

Program Evaluation Report, Paraguay: Economic Crimes

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BIXAL



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Acronyms

AML/CFT	Anti-Money Laundering and Countering the Financing of Terrorism
CBP	Central Bank of Paraguay
DNFBP	Designated Non-Financial Businesses and Professions
ECT	Economic Crimes Team
EQ	Evaluation Question
FATAA	Foreign Aid Transparency and Accountability Act
FATF	Financial Action Task Force
FCWG	Financial Crimes Working Group
FinCEN	Financial Crimes Enforcement Network
FIU	Financial Intelligence Unit
FSRB	FATF-style regional body
GAFILAT	Latin American Financial Action Task Force
IMF	International Monetary Fund
INL	Bureau of International Narcotics and Law Enforcement Affairs
KII	Key Informant Interview
M&E	Monitoring and Evaluation
MER	Mutual Evaluation Report
OTA	Office of Technical Assistance
PM	Public Ministry (prosecutor's office)
RA	Resident Advisor
SENABICO	National Secretariat for the Administration of Seized and Forfeited Assets
SENAD	National Anti-Narcotics Secretariat
SEPRELAD	Secretariat for the Prevention of Money or Property Laundering
SET	Undersecretary of State for Taxation
STR	Suspicious Transaction Report
TA	Technical Assistance
USAID	United States Agency for International Development



I. Executive Summary

Background

The Department of the Treasury’s Office of Technical Assistance (OTA) provided technical assistance in anti-money laundering and countering the financing of terrorism (AML/CFT) to Paraguay between 2015–2019. In this initiative, OTA has engaged Resident and Intermittent Advisors who have worked closely with counterparts in the Secretariat for the Prevention of Money or Property Laundering (SEPRELAD), the Central Bank of Paraguay (CBP), and the Public Ministry (PM). For four years, OTA’s Economic Crimes Team (ECT) assistance focused on improving the effectiveness of the Financial Intelligence Unit (FIU), money-laundering case development, asset recovery and management, and AML/CFT supervision. ECT assistance aimed to give counterparts a better understanding of the role of the FIU in Paraguay’s AML/CFT system and the importance of interagency collaboration. In accordance with Foreign Aid Transparency and Accountability Act (FATAA) requirements, Bixal implemented a summative evaluation of OTA’s Paraguay Economic Crimes program based on the evaluation questions (EQs) listed below.

The evaluation of OTA/Paraguay’s Economic Crimes Programs serves two purposes: 1) ensure compliance with the Foreign Aid Transparency and Accountability Act of 2016,¹ which includes requirements to evaluate the outcomes and impacts of OTA’s programs, and 2) provide OTA with in-depth, third-party, retrospective insights of its Economic Crimes program activities in Paraguay and lessons learned for future programming.

The qualitative evaluation methods include a desk review of OTA’s Paraguay project documents, key informant interviews (KIIs) with, among others, OTA Advisors, OTA’s counterparts from SEPRELAD and CBP, and other constituents. KIIs were conducted on-site in Asunción and virtually.

Evaluation Questions

Bixal’s evaluation team collaborated with OTA’s Monitoring and Evaluation (M&E) and ECTs to develop the following evaluation questions (EQs) to better understand OTA’s work in Paraguay.

¹ Foreign Aid Transparency and Accountability Act of 2016, Public Law 114–191.
<https://www.congress.gov/114/plaws/publ191/PLAW-114publ191.pdf>



EQ1: To what extent has the ECT achieved the four project objectives as defined in the Paraguay yearly workplans? In which areas was the ECT the most successful: ²

- Increasing the effectiveness of Paraguay’s FIU analysis and reporting
- Strengthening the AML/CFT supervision of financial and non-financial sectors
- Improving AML/CFT case development and creating a financial crimes task force
- Developing an asset forfeiture and recovery program

EQ2: Which of the ECT’s project objectives in Paraguay have been sustained over time and why?

EQ3: Which of the ECT’s program objectives were not achieved and why?

Summary of Findings and Conclusions

EQ1: To what extent has the ECT achieved the four project objectives as defined in the Paraguay yearly workplans? In which areas was the ECT the most successful?

The ECT helped to improve the FIU’s analysis and reporting functions. Prior to the outset of the Project, SEPRELAD viewed its primary function as passing on to the PM suspicious transactions reports (STRs) submitted to SEPRELAD by obliged entities. SEPRELAD provided sparse analysis or inquiry regarding suspicious patterns of activity that would guide the prosecutors in building cases. ECT provided training in targeted areas, such as indicators used for detecting and investigating suspicious activity, remittances, and offshore transactions, and worked with SEPRELAD analysts to help them develop their analytical skills. While there is still work to be done, interviewees and ECT Advisors agreed that the SEPRELAD reports had improved. This was the project objective in which, in the evaluation team’s judgment, ECT achieved the most success. While SEPRELAD’s capacity for reporting improved, its effectiveness in its role as Paraguay’s FIU within the overall AML/CFT system is still limited. This is due to a disagreement with the PM (i.e., prosecutors) about SEPRELAD’s reports. Respondents from the PM claimed that SEPRELAD’s reports remain insufficient for their needs but did not offer specifics or examples.

The ECT also facilitated the creation of a financial crimes working group (FCWG) that convened regularly when OTA was present in the country. However, the overall effectiveness of the FCWG on AML/CFT case development is not clear; meetings have been irregular since the end of the project due, in part, to a change in the government and the departure of several

² OTA Economic Crimes Team internal document, *2018 Workplan: Paraguay 2019 Work Plan*



prosecutors. As a result, the group's current and future impact on AML/CFT case development and the system overall remains to be seen.

The ECT was instrumental in helping Paraguay's asset management agency, the National Secretariat for the Administration of Seized and Forfeited Assets, manage seized assets. However, the existing legal framework did not permit the asset forfeiture function that had been contemplated at the Project's outset.

EQ2: Which of the ECT's project objectives in Paraguay have been sustained over time and why?

Two factors are particularly important for sustainability of the project objectives: 1) a solid legal foundation to support AML/CFT actions; and 2) cooperation between the various component agencies within Paraguay's AML/CFT system.

While the ECT's support for improving the AML/CFT legal and regulatory foundation was not a formal part of the project objectives, this assistance was necessary in the early stages of OTA's project for the AML/CFT system to function legally and effectively, as a base-level prerequisite for the advancement of the project objectives. ECT Advisors provided input into the legislative changes that were under consideration during the term of the project. While ECT Advisors did not draft laws or regulations, they raised awareness of the need for legislation that provides the legal authority for the kinds of powers Paraguay's AML/CFT needs to have to implement international AML/CFT standards, as recommended by the FATF. The package of 10 new laws passed in 2020 considerably improved Paraguay's AML/CFT legal framework and is fundamental to the sustainability of all four project objectives.

However, the AML/CFT system's future sustainability will also depend on its regulated entities' understanding of the law as well as the political will to enforce it.

The ECT recognized effective cooperation between AML/CFT agencies as another critical underlying condition to the overall development and sustainability of Paraguay's AML/CFT success. To address the limitations posed by interagency cooperation, the ECT established the FCWG and fostered relationships between SEPRELAD and other agencies. The ECT's success in addressing this fundamental limitation, which is instrumental to OTA's project objectives, is reflected in Paraguay's improved standing and removal from FATF's "grey list". The foundation for sustainability exists, but real sustainability will depend on the willingness of the Paraguayan counterparts to maintain the momentum now that the ECT Advisors have left.

EQ3: Which of the ECT's project objectives were not achieved and why?

OTA's objective of strengthening the AML/CFT supervision of financial and non-financial sectors was partially achieved. The CBP believes that it has a risk-based supervision framework in place and has declined technical assistance (TA) from OTA for reasons that were not shared



by respondents from the CBP when asked by the evaluation team. However, OTA Advisors participated in bank examinations and provided mentoring to CBP examiners.

OTA's objective to improve AML/CFT case development and create a financial crimes task force was partially achieved.³ The ECT established the FCWG, which met regularly during the project and still meets occasionally. Interagency relationships, however, continue to be an issue for Paraguay's overall efficacy since OTA's program ended and a new government has replaced key individuals, particularly within the PM's office.

Developing an asset forfeiture and recovery program has been partially achieved. While the ECT assisted with asset management policies and practices, Paraguay's legal framework in place during OTA's project did not include provisions for the effective implementation of the asset forfeiture objective.

Summary of Recommendations

Based on the evaluation findings, the evaluation team suggests that OTA consider the following recommendations that can apply to continued assistance in Paraguay and/or similar ECT programs in other countries:

- Engage with the leadership of other AML/CFT system constituents in formal agreements with specific expectations, (e.g., the PM and the CBP) in addition to the primary focus on the FIU in program planning and technical assistance implementation. This includes looking for opportunities to assist supervisory authorities in other financial and non-financial sectors and identifying objectives that focus on establishing formal memoranda of understanding and relationships between agencies that are independent of individuals who come and go with government transitions.
- Include opportunities to review program strategies and make mid-course corrections in response to changing circumstances. While this is ostensibly done periodically through meetings (three times annually), documenting the changes would be helpful to document decisions made and preserve project knowledge and context when OTA staff changes over the life of the project.

³ Originally called the financial crimes task force, the name was changed in 2016 to emphasize that the group would take on issues that could be solved by TA, and not be operationally focused.



