OG agenda.

The STP has made important efforts to enhance the communication of its open government efforts to the wider public. Paraguay's National Radio station for instance regularly reports about the country's OGP process and different government representatives have discussed the country's efforts on Paraguay's official state television broadcaster. The STP has further organised high visibility events such as the *Expo Gobierno Abierto*, during which progress made in the implementation of the NAP was presented and discussed with different stakeholders. Moreover, the government has made extensive use of social media since 2014 to communicate about its open government agenda, including by extending open invitations to the OG Roundtables to all interested CSOs and allowing them to participate in online chat platforms.

Over the past few years, websites have been created for different open government related themes, including on the national OGP process, the implementation of the access to information law and an open data portal. The website www.gobiernoabierto.gov.py provides ample information on the country's open government agenda. It for instance gives access to the current and past OGP Action Plans, includes a forum in which citizens can give their opinions and feedback and it provides a wide variety of resources related to the wider open government process in Paraguay (including on the Open Parliament process). As a next step, the government could consider creating an integrated Open State website for the country that includes information on initiatives taken by all branches of power in order to create synergies between the initiatives and give citizens a single entry point. This website could for instance be managed by the STP.

In some countries, independent state institutions or civil society organisations regularly conduct stock-taking exercises of the openness of government websites. Costa Rica's Ombudsman, the *Defensoría de los Habitantes*, manages a "Transparency Index of the Public Sector" which measure the transparency offered by the websites of Costa Rican public institutions at all levels of government and including decentralised public institutions (Box 6.12). It analyses information available on the institutions' websites, including on public procurement, salaries, contracts of public workers, tenders, annual reports, minutes, agreements and circulars etc. Paraguay could consider developing its own transparency index using the methodology applied by the Costa Rican Ombudsman in order to stimulate institutions to provide more open and transparent information on the web.

Box 6.12. Costa Rica's Transparency Index of the Public Sector

Costa Rica's Transparency Index is an evaluation instrument that was established by the Ombudsman in co-operation with the Centre for Research and Capacity Building in Public Administration (*Centro de Investigación y Capacitación en Administración Pública*) at the University of Costa Rica and the subsidiary company of the Costa Rican Institute of Electricity (ICE), *Radiográfica Costarricense S.A.*

The Index uses international best-practices as a baseline to assess the status quo of the degree of transparency of the public institutions' websites in Costa Rica. The Index was elaborated in a scientific manner with clearly defined indicators, which provide the basis for the annual report on the openness and accessibility of information on the institutions' websites. As summarised in the 2015 Annual Report: "All these [initiatives] aim at strengthening the experience of effective democratic governability, which promotes the improvement and the State modernisation in light of the new tendencies and orientation towards open government."

Source: Defensoría de los Habitantes (n.d.), Red Interinstitucional de Transparencia, http://dhr.go.cr/red_de_transparencia/index.aspx (accessed 8 February 2016)

Stakeholder engagement in the OGP process

Civil society organisations interviewed during the OECD fact-finding mission acknowledged that the OGP process has allowed improving the overall relationship between the state and civil society organisations (CSOs). The dialogue that takes place in the OG Roundtable and on online platforms as well as via WhatsApp is seen as an important step forward by many.

CSOs also stressed that stakeholder engagement in the design and implementation of National OGP Action Plans has improved considerably from the first to the second and from the second to the third NAP, having become more inclusive and representative. In the co-creation process of the third NAP, which followed an open call of consultation, 47 public institutions and 62 civil society organizations (a total of 600 citizens) participated (Government of Paraguay, 2017). The government also engaged in an important communication effort, using social media, mailing lists and its dedicated open government website in order to get people involved.

Information sessions took place at the local level in Ciudad del Este and Caacupé. The government recognises the need to go beyond the usual suspects in Asunción and to start including stakeholders from the countryside in the open government and OGP processes. As in many other countries, the participation in the OGP process in Paraguay is still largely dominated by a small group of civil society organisations from the capital. There is a need to continue empowering civil society organisations for them to become even more active contributors to the country's open government agenda. Specific capacity building events for CSOs could be offered by more experienced organisations, such as the CEASMO, IDEA, *Semillas por la Democracia*, CIRD, *Fundación Libre* and other CSOs.