II. OTA/Paraguay Economic Crimes Program Summary

Overview

The Economic Crimes Team (ECT) project in Paraguay began with a technical assistance (TA) request to the Office of Technical Assistance (OTA) in the fall of 2013 by the Government of Paraguay for an anti-money laundering and countering the financing of terrorism (AML/CFT) TA project. ECT conducted an assessment of the project that included the key constituent agencies and highlighted concerns about political-level support for AML/CFT reforms, noting Paraguay's "dismal" enforcement record. OTA proposed a plan to provide TA to Paraguay's Secretariat for the Prevention of Money or Property Laundering (SEPRELAD), a core agency within Paraguay's AML/CFT system, as the ECT's principal counterpart agency.

Concurrent with OTA's assessment, the U.S. Department of State (State) offered to fund two years of ECT programmatic activities in Paraguay through a combination of several unspent accounts that consisted of funds administered by Paraguay's International Narcotics and Law (INL) Enforcement Section, which at the time was ending. Following discussions with the SEPRELAD's (now former) Minister, the ECT opted to commence the engagement on an intermittent basis with the possibility of expanding the project later to a resident engagement. Following the signing of an interagency agreement between State and Paraguay's INL in October 2014, the ECT conducted a candidate mission for the then-Team Lead Advisor in March 2015. ECT's Lead Advisor led the project until April 2016, taking three-week trips to Paraguay approximately once per quarter.⁴

The ECT began providing AML/CFT assistance to Paraguay through Intermittent, Non-Resident Advisors (RAs) in March 2015, and by May 2017 transitioned to an RA-based engagement model. From 2015 to 2019, OTA's project objectives improved the effectiveness of SEPRELAD, Paraguay's FIU; money laundering case development; asset and management; and AML/CFT supervision. However, by mid-2018, OTA was concerned that SEPRELAD, as an agency, was still not able to assume its central role within Paraguay's AML/CFT system and considered suspending or closing OTA's engagement because of a lack of traction or impact. Inadequate coordination and collaboration between SEPERLAD and its constituent agencies remained critical constraints to implementing an effective AML/CFT system.

⁴ The delay between the signing of the interagency agreement in October 2014 and the project launch in March 2015 was due to two reasons. OTA takes approximately two months to internally process incoming funding to make available for travel by Advisors (this process was completed by December 2015), and the U.S. Embassy Asunción and SEPRELAD requested that the project commence following the Paraguayan summer holidays, which typically conclude by mid-February.



In June 2018, in advance of his inauguration, the then-President Elect Benitez appointed a Central Banker to take over leadership of SEPRELAD once his new administration took office on August 15, 2018. The new Minister-Elect immediately began working with OTA's ECT RA to gain a better understanding of her new role and planned assistance activities. ECT became increasingly optimistic that the new administration represented an opportunity to gain better traction with counterparts. A program review in August 2018 just prior to the inauguration confirmed the ECT's optimism.⁵

SEPRELAD's new Minister demonstrated an eagerness for and ability to make good use of ECT assistance and established frequent standing meetings with key counterparts to discuss coordination issues, which the ECT's RA helped facilitate. SEPRELAD also entered into an updated memorandum of understanding (MOU) with other constituent agencies which, among other improvements, allowed SEPRELAD to share information more proactively. SEPRELAD's Minister also empowered staff to reach out to constituent partner agencies, and with guidance from the ECT, incorporated their feedback to improve the FIU's business processes. SEPRELAD added new analytical staff that were trained and mentored by the ECT.

The ECT also engaged with the newly appointed Chief Money Laundering Prosecutor at the Public Ministry (PM) to assist new personnel with financial crimes prosecutions. PM staff working in money laundering began to participate regularly with an interagency financial crimes working group (FCWG) that had been earlier proposed by the ECT and eventually formed in 2018.⁶

In contrast, the ECT struggled to gain traction with the Central Bank of Paraguay (CBP) to support its supervisory role within the AML/CFT system. While coordination with SEPRELAD was improved during the program, OTA's August 2018 program review reported that ECT discussed its concerns with CBP officials that CBP had not adequately adopted a risk-based approach to AML/CFT supervision that met international standards. However, CBP did not agree with OTA's assessment and declined to engage formally with ECT or accept any TA from OTA.⁷

⁵ OTA Economic Crimes Team internal document, *2018 Advisor Monthly Report*: 201808_paraguay_ect_mr_rhoades

⁶ OTA Economic Crimes Team internal document, *2018 Advisor Monthly Report*: 201803_paraguay_ect_mr_rhoades

⁷ OTA Economic Crimes Team internal document, *2018 Program Review*: 201906_paraguay_ect_pr_schenck_youngblood



Project Objectives

OTA identified four project objectives for the ECT program in Paraguay.

Project objective 1: Increasing the effectiveness of SEPRELAD’s analysis and reporting

The purpose of this project objective was to foster a better understanding between SEPRELAD and the PM regarding the content and quality of SEPRELAD’s investigative research reports. The ECT learned from discussions with senior Paraguayan officials from several constituent agencies that prosecutors were trying to use SEPRELAD’s background and intelligence reports as complete evidence for their cases, rather than as a starting point for collecting evidence for their own investigations. Several counterparts from different constituent agencies remarked that, from their perspective, SEREPLAD’s products were incomplete and insufficient for the PM to use to prosecute cases. One interview respondent said that SEPRELAD’s reports needed to at least help prosecutors understand a connection between its investigative background research and a potential financial crime. A SEPRELAD interview respondent said its analysts were intelligent and capable but lacked an “analytical mindset.” The respondent described how the analysts had benefited from internal training courses developed by SEPRELAD, but that they still struggled to make the leap from the principles learned from training to putting them into practice.⁸

Project objective 2: Strengthening the AML/CFT supervision of financial and non-financial sectors

In the past, a compliance-based approach that sets specific rules and standards and then analyzes transactions against them was the most common approach to, and considered sufficient for, AML/CFT in most countries, including Paraguay. An obliged transactional entity that was compliant with standard specific rules was considered operating safely and managing its risks appropriately. However, this traditional rules-based approach is no longer sufficient to combat money laundering and terrorist financing in the modern financial environment. Increasingly, countries around the world have adopted a risk-based approach to AML/CFT supervision, which requires more sophisticated investigative research to identify money laundering and finance of terrorism risks and updated policies and procedures that obliged transactional entities needed to mitigate risks.

Project objective 2 intended to help bring Paraguay into harmony with the international standards established by Financial Action Task Force (FATF) recommendations regarding supervision of obliged entities. Since 2012, FATF has considered a traditional risk-based approach as the

⁸ OTA Economic Crimes Team internal document, *2015 Advisor Trip Report*: 201503_paraguay_ect_tr_hayden_irmen



“essential foundation” for compliance with international standards established by FATF,⁹ as part of the analysis of institutions’ AML/CFT framework in their overall supervisory programs.¹⁰

Paraguay had been rated non-compliant with (former) FATF Recommendation 23 (Regulation and supervision of financial institutions) in its third-round (2008) Mutual Evaluation Report (MER) by the Latin American Financial Action Task Force (GAFILAT), which assessed Paraguay’s AML/CFT system and practices against international minimal performance standards.¹¹ Paraguay also had been rated non-compliant with former FATF Recommendation 24 (Regulation and supervision of designated non-financial businesses and professions or [DNFBPs]) in its third-round MER.¹²

Project objective 3: Improving AML/CFT case development and creating a financial crimes working group

The premise of project objective 3 was that Paraguay lacked adequate capacity to investigate and prosecute money-laundering crimes. Historically, the number of investigations, prosecutions, and convictions in Paraguay has been low. As the U.S. Bureau of International Narcotics and Law Enforcement Affairs (INL) noted in 2016:

“Although the Government of Paraguay is making progress in improving its AML/CFT system, concerns remain regarding the country’s ability to identify, investigate, and prosecute money laundering and related crimes effectively.”¹³

The INL also noted Paraguayan prosecutors’ limited resources for investigating and prosecuting financial crimes cases, and the lack of a formal system for tracking money-laundering cases. The aim of this project objective was to create a financial crimes task force (or working group) that would meet regularly and develop a case-tracking mechanism and operations manual.

⁹ FATF. 2012 (updated 2019). *International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation – The FATF Recommendations*, Recommendation 1 (Assessing risks and applying a risk-based approach).

¹⁰ Basel Committee on Banking Supervision. 2012. *Core Principles for Effective Banking Supervision* (Principle 29, Abuse of Financial Services); International Association of Insurance Supervisors. 2018. *Insurance Core Principles* (ICP 22, Anti-Money Laundering and Combatting the Financing of Terrorism); International Organization of Securities Commissions (IOSCO). 2005. *Anti-Money Laundering Guidance for Collective Investment Schemes*.

¹¹ 2021. MER, p. 284. See Annex F for a description of the GAFILAT evaluation and FATF.

¹² 2022. MER, p. 292.

¹³ Bureau of International Narcotics and Law Enforcement Affairs. *2016 International Narcotics Control Strategy Report (INCSR) – Countries/Jurisdictions of Primary Concern – Paraguay*.



Project objective 4: Developing an asset forfeiture and recovery program

At OTA's program inception, Paraguay had not enacted an asset forfeiture law, although the need for Paraguayan authorities to be able to seize, manage, and forfeit assets was well recognized, particularly among investigators and prosecutors. A bill had been introduced to Paraguay's Congress and approved by the House but had not been approved by the Senate. SEPRELAD and other constituent agencies, including the National Anti-Narcotics Secretariat (SENAD), had been working with the Organization of American States' Inter-American Drug Abuse Control Commission's Seized and Forfeited Asset Management Project on drafting the law and standing up a corresponding asset management agency. The aim of this project objective was to develop an asset recovery manual that would identify remedies to existing impediments.