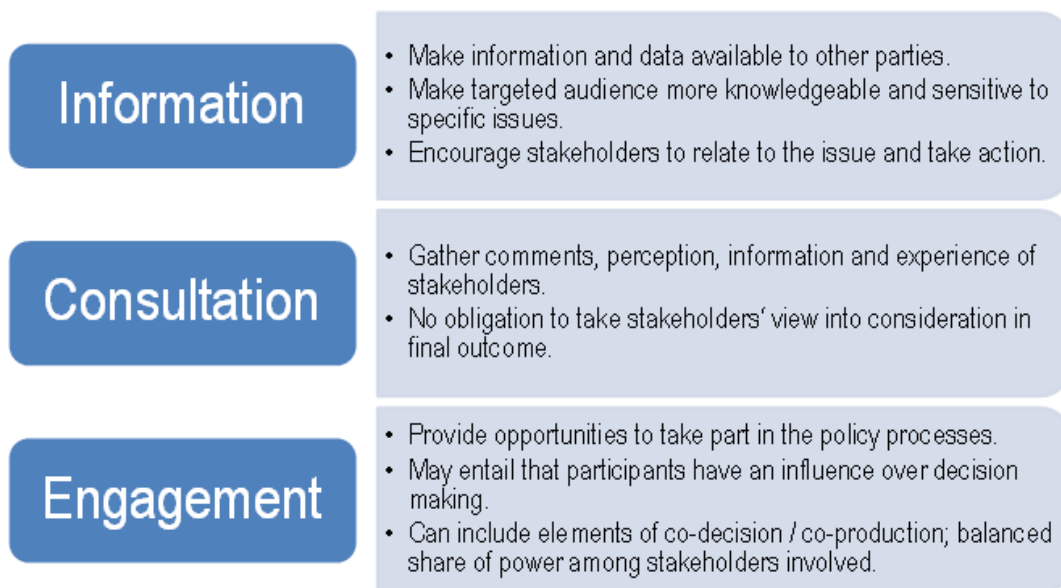
As done in the third NAP-cycle, Paraguay could also aim to make use of the design process of its fourth NAP to reach out to an even wider range of stakeholders and organise co-creation sessions across the entire country to engage citizens, CSOs, the private sector and academia from outside the capital. As in the third NAP which also

counted with a roundtable focused on local governments, concrete commitments focusing on open government at sub-national level would allow these actors to become more engaged. Some of the commitments could for instance focus on departments / municipalities that were not previously involved in the OGP process. Citizens and CSOs from outside of the capital could also be involved in the co-creation of a national Open Government Strategy, as done in Costa Rica and in Paraguay's process to design the National Development Plan 2030.

Stakeholder engagement in other policy processes

Stakeholder engagement in Paraguay exists in different areas: citizens can for instance participate in participatory budget processes (currently existing at municipal level), there are mandatory Parliamentary processes such as public hearings, and roundtables have been established by law in different policy areas. These formal mechanisms give citizens and the organised civil society the opportunity to participate in policy processes. However, most of these processes are not very visible and, in the majority of cases, participatory instances are spaces for “public accountability” rather than actual spaces for engagement. Hence, as in many countries, participation in Paraguay mainly focuses on the information and consultation stages on the imaginary ladder of participation practices (Figure 6.9).

Figure 6.9. The imaginary ladder of participation practices: Levels of stakeholder participation



Source: Adapted from OECD (2015a), “Policy shaping and policy making: The governance of inclusive growth”, background report to the Public Governance Ministerial Meeting, 28 October, www.oecd.org/governance/ministerial/the-governance-of-inclusive-growth.pdf

One notable exception is the *Equipo Nacional de Estrategia País* (ENEP – see chapter 2) which was created by Decree 1732 in 2014. While this chapter focuses on open government-related practices, the ENEP needs to be mentioned here because of its special status and because it is very much linked with the STP, the national open government leader. The ENEP's main task is to develop a vision of integral development for the

country with a view to overcoming poverty and guaranteeing the exercise of the human rights of the entire Paraguayan population (*Equipo Nacional de Estrategia País*, 2017).