The workplan described the key challenges facing Paraguay in its effort to build an effective AML/CFT system. It also proposed capacity building activities designed to support the government of Paraguay to address these challenges and bring Paraguay into greater compliance with the FATF recommendations. For each project objective, the workplan set out the specific challenges, objectives, and activities, with target dates and deliverables.¹⁴

III. Evaluation Findings and Conclusions

Discussion of the evaluation's findings and conclusions in this section follow each of OTA's three evaluation questions:

EQ1: To what extent has the ECT achieved the four project objectives as defined in the Paraguay yearly workplans? In which areas was the ECT the most successful?¹⁵

EQ2: Which of the ECT's project objectives in Paraguay have been sustained over time and why?

EQ3: Which of the ECT's program objectives were not achieved and why?

Following the discussion of the evaluation team's findings, this section will also provide a brief discussion of the recent GAFILAT Mutual Evaluation Report (MER) of Paraguay's AML/CFT system which further supports aspects of the evaluation's findings and represents a milestone achievement for the country.

¹⁴ OTA Economic Crimes Team internal document, *2015 Trip Report: 201503_paraguay_ect_tr_hayden_irmen*

¹⁵ OTA Economic Crimes Team internal document, *2018 Workplan: Paraguay 2019 Work Plan*



EQ1: To what extent has the ECT achieved the four project objectives as defined in the Paraguay yearly workplans? In which areas was the ECT the most successful?

This section discusses findings for EQ1, which follow the ECT’s four project objectives as defined in the Paraguay workplan.¹⁶

Overall, the ECT achieved the greatest degree of success with project objective 1 (increasing the effectiveness of SEPRELAD’s analysis and reporting), based on a consensus view among the counterparts, further supported by Advisors’ own assessments, that SEPRELAD’s analytical and reporting capacity significantly improved because of the ECT’s TA. The ECT Advisors provided valuable training and mentoring to the SEPRELAD staff to enable a transformation from merely passing along STRs to providing insights and perspectives to aid the PM in developing cases.

However, this success in capacity building is tempered by an ongoing issue with the PM’s limited use of SEPRELAD’s reports to develop and prosecute increased numbers of cases. Project objective 1 is discussed in more detail below.

Project objective 1: Increasing the effectiveness of SEPRELAD’s analysis and reporting

Finding: The ECT helped to improve the FIU’s capacity for analysis and reporting.

OTA’s TA improved SEPRELAD’s capacity for analysis and reporting by:

- Expanding SEPRELAD’s analytical and reporting capacity from providing STRs to the PM to more extensive intelligence analysis
- Creating a strategic analysis unit within SEPRELAD
- Providing training in targeted areas such as indicators used for detecting and investigating suspicious activity, remittances, and offshore transactions

SEPRELAD improved the quality of its financial analysis during the ECT’s program by increasing its access to AML/CFT information and improving its use of open-source data to develop financial intelligence. The evaluation team spoke with former prosecutors who now work in other agencies in the AML/CFT system, and they confirmed that they collaborated with SEPRELAD in their past PM role, and that they noticed an improvement in the quality of SEPRELAD’s reporting during the ECT’s tenure in Paraguay. This was corroborated by OTA’s

¹⁶ OTA Economic Crimes Team internal document, *2018 Work Plan: Paraguay 2019 Work Plan*



2017 program review, which noted that SEPRELAD’s role was initially limited to disseminating STRs then later expanded to producing more comprehensive financial intelligence reports.¹⁷

Improved Analytical Capacity

In 2017, as OTA transitioned from using Intermittent Advisors to an RA, the ECT’s primary TA approach shifted from knowledge-sharing best practices to a more consultative role in helping analyze the information that SEPRELAD was collecting and providing expert insights on how that information could be used.¹⁸ The ECT’s SEPRELAD counterparts were effusive in their praise of the OTA’s RA and his role in SEPRELAD’s transformation to an enhanced, intelligence-focused FIU. The GAFILAT 2021 MER found that Paraguay’s AML/CFT system had improved significantly since its last evaluation. Its discussion noted that SEPRELAD’s financial intelligence reports add value through its use of a wide range of sources of information and contributes to the working groups established for the investigation of emblematic cases by the Attorney General’s Office. A former senior SEPRELAD official noted that without the OTA RA’s assistance, Paraguay would not have passed the 2021 GAFILAT MER, which indicated an overall score of “moderate” level.

Creating a Strategic Analysis Unit Within SEPRELAD

At the program’s inception, SEPRELAD’s analysis was limited and was a key focus area for the ECT. Typically, in most countries, the role of an FIU is to develop financial intelligence, which has two components:

- Operational intelligence analyzes specific suspicious transactions and identifies people, cross-border transactions, and other information to identify whether there is an ML and financing of terrorism or predicate offense case to be presented to the Prosecutors.
- Strategic analysis helps to identify general patterns, typologies, risks, and other more structural elements that can lead to strategic planning, or even policy decisions.

OTA’s Advisors were instrumental in promoting the creation of a strategic analysis unit within SEPRELAD. The 2018 Resolution 14/18 of the Criminal Code, among other actions, created this unit as a structural reform. The unit is now in charge of developing typologies, identifying red flags, and providing feedback and training to reporting entities. OTA Advisors helped the newly developed unit to understand and develop its new role. Multiple interview respondents

¹⁷ OTA Economic Crimes Team internal document, *2017 Program Review*: 201707_paraguay_ect_pr_schenck_youngblood

¹⁸ OTA Economic Crimes Team internal document, *2017 Advisor Monthly Report*: 201705_paraguay_ect_mr_rhoades



confirmed the importance of OTA's advice for creating SEPRELAD's active strategic analysis unit.

Targeted Training

In addition to the ECT's contributions to SEPRELAD's improved reports and analysis capabilities previously described, Advisors also provided other training to SEPRELAD targeted to address the key skill areas listed below. However, the details including the quality of the ECT's trainings, while generally referred to in positive terms by the counterparts, are unknown. The evaluation findings related to the ECT's training activities are based on brief descriptions in the project documents provided by OTA as well as interviews with Advisors and their counterparts. However, documentation or training materials were not available to the evaluation team, such as curricula, training designs or objectives with topic details, participant lists, post-training feedback, or any training follow-up. As a result, there are no findings related to quality, utility, or participation regarding the ECT's training activities.

Financial intelligence reports: The ECT organized a series of weekly training events on financial intelligence reports that included the entire SEPRELAD team. The ECT trained SEPRELAD in important tools to research and analyze information, including information from external sources such as Google Maps, the U.S. Financial Crimes Enforcement Network, and other agencies within and outside of Paraguay. The training focused on establishing links among sources, focusing on relevant conclusions, completing reports, and closing cases. Other training subjects included coordination with other constituent agencies. A former senior SEPRELAD official told the evaluation team that the reports were strengthened tremendously due to the OTA Advisor's training. Another senior SEPRELAD official noted that the ECT Advisor had a greater perspective on how to analyze cases to generate better reports, and that the PM also received guidance from the ECT Advisor regarding how to approach the reports received from SEPRELAD.

Suspicious activity indicators: OTA Advisors also provided training on common indicators used by counterpart AML/CFT practitioners outside Paraguay to detect, analyze, investigate, and prosecute suspicious activity that could be included in SEPRELAD's Suspicious Transaction Report (STR) Quality Assessment Matrix.¹⁹ Prior to the training, the SEPRELAD matrix did not include any indicators concerning the financial or economic behavior of the individuals conducting suspicious transactions, which is a major component in evaluating suspicious

¹⁹ The STR Quality Assessment Matrix was introduced in 2017 by Resolution 232/17. According to this instrument, the quality level of STRs is determined by weighting factors such as coherence, clarity, completeness, and relevance; origin and destination of funds; typologies; and due diligence. GAFILAT. 2022. *Mutual Evaluation Report of the Republic of Paraguay*, p. 62.



activity.²⁰ SEPRELAD’s use of the matrix was one factor in GAFILAT’s determination that Paraguay is compliant with FATF Recommendation 34 (Guidance and Feedback).²¹

Remittances risks: In addition to training on financial intelligence reports, OTA Advisors also provided training on risks relating to remittances. A SEPRELAD interview respondent noted that the Advisor’s experience helped SEPRELAD understand other types of obligated transaction entities beyond the formal financial sector. The training extended SEPRELAD’s awareness of the need to research information from online and other public sources, such as information from foreign counterpart; FIUs, such as the Financial Crimes Enforcement Network (FinCEN) in the United States; and other AML/CFT agencies and private sector sources within Paraguay.

Offshore Transactions: At SEPRELAD’s request, OTA Advisors also provided training on risks and suspicious transactions inherent with offshore transactions. SEPRELAD analysts frequently confront offshore entities during the analysis of STRs related to money laundering and terrorist financing.

International Cross-Training Opportunities

The ECT arranged visits to other countries for SEPRELAD analysts to be trained in research, analysis, reporting, and financial supervision. Almost 90% of the key AML/CFT officials participated in these opportunities, according to a counterpart official. Opportunities included training for prosecutors at Paraguay’s borders. A former SEPRELAD official noted that this was a valuable training opportunity for judges and prosecutors in the border regions.

Finding: OTA helped enhance SEPRELAD’s prominence and stature in the AML/CFT system.

Many counterpart respondents said OTA’s assistance helped improve SEPRELAD’s prominence and stature within the AML/CFT community. One respondent said, from his perspective at the Customs Authority, that he has a better understanding of SEPRELAD’s central role within the AML/CFT system because of the Advisor’s influence. A senior CBP official also said that the work of the OTA Advisor was a very important link in fostering relationships among SEPRELAD, the PM, the Supreme Court of Justice, and others such as the Supervisor of Cooperatives. The CBP official described past friction between SEPRELAD and some other agencies, such as the PM and the Judiciary, and that the OTA RA “smoothed out those rough edges.”