The ENEP was one of the leading actors in the preparation of the National Development Plan Paraguay 2030 and functions as the “custodian” of the NDP. It supports the Plans’ design, communication and implementation in the various sectors of society, with the aim of converting the NDP into an actual State policy. The workshops that it facilitated at local level made a crucial contribution to the design of the NDP and allowed for the participation of citizens that would usually not have been involved.

The ENEP is composed of notable personalities from different parts of society: 1) social sector; 2) business and cooperatives; 3) scientific, academic and cultural sector; and 4) representatives of the Executive branch. This public-private participation between government and civil society, is supposed to “combine the experiences of the different sectors” and “facilitate and promote social dialogue as a way to achieve the agreements that society requires, as well as to resolve conflicts” (*Equipo Nacional de Estrategia País*, 2017). ENEP members are chosen by decree. They do not represent their respective organisations.

The ENEP is a vivid example of multi-stakeholder consultation and participation in Paraguay and could play a more active role in the country’s open government process. Its members could for instance be involved in the process to design a national Open Government Strategy. Given its high level of visibility and the importance of its members, the ENEP could be further used to organise ad hoc dialogues on pressing open government topics such as access to public information and anti-corruption. Participatory spaces such as the ENEP should be made full use and efforts should be made to guarantee its independence.

In general, and as discussed above, more efforts are needed to empower CSOs and citizens. This includes giving them more and better opportunities to participate in the policy-setting cycle more generally. The government of Paraguay has informed the OECD that it is already making use of the experience made in the co-creation process of the OGP Action Plans in its education reform process. The country could further “upscale” its OGP co-creation experience in other policy areas. The Civic Participatory Service Design Team in Korea provides an interesting example (Box 6.13).

Box 6.13. Civic Participatory Service Design Team in Korea

In an effort to engage more citizens in the policy design process, the Government of the Republic of Korea decided to launch a pilot project to form Civic Participatory Service Design Teams, whose members include the general public. The teams are organised to encourage citizens to participate in the design process for certain public policies or services.

The Civic Participatory Service Design Teams are composed of citizens (as customers), civil servants (as service providers) and experts. They play a role to design a new government policy or public service and improve any existing policy or service. For each policy task, conducted either by a central government agency or local government, about seven members assemble to form one team and work for about three to four months in various forms such as field studies, literature reviews and brainstorming sessions.

Furthermore, Civic Participatory Service Design Teams use service design methodologies to conduct research. Service design is well known as a tool to develop innovative services. Before service design methodologies were adopted, the Government struggled to understand what citizens actually needed. Rounds of interviews, surveys, and discussions only ended up with fragmentary and superficial results. Unlike other methodologies, service design involves methodologies to closely observe customer experience, behaviour, psychology and even surrounding environments in order to discover the hidden needs of customers.

In 2014, 19 central government agencies and 12 municipal or provincial governments piloted a service design programme with the Civic Participatory Service Design Teams, which produced satisfactory policy proposals that met the needs of the people. This pilot programme was significant in that citizens themselves served not as passive customers but as active participants in designing a public policy. This new model for policy establishment engaged citizens in the policy decision-making process as partners, thus innovating the ways of working in the public sector.

Thanks to the success of the pilot programme, the Civic Participatory Service Design Teams will be launched on a larger scale at various levels of government in 2015. To date, over 200 teams were formed to work on a policy proposal in nearly every policy area, including safety, public health, culture, social welfare, industry, energy, environment, transport, housing, education, and finance. The Government will provide steadfast support to the Civic Participatory Service Design Teams so that those teams will take root and grow to be a significant part of Korean society.

Source: OECD (2016d), *The Governance of Inclusive Growth: An Overview of Country Initiatives*, OECD Publishing, Paris

Moving towards an Open State

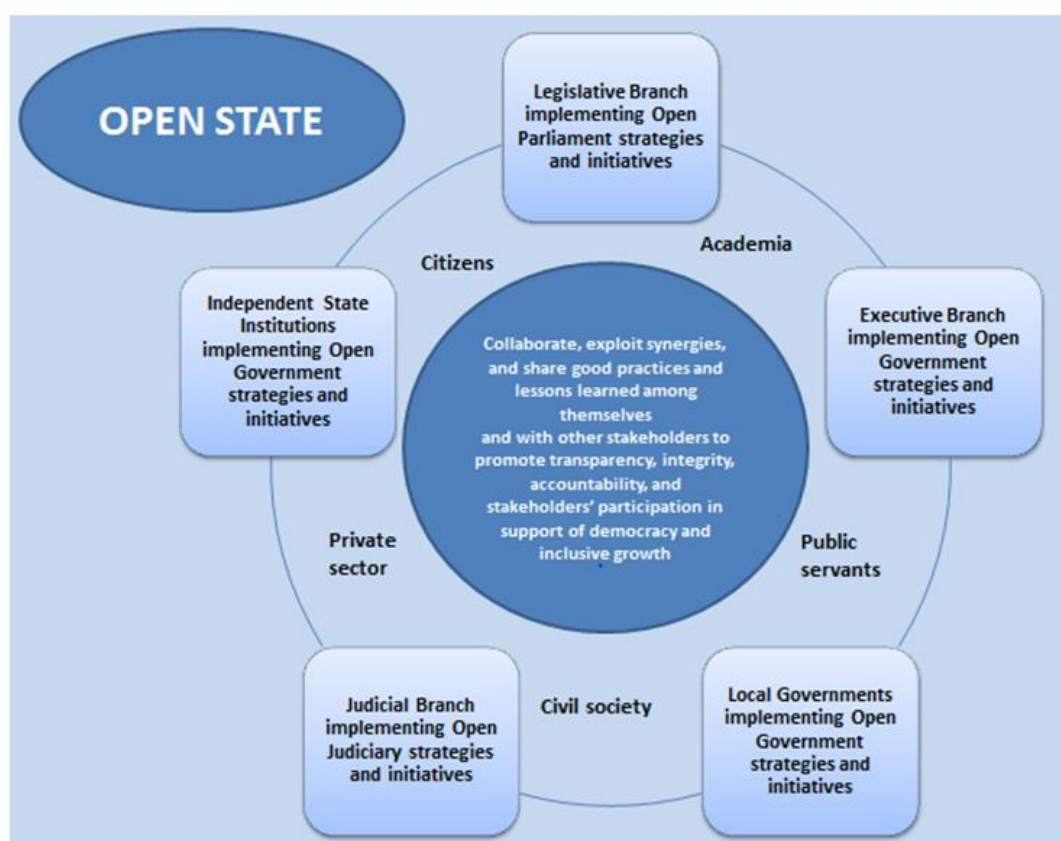
Box 6.14. Provision 10 of the OECD Recommendation of the Council on Open Government

“Promote a progressive move from the concept of open government toward that of open state, while recognising the respective roles, prerogatives and overall independence of all concerned parties.”

For many years, the global open government movement has focused its attention mainly on strategies and initiatives taken by the executive branch of the state. In the framework of the first Action Plans under the OGP, national ministries for instance committed to making data available or to providing better access to public information. These days, however, countries across the world are increasingly acknowledging that open government initiatives should not be seen as an endeavour that the executive branch pursues in isolation. Citizens, civil society organisations, the private sector and the media expect the same level of transparency, accountability and opportunities to participate in their interactions with the different actors that comprise a state.

As a reaction to this and as shown by the results of the 2016 OECD Report on Open Government, some countries have started mainstreaming open government principles and are moving towards a truly holistic approach to their efforts to foster transparency, integrity, accountability and stakeholder participation which also includes a wide variety of other actors. They are thereby moving towards what the OECD has termed an “Open State” (OECD, 2016) as illustrated in Figure 6.10.