²⁰ OTA Economic Crimes Team internal document, *2015 Advisor Trip Report: 201508_paraguay_ect_tr_hayden_neau*

²¹ GAFILAT. 2022. *Mutual Evaluation Report of the Republic of Paraguay*, p. 311.



Finding: SEPRELAD's effectiveness is constrained by the limited use of its reports by the PM for case development.

Despite the significant improvements in SEPRELAD's capacity for analysis and reporting, the FIU's overall effectiveness is constrained by the PM's limited use of its reports for case development and prosecution. SEPRELAD's counterparts discussed an ongoing dispute between SEPRELAD and the PM's office regarding the utility of its reports. The evaluation team did not have access to the SEPRELAD's confidential reports; therefore, it is not possible to form a definitive conclusion about the prosecutor's concerns. However, some insights about this core issue emerged during the evaluation process.

For example, the PM disparaged SEPRELAD's work as insufficient for the prosecutors to develop cases. While the source of the tension between the agencies was not fully understood by the evaluation team, the political context in Paraguay, as discussed by several counterparts, has a large impact on the relationships, such as those between SEPRELAD and the PM. Both PM officials with whom the evaluation team met were high-level officials and not "hands-on" prosecutors. The evaluation team was unable to speak to active prosecutors with whom SEPRELAD might have developed cases in the past, and who might have been able to provide greater first-hand knowledge about the day-to-day interaction between SEPRELAD and the PM. The high-level officials who were interviewed either could not, or chose not to, provide any further details of how SEPRELAD's reports are insufficient from their perspectives. According to project documents, at the outset of the TA project, SEPRELAD was uncertain as to what prosecutors needed or otherwise expected as well as what type of information SEPRELAD could provide. For example, SEPRELAD noted that it would send analytic products to the prosecutors and then nothing further would happen.²² One OTA Advisor noted that during his visits to the Prosecutor's office, the prosecutors would tell him the SEPRELAD reports were useless because of missing information or inadequate analysis.

However, the evaluation team also learned that many prosecutors who had collaborated frequently with SEPRELAD during the ECT project had left the PM, leading to a loss of institutional and technical knowledge as attrition occurs in the institution. The loss of experienced prosecutors willing to work with SEPRELAD to improve reports may have contributed to a reduced capacity at the PM to use SEPRELAD's reports. As one respondent from the PM shared, good reports from SEPRELAD are useless if the prosecutors do not know how to use them.

In the Paraguayan system, all prosecutors are appointed by, and can be dismissed by, a highly politicized committee. As a result, reliance on personal relationships between agencies has led to

²² OTA Economic Crimes Team internal document, *2015 Trip Report: 201503_paraguay_ect_tr_hayden_irmen*



a vulnerable AML/CFT system that is heavily affected by prosecutor turnover, which could be a factor in the disagreement about SEPRELAD's reports and their utility to the PM.²³

According to SEPRELAD, the legal framework does not make a clear distinction between intelligence and evidence, and as a result, prosecutors interpreted SEPRELAD's role as conducting investigations. This gap in interpretation of the legal framework between SEPRELAD and the PM results in a constrained ability to collaborate effectively. While the evaluation team does not have direct evidence of this from interviews with the counterparts, this may have manifested in SEPRELAD's disagreement with the prosecutor's office regarding quality expectations and depth of analysis of SEPRELAD's reports as reported by an ECT Program Review.²⁴ The document noted that while the PM needed a clearer understanding as to how to use financial intelligence and institutional roles within the system, SEPRELAD also needed to enhance its analytical capability.

According to Article 15 of the Criminal Procedural Code, only the PM has the authority to conduct criminal investigations. Article 58 of the same Code dictates that the Police, acting on the guidance of the PM, conduct investigative activities. SEPRELAD's role is described by Article 28 of Law No. 1015 of 1997 (modified by Law No. 3783/2009), which states that SEPRELAD will send cases to the PM that have clear indications of money laundering, predicate offenses, terrorist financing, or related assets, for the prosecution to initiate a criminal investigation.²⁵ This approach is consistent with the role of FIUs in other countries, which typically receive, analyze, and transmit financial intelligence reports, including STRs, from the private sector. An FIU adds value through analyzing a broad range of financial and other information at its disposal where it is uniquely positioned to assess the risk of suspicious activities.²⁶

In their technical approach to working with SEPRELAD, the ECT Advisors emphasized that SEPRELAD's analytical products are just the beginning of the anti-money laundering process. The 2017 OTA program review noted that Paraguay's enabling legislation called upon SEPRELAD to serve as an administrative rather than investigative FIU. Investigative bodies (whether FIUs or other law enforcement agencies) typically have broad authority to require testimony and physical evidence, and to enlist the assistance of courts in the event of

²³ OTA Economic Crimes Team internal document, *2018 Program Review*: 201906_paraguay_ect_pr_schenck_youngblood

²⁴ OTA Economic Crimes Team internal document, *2017 Program Review*: 201707_paraguay_ect_pr_schenck_youngblood

²⁵ SEPRELAD. "Sistema Nacional ALA/CFT." <https://www.seprelad.gov.py/sistema-nacional-ala-cft-i58>

²⁶ Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism. *Financial Intelligence Units*. <https://www.coe.int/en/web/moneyval/implementation/fiu>



noncompliance. Administrative FIUs, by contrast, do not have these legal powers but specialize in collecting and analyzing information. Prosecutors then use this detailed analysis to develop sufficient facts to support filing criminal charges and ultimately gaining convictions.

At times, SEPRELAD attempted to accommodate the PM's desire for more complete information packages by collecting evidence to support the information transmitted in STRs. One OTA Advisor recounted a visit to Paraguay during which he found that a SEPRELAD analyst was collecting external evidence to be furnished to the PM. Because, as explained above, conducting criminal investigations is outside SEPRELAD's remit, the OTA Advisor dissuaded the analyst from gathering evidence and recommended focusing instead on developing hypotheses, identifying red flags, and observing suspicious fact patterns with a view toward using these items to help the prosecutors develop cases. The ECT worked with SEPRELAD to view its role as neither merely transmitting STRs to the PM nor compiling evidence for the prosecutors, but rather using its skills and techniques to analyze information to help the prosecutors develop cases.

The 2021 GAFILAT MER provides some valuable insights that confirms the ECT's guidance to SEPRELAD, noting that "The FIU-SEPRELAD produces financial intelligence reports that are the product of the analysis of the information it receives from reporting entities and of the value added provided by its access to a wide range of sources of information."²⁷

Further, "The FIU-SEPRELAD has developed its capacity to collect and analyze financial intelligence information in response to the requests from criminal investigation and prosecution agencies. The statistics show a low number of this type of requests indicating a low use of this resource."²⁸

Taken together, the above passages from the MER strongly suggest that the problem of the quality of SEPRELAD reports is something that is not entirely within the control of SEPRELAD. It is true that SEPRELAD's ability to produce analytical reports is much greater than was previously the case. It is also true, however, that SEPRELAD can only deal with the information that it has. While SEPRELAD has many of the tools that it needs to produce high-quality reports for the PM (such as external sources of information and the ability to recognize red flags and suspicious patterns), much information needs to come from the reporting entities themselves via STRs.

The MER supports this view, stating that "...while [SEPRELAD's] information is received and used by the Attorney General's Office, the number of [money laundering] investigations that

²⁷ GAFILAT. 2021. MER, p. 9.

²⁸ GAFILAT. 2021. MER, p. 44.



derive from financial intelligence reports is not consistent in magnitude with the level of risk to which Paraguay is exposed, as well as the amount of information it receives from some reporting entities, and the information to which it has access.”²⁹

Conclusion: While SEPRELAD’s reports to the PM have improved, further work is still necessary.

Interviews with the Paraguayan counterparts outside SEPRELAD indicated that the SEPRELAD analysts have a better understanding of SEPRELAD’s role and function within the AML/CFT system because of the ECT’s assistance, and that the quality of SEPRELAD’s reports to the PM has improved. However, the improvements to SEPRELAD’s analysis and reporting, at least from the PM’s and other constituent agencies’ perspectives, are still insufficient for making significant progress with more prosecutions. While some of the reasons are clearly outside SEPRELAD’s role and influence within the AML/CFT system, the evaluation team considers SEPRELAD’s transformation to a fully functional and effective FIU as defined by Paraguay’s legal framework incomplete.

The factors that contribute to this conclusion — differing opinions of the quality of SEPRELAD’s reports to the PM, the quality of STRs (which affects the quality of SEPRELAD reports), and differing perceptions about SEPRELAD’s proper role (providing analysis and insights versus providing evidence that can be presented in court) — have been discussed above. However, it is important to recognize that the tension between SEPRELAD and the PM is only one piece of a much bigger puzzle: such tension between the Presidential Administration and the PM exists on many levels, and that tension will inevitably be present in AML/CFT matters. In addition, a number of senior PM officials have been in their positions for many years and are reluctant to change. The ability of an outside organization such as OTA to bring about change in the system is necessarily limited. This is not a criticism of OTA or its efforts, merely a recognition of the fact that real change will take time and will not always follow a logical progression.

Project objective 2: Supervising financial and non-financial sectors

The ECT decreased its engagement with project objective 2 (strengthening the AML/CFT supervision of financial and non-financial sectors) because the International Monetary Fund (IMF) was already providing the CBP with technical assistance in this area.

²⁹ GAFILAT. 2022. *Mutual Evaluation Report of the Republic of Paraguay*, p. 9.



Finding: The ECT’s assistance to AML/CFT supervision was limited due to the involvement of other TA providers.

This project objective, according to OTA’s workplan, was to develop AML/CFT examination manuals in high-risk sectors, train examiners in their use, and assist CBP in conducting examinations that would ensure compliance with international standards.

However, because the IMF was already engaged with CBP on transitioning from a rules-based approach to a risk-based approach (including development of a supervisory manual), CBP declined OTA’s assistance in this area. In addition, CBP believed that it already had a risk-based supervision framework in place (although this only applied to banks; CBP was not interested in broadening the scope of the risk-based supervision to include other financial institutions). However, an OTA Advisor accompanied inspectors from the CBP AML/CFT Risk Supervision Department during an entire on-site examination of a commercial bank and assisted with the drafting of the report of examination. They concluded that CBP was using a traditional, rules-based approach to AML/CFT compliance, including the supervision of STR filings by banks and other obligated entities. CBP does not currently communicate with SEPRELAD about individual obligated entities.

No other supervisors (other financial or non-financial sectors) requested or received support from OTA to implement a risk-based system of AML/CFT supervision.

Conclusion: OTA may have missed an opportunity to refocus its project objectives.

The ECT recognized that the IMF was adequately improving the supervision of financial and non-financial sectors in Paraguay. This recognition presented an opportunity for OTA to reconsider its project objectives, adjust its overall strategy for Paraguay, and shift resources to other gaps in SEPRELAD or other AML/CFT constituents. This shift could have included, for example, aiding other financial and/or non-financial authorities, which could benefit from such assistance.

Conclusion: OTA provided limited support for risk-based supervision to CBP and provided training, but further work could be done in other financial and non-financial sectors.

While Paraguay’s government agencies have made progress with AML/CFT supervision, other entities, such as private sector banks, have not kept pace. According to one respondent, the contrast in supervision between financial sector supervisors and CBP’s supervisors is a serious drawback. This official noted that supervisors of securities, cooperatives, and gambling establishments need to operate at the level of CBP and recommended that there be close support from more knowledgeable supervisors from more advanced sectors.



Project objective 3: Improving AML/CFT case development and creating a financial crimes working group

For project objective 3, the ECT facilitated the creation of the FCWG, which brought together critical AML/CFT agencies to share information and best practices, a key component in a functioning AML/CFT regime. However, it is difficult to measure the FCWG's impact on AML/CFT case development because the group is currently meeting only sporadically, so as a result, project objective 3 has been partially achieved.

Finding: The FCWG was created and continues to convene but it is unclear whether OTA's assistance resulted in increased case development.

OTA's project objective was to create an FCWG that would meet regularly and develop a case-tracking mechanism and an operations manual.³⁰ At the outset of the ECT's engagement in 2015, the ECT introduced the idea of the FCWG to promote interagency collaboration on financial investigations. The group would include high-level AML/CFT decision makers to coordinate and facilitate investigations. Numerous interview respondents described how Advisors acted as intermediaries between AML/CFT constituents who did not have working relationships or who did not share information. The ECT was the key contributor to founding the FCWG. Three years after forming and after dozens of meetings, the FCWG continues to meet, though there is not a formal schedule and meetings are organized on an *ad hoc* basis.

The ECT was central to facilitating meetings with agencies to discuss the working group. To illustrate the ECT's role in the development of the FCWG over time, Figures 1 and 2 represent every meeting related to the FCWG (as reported in project documents) from program inception in 2015 through April 2018. Each meeting is represented by a connected line between participant agencies. The connections are color-coded according to the year they occurred. OTA's central role in the FCWG's development can be seen by the number of connections between the ECT and the various constituent agencies, and the activity and growth of the FCWG can be seen by comparing Figure 1 (2015) with Figure 2 (2016–2018).

Each institution's node is sized by the number of connections it has to other institutions, and the members of the FCWG have an opaque maroon border.

The network maps represent three time periods during the formation of the FCWG:

Figure 1: 2015; the year the project had an Intermittent Advisor.

³⁰ Originally called the financial crimes task force, the name was changed in 2016 to emphasize that the group would take on issues that could be solved by TA, and not be operationally focused.



Figure 2: July 2016–April 2018; the period during which a second Advisor would transition to the project until the FCWG was created and meeting regularly in April 2018.

Figure 3: August 2018–May 2019; the period after the creation of the FCWG in April to the last mention of the FCWG in the trip reports in May 2019. This map is discussed in the EQ2 findings.



Figure 1: Meetings on the Formation of the FCWG, 2015

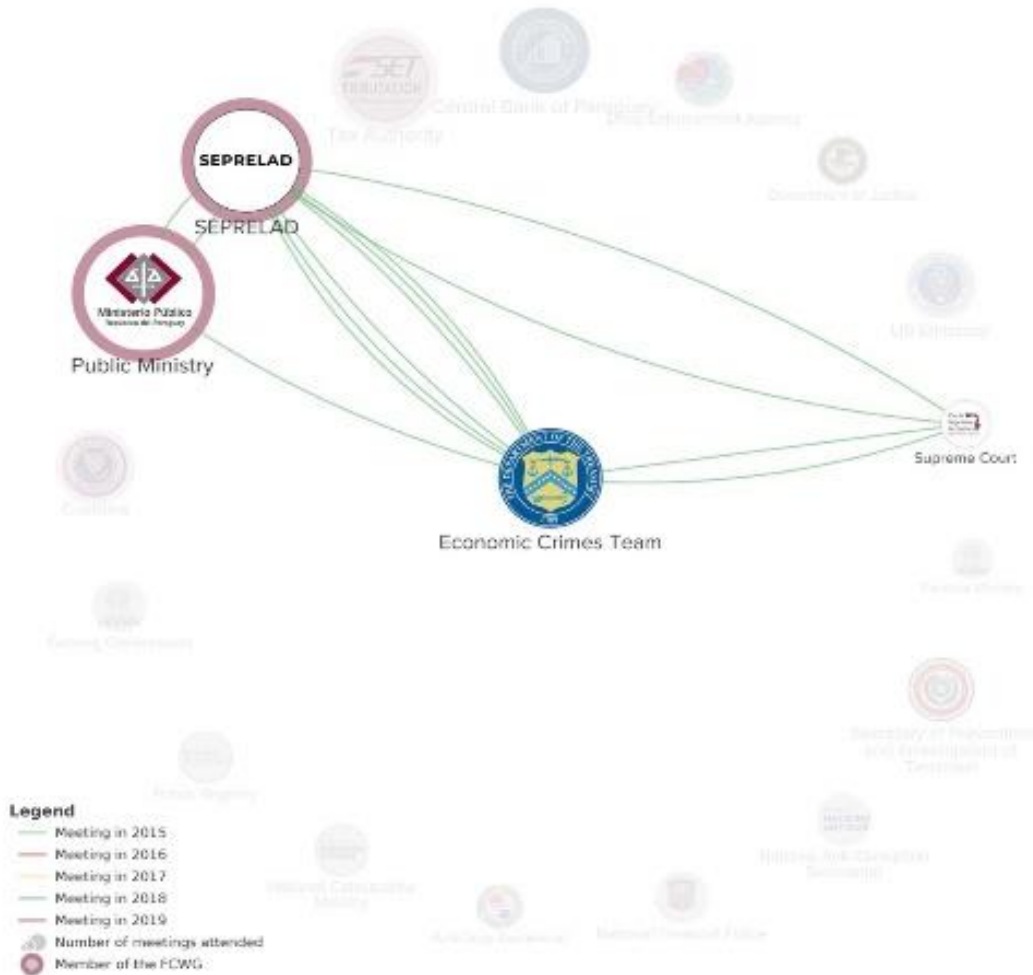


Figure 1 shows each meeting that occurred on the formation of the FCWG in 2015, the year the project had its first Intermittent Advisor. Meetings are represented by a green line between agencies. In the early stages of the project, the ECT worked with counterparts to develop the concept of the FCWG with a small number of agencies. The ECT’s central role in the FCWG’s development can be seen by the number of connections from the ECT to constituent agencies.

At the outset of the ECT's engagement in 2015, the Intermittent Advisor found counterparts to be receptive to the idea of forming an FCWG to promote interagency collaboration on financial investigations. According to trip reports, counterparts envisioned a group comprised of many high-level stakeholders empowered to make decisions as they relate to the AML/CFT system and financial investigations in Paraguay. The ECT was central to facilitating meetings with agencies to discuss the formation of a working group, with many connections originating with the ECT as seen in Figure 1. The first Intermittent Advisor left the project in early 2016 after having last met about the FCWG in 2015.



Figure 2: Meetings on the Formation of the Financial Crime Working Group and Financial Crimes Working Group Meetings, July 2016–April 2018



Figure 2 maps each meeting that occurred from July 2016–April 2018, the period during which a second Advisor would transition on the project until the FCWG was created and meeting regularly in April 2018. Meetings are represented by a color-coded line between agencies based on the year they took place. The FCWG meetings and discussions involve many more agencies, and they are much more frequent thanks in part to the Advisor’s resident status. The ECT still plays a central role in the FCWG’s development, but more meetings are happening between agencies without direct ECT involvement.



Throughout 2016, a new Intermittent Advisor frequently met with counterparts in the AML/CFT system to discuss the idea of an FCWG. Counterpart agencies mentioned the need for access to better financial intelligence and a collaborative approach to following the money.³¹ The ECT encouraged the PM to lead the group. While the PM was receptive to the idea, it did not take a proactive role organizing future meetings and developing a clear workplan.