Figure 6.10. The OECD Open State Approach



Source: Author's own elaboration

In its Recommendation by the Council on Open Government, the OECD defines the open state as follows: “When all public institutions of the executive, parliament, and the judiciary, independent public institutions, and all levels of government join forces and collaborate with civil society, academia, the media, and the private sector to design and

implement a reform agenda to make public governance more transparent, accountable and participatory." In this notion, while it is clear that the different branches of the state are and should be independent from each other, an entire society jointly develops a common understanding and commitment to more openness. As Oszlak (2017) points out, an open state is more than the sum of an open government, open judiciary and open parliament. It is about the joint commitment by all actors to convert the open government principles into the guiding principles of the entire country, making them part for the culture of citizens and all public servants.

In recent years, Paraguay has started taking first important steps towards the creation of an open state. For instance, different initiatives to foster open government at local level have been taken, the Parliament has its own open parliament initiative, the judiciary has included open government principles in its Institutional Strategic Plan and the third OGP Action Plan includes elements related to the participation of independent state institutions such as the Comptroller General (Contraloría).

Open Government at the Sub-national Level in Paraguay

Sub-national governments have to be key players when it comes to the implementation of open government strategies and initiatives. As far as their specific competences are concerned, when implementing them they are closest to citizens' needs and have the most direct interaction with them. As discussed in previous chapters, the OECD fact-finding mission had the opportunity to visit the Paraguayan Municipalities of Carayaó, Cecilio Báez, Ciudad del Este, and Minga Guazú and to gain an overview of existing open government practices at municipal level.

The visit to these Municipalities showed that Paraguay has made important progress in fostering open government at sub-national level. Most importantly, as already discussed in Chapter 3, Municipal Development Councils (Consejos de Desarrollo Municipal, MDC) have been created in almost all (232 out of 254) Municipalities and Departments (15 out of 17) since 2014. The Councils are quintessential open government tools and, once firmly established, have great potential to become important players in the promotion of open and participatory policy-making and service delivery at sub-national level. They bring together Municipal authorities (including the Mayor/*intendente*), the private sector as well as local civil society organisations.

The Councils meet regularly to discuss questions of relevance for the economic and social development of the Municipality. In accordance with their obligation under decree 4774 from 2016, 244 Municipalities in Paraguay have now elaborated Municipal Development Plans (MDP) which outline their strategic development priorities and are aligned with the National Development Plan. Departmental Development Councils (DDCs) have also been created at departmental level.

While the creation of the MDCs and DDCs is certainly an important step in the right direction, to date, the Councils' administration as well as the initiatives taken by them, including the MDPs, often remain underfunded. MDCs in many instances and especially in the poorest parts of the country, still lack dedicated staff and only a few of them have an actual Secretariat. Many of the MDPs are very ambitious but lack the resources to achieve their high objectives. This creates a potential threat as the MDCs and the MDPs they have adopted can raise expectations in the citizenry. If Councils do not deliver on those expectations, their activities have the potential to actually decrease citizens' trust.

Hence, there is a need for more support and guidance to MDCs from both the central and departmental governments. In line with commitments 4 and 5 of its third OGP Action Plan, the central government should continue its efforts to provide Municipal Development Councils with clear guidelines in order to support them. The government has already elaborated several manual that explains the functioning of the MDCs.

Now that most Municipalities have MDCs and MDPs in place, it will be important assess information on lessons learned in order to support continuous improvement of the Councils. In line with this consideration, the government could make use of the existing Network of MDCs which currently meets once a year. The Network could meet on a more regular basis and have a permanent secretariat that facilitates the exchange of experiences and peer-learning. Overall, the government could pursue its ambitious efforts to include the local level in the open state process. DMCs, MDCs and MDPs have the potential to significantly alter governance at local level in Paraguay over the next years.

Open government at sub-national level also depends to a large extend on the existence of a vibrant civil society community. In some parts of Paraguay, and in particular in Ciudad del Este, the OECD mission had the opportunity to interact with civil society organisations that use open government tools to promote the fight against corruption, citizens' control and transparency of the local authorities (Box 6.15). The government could make efforts to involve more of these local champion CSOs in the open government agenda.

Box 6.15. ReAcción – Monitoring of government spending through access to information and open data

ReAcción is a non-profit civil society organisation based in Ciudad del Este. The organisation has more than 5 years of experience promoting projects in the areas of citizen participation, transparency and good governance.

The organisation, composed mainly of young students, investigates the allocation of resources of the National Fund for Public Investment and Development (FONACIDE) in Ciudad del Este with the support of Transparency International.

The project ParaguaYOite promotes the monitoring of the administrative process and the allocation of FONACIDE resources in the city through the use of available open data and access to information requests. Students monitor the city's spending of the FONACIDE resources, point to irregularities and provide concrete recommendations to the authorities. The OECD mission had the opportunity to participate in a public session organised by FONACIDE. The meeting had a high level of visibility and counted with the participation of various members of the city council and of the media.

ReAcción is also involved in the OGP process and supports the implementation of the third National Action Plan.

Source: ReAcción (2017), Informe del Monitoreo de Ejecución Física del FONACIDE <https://reaccionpy.neocities.org/informe-mef-cde.html>

Open Parliament and Open Justice in Paraguay

Following the examples of Costa Rica and Chile, Paraguay's Congress has taken first steps towards increased openness. Paraguay's "Alliance for an Open Parliament" was

created in 2016 by members of Parliament, the administration of Parliament and various civil society organisations to foster “a new relationship between citizens and the Legislative Branch” (Legislative Assembly of Paraguay, 2017a). Its main objective is to “install the Open Parliament Alliance in Paraguay as platform of collaboration between civil society organisations, legislators and citizens in general in order to jointly promote a co-ordinated approach to openness in legislative institutions through the signing of a **declaration** that signals the commitment to develop a national Open Parliament agenda and that includes the creation of specific **action plans** through all available participation and dialogue mechanisms” (Legislative Assembly, 2017). The high-level Open Parliament Declaration that was signed by members of Parliament and civil society includes the commitment to “summon the other Powers of the State to install a joint working table where strategies are analysed and implemented (...)” (Legislative Assembly of Paraguay, 2017b).

In 2016, a first Open Parliament Action Plan was elaborated. The Plan was drafted jointly with civil society organisations and includes a number of commitments of the Congress (both Chambers together), the Senate, the Chamber of Deputies and of CSOs.

Moreover, in the framework of the Open Parliament initiative, an “Open Parliament Commission” was created in Congress. The Commission includes members of both chambers and has great potential to guide the country’s overall open state process over the next years. Parliamentary Commissions in Paraguay have the power to bring together actors from all branches as well as civil society. The country could consider renaming the Commission “National Open State Commission” and call for the participation of all branches of power as well as civil society in its sessions.

While less advanced than the Open Parliament initiative, Paraguay’s judicial branch is also experimenting with **Open Justice initiatives**. The branch’s Institutional Strategic Plan (*Plan Estratégico Institucional*, PEI), which was elaborated with the support of USAID and CEASMO (see above), includes open government principles as one of its axes. The plan makes extensive reference to transparency, integrity, accountability and participation and, if successfully implemented, has the potential to fundamentally change the functioning of the branch and its relationship with citizens.

The judicial branch is also working on its own digital government and open data initiatives and is increasingly reaching out to citizens via programmes such as “Justice in your neighbourhood” (*Justicia en tu barrio*). Moreover, there seems to be a general willingness in the judicial branch to join forces with the other branches of power and civil society in order to generate a truly holistic approach to open government principles in Paraguay. As a next step, the judicial branch could consider elaboration its own Open Justice Plan together with civil society and academia. Both the OGP process led by the National Government and the Alliance for an Open Parliament can provide important lessons.