In December 2016, at the Advisor's urging, the PM convened the first FCWG meeting with 11 other constituent agencies. While this was an important milestone, the group failed to develop a workplan or set a date for the next FCWG meeting.³² Participants initially agreed to continue meeting on a bimonthly basis; however, the group went months without reconvening for reasons that were unclear to the ECT, according to trip reports.³³ In May 2017, the Intermittent Advisor transitioned to an RA and was able to meet more frequently with agencies to advance the FCWG. To further increase support from counterpart agencies, the ECT collaborated with other U.S. government agencies, including the U.S. Embassy, which helped convene initial meetings to kickstart the group in 2016 and 2017.³⁴

The FCWG group was reinitiated in April 2018 and continued meeting regularly without direct involvement from the Advisor, according to trip reports, though with fewer participating agencies.³⁵ The FCWG stills meets as confirmed by the evaluation team in the interviews with different agencies.

At the outset of the project, each agency had a unique perspective on the challenges of bringing investigations to successful prosecution and conviction. Many blamed the problems on the judiciary and prosecution services, and all shared the opinion that many constituents did not understand or appreciate the roles and responsibilities of other colleagues. Helping counterparts understand their unique roles and authorities within the AML/CFT system in Paraguay was a central theme of the RA's TA with both member agencies and agencies that participated in meetings to discuss the FCWG. After the establishment of the FCWG, one of ECT's priorities was to assist counterparts in developing the capacity to transfer information seamlessly between

³¹ OTA Economic Crimes Team internal document, *2016 Advisor Trip Report: 201607_paraguay_ect_tr_irmen_rhoades*

³² OTA Economic Crimes Team internal document, *2016 Advisor Trip Report: 201612_paraguay_ect_tr_rhoades*

³³ OTA Economic Crimes Team internal document, *2017 Advisor Monthly Report: 201706_paraguay_ect_mr_rhoades_blagg*

³⁴ OTA Economic Crimes Team internal document, *2017 Advisor Monthly Report: 201707_paraguay_ect_mr_rhoades*

³⁵ OTA Economic Crimes Team internal document, *2018 Advisor Monthly Report: 201804_paraguay_ect_mr_rhoades*



relevant constituents and transform the information into evidence and eventually develop a successful case. Even though successful AML/CFT cases are limited, according to the GAFILAT MER, “cooperation and exchange of information between the FIU and competent authorities was demonstrated [during the GAFILAT review].”³⁶

Conclusion: The ECT facilitated the creation of a FCWG, which continues to meet. However, the group’s effectiveness is unclear.

The establishment of the FCWG was a significant milestone for the AML/CFT system. Although the FCWG meets less frequently than when the ECT was active in Paraguay, the group continues to exchange information among different agencies. As described elsewhere in this report, the ECT worked with investigative, prosecutorial, and judicial authorities to increase the number of AML/CFT cases. However, it is unclear whether that TA resulted in increased case development. While evidence of any ongoing activity of the FCWG indicates potential progress, the FCWG by itself may not have the ability or political influence to resolve Paraguay’s inertia, particularly now that the modestly positive GAFILAT results do not present an apparent, urgent need for change. The change in the government, the departure of several prosecutors from the PM, lack of sufficient resources of the PM, inadequate investigative tools, and problems with the judicial system all contribute to limiting the effectiveness of the TA.

Project objective 4: Developing an asset forfeiture and recovery program

For project objective 4, limitations in the legal framework that existed during the time of the ECT’s assistance did not allow for legal asset forfeiture. However, ECT Advisors helped to get the National Secretariat for the Administration of Seized and Forfeited Assets (SENABICO) “up and running” and provided advice on the management of assets already under SENABICO’s control. OTA’s assistance on legal reform helped lay the foundation for the current, more robust legal framework in this area. The evaluation team, therefore, found that project objective 4 was partially met.

Finding: The ECT was instrumental in helping Paraguay’s asset management agency, (SENABICO) manage seized assets, but an asset forfeiture program remains unaddressed.

The ECT could not provide TA on asset forfeiture and recovery beyond a few trainings during the program cycle because the legal framework that was in place for most of OTA’s tenure was not compatible with the relevant international standards. Following the enactment of the law (Ley 5.876 2017) in September 2017 related to asset management, which was spearheaded largely by the Organization for American States / Inter-American Drug Abuse Control Commission, the ECT provided guidance resulting in SENABICO’s establishment, including working with the Paraguayan government to deploy resources to help SENABICO establish a

³⁶ GAFILAT. 2021. MER, p. 28.

physical office. Beyond the initial start-up activities, the OTA Advisor also provided high-level expertise that included providing examples of comparative legal provisions and AML/CFT practices from other countries. In addition, the Advisor facilitated a visit by a U.S. Marshal to share his investigative expertise.

ECT primarily advised SENABICO on managing assets that were already under the control of the institution. SENABICO interview respondents noted that the OTA RA visited the SENABICO office two or three times a week, reviewing protocols and advising on procedures for receiving goods. The Advisor also helped SENABICO develop relationships with other institutions, such as the PM and the Judiciary.

The ECT has stressed, in formal and informal communications with various counterparts, the importance of drafting asset forfeiture legislation; Paraguay's asset forfeiture program is on hold pending the passage of such legislation.

Conclusion: OTA may have missed an opportunity for reconsideration and regrouping.

During the project, the ECT realized that certain project objectives related to asset forfeiture could not be satisfied for reasons beyond OTA's control. This was the case regarding assistance on asset forfeiture, where the lack of a comprehensive legal framework prompted OTA to focus instead on asset management. While the shift is understandable, the project objective and workplans, as reflected in OTA's project documents, was not updated to reflect the situation. It may have been more beneficial for OTA to have recognized that this project objective was not feasible as written. Potential alternative courses of action could have included revising that project objective to specifically emphasize asset management rather than asset forfeiture, or shifting resources to other aspects of the project where additional assistance was (and still is) needed.

Finding: While not part of the formal project objectives, the ECT contributed to SEPRELAD's data and facilities security.

While improving SEPRELAD's security (both in terms of data and physical office space) was not formally part of the project objectives, the evaluation team considers it appropriate to comment on the contribution of the ECT Advisor in this area.

Prompted by the leak of a SEPRELAD report to the press (which resulted in FinCEN cutting off information to SEPRELAD), the ECT Advisor helped SEPRELAD institute procedures to prevent a recurrence. Responses included training SEPRELAD personnel on procedures recommended by an assessment by the Egmont Group, an international group of FIUs, on the steps necessary to ensure data security. OTA Advisors also promoted the use of technology among SEPRELAD staff to share and analyze data and strengthen security.



The ECT Advisor assisted SEPRELAD by making connections and enhancing SEPRELAD’s profile among other AML/CFT constituent agencies resulting in more secure, enhanced office facilities. SEPRELAD now has a new outside entrance with security guards and controlled card access. It also has adequate space with new computer software that enables financial intelligence reports to be coded. The OTA Advisor’s contribution to the improved security situation was specifically acknowledged by a former senior SEPRELAD official and a senior CBP official as a critical component to safeguarding SEPRELAD’s sensitive data and documents.

Security at all levels (e.g., staff, building, and data) is a key element of an FIU and its effectiveness. The ability of an FIU to perform its functions effectively depends on its ability to obtain complete and reliable information, which in turn depends on trust: unless the FIU can provide assurance that the information it receives will be secure, reporting entities and other sources (including other authorities) will be reluctant to provide that information or to collaborate with the FIU. This could potentially create a domino effect with the entire AML/CFT system.

The Egmont Group (of FIUs) noted that “The ability of an FIU to protect the information that it receives and analyzes affects the integrity of the FIU and its effectiveness in its efforts to combat money laundering, associated predicate offenses and terrorism financing. To ensure the security of information, Egmont Members must institute measures related to physical security, personnel security and information security, including IT security. The FIU security measures adopted should be on a risk basis. A Member must be able to protect the confidentiality of information that it receives, including information from other FIUs.”³⁷

EQ2: Which of the ECT’s project objectives in Paraguay have been sustained over time and why?

Discussion of the EQ1 findings regarding achieved project objectives (see EQ1 above) and EQ3 findings regarding project objectives that were not achieved (see EQ3 below) integrates insights related to sustainability at the detailed, component level; they are summarized here for clarity to address EQ2. In addition to the objectives-level summary, discussion of EQ2 will also include insights related to OTA’s intangible, but important, contributions to Paraguay’s higher, AML/CFT system-level sustainability, specifically with fostering interagency relationships and support for the development of Paraguay’s AML/CFT legal framework.

³⁷

has a more detailed publication, *Securing an FIU*, which proposes minimum standards/guidance on physical, personnel, and document security.



Sustained project objectives

There were overarching activities that had an impact on all four project objectives that have been sustained over time. These were implemented mostly during the phase of the project involving an RA because it gave him the opportunity to identify and promote initiatives with a wide impact on the entire AML/CFT system. For example, ECT contributed to overall AML/CFT sustainability through its assistance with the legal/regulatory framework and through fostering the improvement of SEPRELAD's relationships with other agencies. These contributions can be sustained into the future provided certain conditions (such as effective implementation of the legal reforms, retention of institutional knowledge, and cooperation between SEPRELAD and personnel at other agencies) are satisfied.

Two project objectives have been partially sustained:

- Project objective 1: Increasing the effectiveness of the SEPRELAD's analysis and reporting
- Project objective 3: Improving AML/CFT case development and creating a financial crimes working group

Increasing the effectiveness of the SEPRELAD's analysis and reporting

As noted in the discussion above regarding EQ1, OTA Advisors assisted SEPRELAD in all aspects of the creation of financial intelligence reports, including strategic and operational analysis; how to access and use open-source information; and how to increase SEPRELAD's analytical capacity through the use of technology.

SEPRELAD has become more proactive in the reports that it sends to the PM, including sharing media and open-source information about suspected corruption on the part of public officials. The ECT provided guidance for analyzing information received from reporting entities and developing hypotheses to give prosecutors leads to pursue useful evidence and decision criteria for what should be pursued.

Establishing the FCWG

The following discussion describes ECT's assistance with the creation of the FCWG.

To better understand how the ECT interacted with the AML/CFT agencies either during the formation of the FCWG or official FCWG meetings, the evaluation team produced network maps that display every meeting ECT Advisors attended and some that only Paraguayan agencies attended as captured in trip reports during the formation of the FCWG from 2015 to 2019.



Figure 3: Meetings on the Formation of the FCWG: August 2018–May 2019



Figure 3 maps each meeting that occurred from August 2018–May 2019, the period after the creation of the FCWG in April 2018 to May 2019. Meetings are represented by a color-coded line between agencies for each year they took place. After the reestablishment of the FCWG in April 2018, the FCWG meetings continued with less direct involvement of the ECT as member agencies continued to meet on their own as shown above by fewer connections going through the ECT. The ECT continued to advocate for the FCWG as a mechanism for information sharing by turning to U.S. government agencies such as the U.S. Embassy to bolster the FCWG to exchange knowledge among AML/CFT agencies.



Overall contributions to AML/CFT system-level sustainability

In addition to the ECT's sustained project objectives achieved because of engagement with specific activities, OTA also contributed indirectly to sustainable aspects of Paraguay's AML/CFT system. To be clear, we cannot make a conclusive, direct attribution of the ECT's project activities to system-level changes. However, the evaluation findings provide evidence that OTA's TA has contributed to two system-level developments: 1) Paraguay's AML/CFT legal framework; and 2) establishment and fostering of interagency relationships within the AML/CFT system beyond the development of the FCWG.

An understanding of sustainability — what remains after OTA's ECT engagement — also considers how the ECT also contributed to changes in the AML/CFT system through leveraged, indirect assistance.

Legal Framework

As reported in project documents and discussed by interview respondents, the ECT provided advice supporting the development of Paraguay's legal AMF/CFT framework and its compliance with international standards. While this was not a formal part of the project objectives, it is also true that a solid legal foundation is necessary in order for any AML/CFT program to function effectively (i.e., to be sustainable over time). ECT Advisors provided input into the legislative changes that were under consideration during the term of the Project. While they did not draft laws or regulations, they raised awareness of the need for legislative upgrading and provided guidance as to the kinds of powers that an AML/CFT authority needs to have in order to be able to implement international AML/CFT standards as recommended by the FATF.

In one year, SEPRELAD drafted 12 bills, 10 of which were approved. These provisions include:

- Inclusion of tax evasion as a predicate offense for money laundering
- Provision for SEPRELAD to impose sanctions
- Changes in how forfeited funds are distributed to SENABICO, SEPRELAD, SENAD, and the National Police
- Provision for specialized courts for money laundering, narcotics trafficking, terrorism, corruption, and organized crime
- Authorization for the government to make terrorism designations under United Nations definitions
- Sanctions for international bribery
- Allowance for freezing and seizing of funds in terrorism and terrorism-financing cases
- Strengthening of the autonomous criminal forfeiture law and changes to legal code to allow autonomous criminal forfeitures
- Strengthening the bearer stock law, establishing a new date of October 1, 2019, to convert the bearer stocks; any stocks not converted after that date become worthless



- Requirement that final beneficiaries be disclosed
- Enabling the use of specialized investigative techniques in corruption cases³⁸

According to counterpart interview respondents, the legal framework included the overall approach and key provisions recommended by the ECT. ECT also helped facilitate visits by SEPRELAD to the prosecutor's office and meetings with police working groups.

The package of 10 new laws passed in 2020 improved Paraguay's AML/CFT legal framework considerably and should facilitate the sustainability of all four project objectives.

Finding: OTA Advisors raised awareness of the need for a regulatory framework for the AML/CFT system.

Interview respondents described the ECT's support for the idea and development of Paraguay's current AML/CFT regulatory framework. A counterpart noted that an OTA Advisor worked with several Ministers to introduce and develop the idea. On July 10, 2018, the PM, working with the Advisor, convened an interagency meeting with SEPRELAD's Minister-elect, the PM Legal Advisor, the SENABICO Minister, the SENABICO Legal Advisor, and OTA Advisors to discuss the status of the then-current Money Laundering Law (from 1996) and asset forfeiture framework (from 2010). The discussion focused on the need to update the laws to comply with international standards as Paraguay prepared for its next GAFILAT mutual evaluation. The group also discussed the need to give Paraguayan law enforcement authorities the ability to immediately freeze assets identified as being used to finance or promote terrorism, as well as the need to draft non-conviction asset forfeiture law.

One respondent described the OTA Advisor as a "fundamental influence" in encouraging and advising the process that resulted in Paraguay's current legal framework (which may have been a significant factor in Paraguay's removal from the FATF grey list). Specifically, the OTA Advisor helped SEPRELAD to determine the key constituents who needed to be involved in the legal reform process, such as with which judges and ministers SEPRELAD should engage, so that the project would be presented as not just as something that SEPRELAD needed, but something the judges and other agencies needed. OTA Advisors also helped SEPRELAD to organize a "you must know SEPRELAD" week, which entailed inviting journalists each afternoon for a week to explain the draft laws and the importance of strengthening the AML/CFT system. The respondent expressed the view that through these sessions, people began to understand what the AML/CFT system means and why it is important. A critical outcome of this

³⁸ Of the 12 draft laws on this list, one was not enacted and two were combined into one law, resulting in the adoption of 10 new laws.



process was that the laws were not only launched by the executive (SEPRELAD), but by all three branches of the government.

Finding: ECT Advisors provided assistance on key legal reforms.

Former and current SEPRELAD Ministers noted that OTA Advisors provided guidance regarding the key legal concepts and components for a package of 10 laws that upgraded the legal framework for Paraguay’s AML/CFT system, policies, and operations. While ECT Advisors did not draft laws, they did provide advice on content regarding the kinds of legal powers that law enforcement agencies, FIUs, and supervisors need to have to combat and prevent money laundering and terrorist financing.

Another SEPRELAD interview respondent characterized the OTA Advisor’s role as “pivotal” in making the AML/CFT constituents aware of the critical need for legal reforms and ensuring that SEPRELAD had the best possible guidance for the proposed laws from multiple sources. For example, the respondent noted that the OTA Advisor helped SEPRELAD to get in touch with an international expert to look at other countries’ experiences. A CBP official noted that the OTA Advisor had a lot of involvement in the modification of the confiscated property law and suggested some laws that served as comparative legislation. A SENABICO official echoed the contribution of the OTA Advisor in providing examples of comparative legislation from other countries.

However, the effectiveness of legislative changes is uncertain because they have only been in effect since 2019–2020. One respondent noted that it will likely take at least five years to evaluate the impact of the legal reforms.

Interagency Relationships

Finding: OTA Advisors facilitated relationships between SEPRELAD and other agencies, and coordination between SEPRELAD and other agencies is ongoing.

The finding related to the development of the FCWG is an example of the ECT’s contributions to fostering interagency relationships (see Figure 3) that are part of an explicit project objective. Beyond that, the ECT also engaged in other project activities that contributed to the overall growth in SEPRELAD’s connections within the AML/CFT system. For example, one respondent noted that cooperation and coordination between SEPRELAD and the public prosecutor’s office improved greatly due to the assistance of the OTA RA. The same was true regarding SEPRELAD and CBP.

One respondent noted that the OTA RA helped SEPRELAD to understand the fundamental importance of meetings with CBP supervisors. The ECT Advisors helped to establish a formal working group between supervisors to facilitate the risk-based approach to AML/CFT supervision and provided SEPRELAD with two experts to guide this process. While the bulk of



the assistance in this area was provided by the IMF, CBP appreciated OTA’s mentorship. A former financial supervisor also noted that the OTA RA “generated the link that [previously] did not exist.”

As noted above, OTA Advisors facilitated communications between SEPRELAD and the PM and the judiciary regarding improvements in the legal and regulatory framework. As a result, the new legislation was viewed as the product of a cooperative effort between SEPRELAD and the other branches of government, rather than through SEPRELAD’s initiative alone.

A national Customs Authority official expressed the opinion that OTA’s assistance helped SEPRELAD lead, which in turn helped to improve the relationship between the Customs Authority and SEPRELAD. As an example, the official noted that SEPRELAD’s web access allows it to make more accurate and refined analysis, which helps the Customs Authority to analyze importing or exporting entities.

Counterpart interviews revealed that many individuals who worked with OTA Advisors remain in the AML/CFT system in other roles and constituencies, and relationships between individuals have continued despite their transitions. Some respondents noted a better understanding of the needs and processes of other agencies within the system as a result (but see discussion in the next section regarding turnover in agencies).

The ECT’s Advisors’ contributions to milestone outcomes that resulted from SEPRELAD’s strengthened relationships included:

Facilitating agreements and memoranda of understanding³⁹

- Memoranda of understanding have been executed between SENABICO and the Undersecretary of State for Taxation (SET), the Customs Authority, and the PM.
- A signed agreement has been executed between SENABICO and the Dirección Nacional de Aeronáutica Civil (equivalent to the Federal Aviation Administration in the United States), securing the use of a warehouse in which to store seized assets.