Overall, these efforts by the other branches of power should be pursued. There is ample potential to better co-ordinate between all three branches and exchange experiences and good practices. As previously discussed, Paraguay could consider creating some kind of Open State Roundtable, either by extending participation in the existing OG Roundtable to the other branches; by inviting all branches to participate in the existing Parliamentary Commission on Open Government; or by creating an additional round that counts with the participation of representatives from all branches of power and other key stakeholders.

An Open State approach to the OGP Action Plan

OGP Action Plans can provide the opportunity for countries to experiment with open state practices and take initiatives that are implemented jointly by different branches of power, as done for instance in Costa Rica's third NAP. Paraguay's first two OGP Action Plans did not include any commitments made by institutions outside of the Executive branch. However, Paraguay's third OGP Action Plan for 2016-2018 identified the involvement of government institutions outside the executive branch and subnational governments as a major challenge for its open government process. For the first time, the third NAP included a commitment by an Independent State Institution, the Comptroller General. Furthermore, several goals of the plan include sub-national governments on issues such as participatory design of public policies and access to public information.

For its fourth NAP, due to be presented in 2018, the government of Paraguay could consider including concrete commitments by the other branches of power and an increasing number of commitments made by the sub-national level of government. Colombia's third OGP Action Plan entitled "Toward an Open State" (Government of Colombia, 2017) could provide an interesting example.

Recommendations

This chapter identifies a number of good practices in Paraguay that could inspire other countries from the region in their open government agendas. These good practices include the inclusion by the Government of Paraguay of open government principles in Paraguay's 2030 National Development Plan (NDP) and the strong link the country's OGP Action Plan has with the NDP, the creation of Municipal Development Councils and the ambitious ongoing open state agenda.

The chapter also discussed challenges that the government will need to address in order to foster institutionalisation and guarantee the sustainability of its efforts. In order to address these challenges, the OECD recommends that the government of Paraguay consider the following:

- **Co-create a single national definition of "Open Government"** together with all stakeholders. The National Open Government Roundtable (*Mesa Conjunta de Gobierno Abierto*) or the Parliamentary Commission on Open Government could provide the adequate forum for the development of such a definition.
- **Pursue efforts to link the OGP Action Plans with the national development agenda** by making sure that the fourth OGP Action Plan is also fully connected to the objectives of the National Development Plan Paraguay 2030.
 - **Make use** of the long-term framework provided by the National Development Plan to promote a long-term vision for open government in Paraguay that goes beyond the OGP Action Plan.
- **Co-create a single National Open Government Strategy (NOGS)** with all stakeholders, including the other branches of power; in order provide the missing link between the high-level commitments of the National Development Plan and short-term delivery-oriented commitments included in the biannual OGP Action Plans.
- **Make further efforts** to enhance the legal and regulatory framework for open government, including by working on regulation on stakeholder participation (as done by Colombia) and on a national archives law.

- **Harmonise** access to information legislation in order to create a more easily usable and understandable legal framework that provides the necessarily security and stability for all stakeholders.
- **Focus** on the effective implementation of the access to information legislation by providing incentives and considering the possibility of sanctions for non-compliance.
- **Provide** more human and financial resources to the office of the Ministry of Justice that is responsible for the implementation of the access to information legislation in order to improve the implementation of both laws.
- **Conduct** online and offline (i.e. public events etc.) outreach campaigns about the laws in order to make sure that citizens are well aware of their right to request and access information.
- **Involve the Secretariat for the Civil Service (SFP) even more actively** in the open government agenda (for instance by actively including it in a reformed Open Government Roundtable).
 - **Consider including Human Resources Management** elements in the fourth OGP Action Plan, for instance the promotion of regular open government trainings for new civil servants.
- **Extend the Open Government Roundtable's** responsibilities to the wider open government process of the country and review its composition in order for it to become the country's Open Government Steering Committee.
 - **Extend the Roundtable's representativeness and enhance its effectiveness** by selecting a number of key public institutions that represent the government's position in the Committee and by letting civil society organisations select a small number of organisations that participate in the sessions.
 - **Include actors from the private sector, the media, other branches of power as well as local government and local civil society organisations** in the Roundtable.
 - **Regulate** the functioning and the responsibilities of the Roundtable by decree (as done in Costa Rica) or through other regulation that is widely agreed on by all involved stakeholders in order to further institutionalise this important co-creation space and guarantee continuity of the country's open government agenda.
 - **Define sub-committees** of the Roundtable that are in charge of specific topics, such as access to information, open data and stakeholder participation.
- **Broaden the scope and functions of the *Equipo Nacional de Transparencia*** for it to become the government's internal open government decision-making body.
 - **Extend the responsibilities of the *Equipo Nacional de Transparencia*** to the wider open government agenda (including initiatives in the areas of transparency, integrity, accountability and stakeholder participation) and consider renaming it *Equipo Nacional de Gobierno Abierto*.
 - **Review the composition of the *Equipo*** and make sure that all relevant contributors to the country's open government agenda are members of it.
 - **Organise regular meetings of the *Equipo*** in order to facilitate the government's internal decision-making process on open government principles.
- **Diversify the range of donors supporting the national open government agenda** in order to reduce the dependency on Official Development Assistance from a single country.

- **Improve the monitoring and evaluation of open government strategies and initiatives.**
 - **Enhance the participation in monitoring activities of civil society** and of academia, including through the creation of strategic alliances with universities to enrich monitoring activities.
 - **Consider communicating results of monitoring activities** more widely across the entire state apparatus in order to maintain the momentum of open government strategies and initiatives and people's confidence in them.
 - **Give civil society the opportunity to provide feedback** on the government's monitoring.
 - **Link the monitoring and evaluation of the OGP Action more strongly to the M&E of the NDP** in order to ensure that all efforts go in the same direction.
- **Continue the ongoing move to bring the benefits of open government to the sub-national level.**
 - **Provide more technical support and guidance to Departmental and Municipal Development Councils**, including through the elaboration of clearer guidelines (for instance in the form of a handbook) in order to support their functioning.
 - **Consider using existing networks of Departmental and Municipal Development Councils more actively** in order for them to exchange experiences and learn from each other.
 - **Engage** citizens and CSOs from outside of the capital in the co-creation of the fourth OGP Action Plan and in the creation of a National Open Government Strategy.
 - **Consider including** concrete commitments focusing on open government at sub-national level in the fourth OGP Action Plan in order to allow these actors to become more engaged.
- **Foster open government communication**, including by creating an integrated Open State website for the country that includes information on initiatives taken by all branches of power in order to create synergies between the initiatives and give citizens a single entry point to the state's efforts to promote open government principles.
- **Continue empowering civil society organisations and citizens**, including by giving them more and better opportunities to participate in policy cycles outside of the OGP process.
 - **Make use of the first experiences made with co-creation in the framework of the OGP Action Plans.** The experience could be "unscaled" and used in other policy areas.
- **Continue the ongoing move towards an "Open State".**
 - **Consider including concrete commitments by the other branches of power** made by the sub-national level of government in the fourth OGP Action Plan.
 - **Continue the ongoing Open Parliament efforts** and make sure to exploit synergies with the Executive's open government agenda.
 - **Consider renaming the Parliamentary Open Government Commission "National Open State Commission"** and calling for the participation of all branches of power as well as civil society in its sessions.

- **Consider designing an Open Justice Plan together with civil society and academia.** Both the OGP process led by the National Government and the Alliance for an Open Parliament can provide important lessons.

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Paraguay

PURSUING NATIONAL DEVELOPMENT THROUGH INTEGRATED PUBLIC GOVERNANCE

Paraguay has identified public governance reform as an important tool for achieving sustainable and inclusive growth. This review examines areas of public governance such as co-ordination across administrative silos, strengthening links between budgeting and planning, and enhancing the decentralisation process to improve development outcomes in all regions of the country. It also assesses the management of the civil service, as well as the implementation of open government strategies and initiatives to involve citizens and businesses in the policy cycle. This review provides concrete recommendations to support public governance reform in Paraguay.

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