Facilitating relationships between individuals that have transcended to interagency relationships

- SEPRELAD, SET, and the Customs Authority continue to meet on a regular basis with the PM. They have generated very important reports of information that are sent to the

³⁹ OTA Economic Crimes Team internal document, *2018 Advisor Monthly Report*: 201803_paraguay_ect_mr_rhaodes



PM. This sharing of information was unprecedented in Paraguay prior to the ECT assistance.

Facilitating creation of the National Council of AML/CFT Supervisors

- Decree No. 1528 signed by Paraguayan President on April 2, 2019, created a National Council of AML/CFT Supervisors. The Council includes Superintendents from CBP, the Insurance Supervisor, the Securities Commission, the Gaming Commission, the Credit Union Commission, and SEPRELAD. The group is tasked with meeting monthly to share information and coordinate activities within the AML/CFT legal framework.

Conclusion: While the foundation for sustainability exists, some cautionary notes are necessary.

Appropriate materials (regulations, policies, and manuals, etc.) enable new personnel coming in to SEPRELAD as a result of political transitions to have access to the tools and institutional knowledge necessary to minimize disruption. An OTA Advisor as well as Paraguayan counterparts noted that a troublesome feature of the Paraguayan system is that when a new administration comes in, many agency personnel are replaced throughout the agency, not just the top officials. Key manuals, documented procedures, and other resources may be insufficient to support smooth transitions.

A related issue is that while collaboration between SEPRELAD and other agencies has improved, it is built on personal trust and relationships; without key personnel remaining in their positions, this cooperation may not last.⁴⁰

Additionally, while the legal/regulatory system has improved, even the most well-crafted law will not be effective (i.e., it will not contribute to sustainability) if it is not implemented properly. Implementation requires an understanding of the legal requirements, political will to enforce them, and sufficient resources (human, material, and financial) to carry out the functions set out in the legislation.

EQ3: Which of the ECT's project objectives were not achieved and why?

While there are no project objectives that were not achieved at all, the following three objectives were only partially achieved:

⁴⁰ OTA Economic Crimes Team internal document, *2018 Program Review*: 201906_paraguay_ect_pr_schenck_youngblood



- Project objective 2—strengthening the AML/CFT supervision of financial and non-financial sector
- Project objective 3—improving AML/CFT case development and creating a financial crimes task force
- Project objective 4—developing an asset forfeiture and recovery program

Finding: Project objective 2 was partially achieved. The CBP believes that it has a risk-based supervision framework in place and has declined TA from OTA.

As discussed in EQ1, the CBP has been working with the IMF to implement its risk-based supervision framework in the financial sector and had already developed a supervision manual with IMF assistance. While the ECT assisted CBP with its supervision manual, CBP was not interested in receiving additional TA from the ECT beyond informal exchange of best practices.

In the first quarter of 2019, an Advisor accompanied CBP examiners to provide on-the-job mentoring, embedded as a team member to assist with AML/CFT issues including drafting reports.⁴¹ According to one respondent, this “took the assistance to the next level.”

As described by an Advisor, CBP has its own anti-money laundering unit, but that unit really does not have effective two-way communication with other areas of CBP. According to the Advisor, CBP did not appear to be very interested in STRs or in sharing information. However, the GAFILAT MER rated Paraguay “largely compliant” with FATF Recommendation 26 (Regulation and Supervision of Financial Institutions), “compliant” with FATF Recommendation 27 (Powers of Supervisors) and “largely compliant” with FATF Recommendation 28 (Regulation and Supervision of DNFBPs).⁴²

Conclusion: More work is needed in non-bank financial and non-financial sectors in risk-based supervision.

While the Government of Paraguay has made good progress in AML/CFT supervision relative to financial sector entities (particularly banks), there has been less progress in other areas. According to one respondent, the contrast in capacity between financial sector supervisors and CBP supervisors needs to be addressed. This official noted that the level of performance of supervisors of securities, cooperatives, and gambling establishments needs to rise to that of CBP’s. The official recommended that there be close support from supervisors who are well prepared to help others. A CBP official expressed the view that CBP’s participation in the committee of supervisors revealed that there is still a path of maturation of other institutions and

⁴¹ OTA Economic Crimes Team internal document, *2019 Advisor Monthly Report: 201913_paraguay_ect_mr_rhoades*

⁴² GAFILAT. 2022. *Mutual Evaluation Report of the Republic of Paraguay*, pp. 289–294.



other financial and non-financial supervisors, which should be given attention. The CBP official noted that many other reporting entities and supervisory authorities are not as sophisticated as CBP and are less committed to AML/CFT compliance. CBP has tried assisting other supervisors to address these issues, through human resources advice and characteristics of effective AML/CFT procedures, for example.

Finding: Project objective 3 was partially achieved. The FCWG was established and continues to meet, but it is unclear whether AML/CFT case development has improved.

As discussed above, structural constraints in the AML/CFT system prevented ECT from having a greater impact on AML/CFT case development after the FCWG was established:

- There are no specialized courts. Local judges have jurisdiction over many types of crimes, including these very complex crimes. ECT Advisors traveled outside of Asunción to work with regional judges and prosecutors to improve their understanding of the system and capacity,⁴³ but regional authorities have limited experience and specialized legal knowledge.
- High levels of corruption in Paraguay have a negative impact. Local judges, investigators, or prosecutors could be influenced by corrupt practices.
- The designation of all the prosecutors' staff is not impartial and highly politized.
- Organized crime could threaten local judges, investigators, or prosecutors if they opened or continued with case development. In 2022, a prosecutor was assassinated allegedly for his work prosecuting drug trafficking gangs.⁴⁴

On a positive note, one provision in the package of 10 new laws created specialized courts at a national level to address some of these obstacles.

Finding: Project objective 4 was partially achieved. The ECT did not provide technical assistance on asset forfeiture and recovery because the legal framework was insufficient.

As explained above, ECT activities focused mostly on the administration of assets. As in the case of project objective 3, the following structural elements in the Paraguayan system prevented the ECT from having a greater impact in this project objective:

⁴³ OTA Economic Crimes Team internal document, *2016 Advisor Trip Report: 201605_paraguay_ect_eot_hayden*

⁴⁴ Robbins, Seth. 2022. "Connections to Paraguay Prosecutor's Murder Stretch from Colombia to Brazil." InSight Crime. June 8, 2022. <https://insightcrime.org/news/paraguay-prosecutors-murder-plot-hatched-in-colombia/>



- ECT raised awareness and provided training on asset forfeiture at the beginning of the project but the low levels of case development (see project objective 3) directly impacted asset forfeiture that can only be implemented through criminal cases.
- The legal procedure for seizing and confiscation was only clear for assets related to narcotics trafficking. One of the laws, in the package of 10 new laws, created the procedure to seize and confiscate all crime-related assets.
- Non-conviction-based confiscation is allowed for certain situations, but there is no clear procedure on how to implement it. The law in the package of 10 laws on asset forfeiture created this procedure only recently.
- The ECT's TA did not include recovery and repatriation of assets situated abroad or help with international cooperation agreements involved in transnational cases.

Conclusion: Because of the wide scope of the ECT's project objectives, OTA may have missed opportunities for reconsideration and regrouping.

According to project documents, the ECT became aware during the program that project components related to AML/CFT supervision and asset forfeiture could not be implemented for reasons beyond OTA's control.

Project objective 2 aimed to provide TA for risk-based supervision to the financial and the non-financial sectors as well as Government of Paraguay agencies. Paraguay has a wide variety of supervisors, but the ECT focused on providing TA only to CBP and SEPRELAD (and ECT's assistance to CBP was quite limited due to CBP's engagement with IMF assistance). The ECT did not provide additional TA to other financial or non-financial supervisors. This was a missed opportunity to provide TA to other agencies that may have been interested in and benefited from receiving it, including opportunities to further objectives 1, 3, and 4 by engaging the agencies below:

- Instituto Nacional de Cooperativismo—cooperatives supervisor
- Superintendencia de Seguros—insurance sector supervisor
- Comisión Nacional de Valores—securities supervisor
- Supreme Court—supervisor of notaries
- Comisión Nacional de Juegos de Azar—casinos supervisor

SEPRELAD is also responsible for supervising financial and non-financial entities, including remittance organizations, real estate agents, accountants, and lawyers. SEPRELAD received training on AML/CFT supervision from ECT, but further TA was not given to develop a supervisory methodology that is risk-based for the entire universe of supervised entities.



Project objective 4 was not achieved because the legal framework in effect at the time of the project did not include provisions for asset forfeiture, which prompted OTA to focus instead on asset management. OTA recognized that this project objective was not feasible until very late in OTA's project cycle—when Paraguay's new legal framework was put in place with little time remaining to achieve the objective. Potential alternative courses of action could have included revising that project objective to specifically emphasize asset management rather than asset forfeiture, or shifting resources to other areas where additional assistance was (and still is) needed. These actions could include introducing the concepts of non-conviction-based confiscation, recovery, and repatriation of assets situated abroad, and international cooperation agreements to identify, divide, and repatriate assets involved in transnational cases.

Finding: It is unclear whether the number of cases increased due to the ETC's TA, but according to the GAFILAT MER, the number of convictions compared to the level of risk in Paraguay is still low.

Advisor and counterpart interview respondents provided some possible explanations for this, including:

- SEPRELAD and the PM differ in their expectations regarding the purpose and content of SEPRELAD's reports. As discussed in the findings for EQ1 (above), the PM often considers the reports submitted by SEPRELAD, while improved, to be still insufficient to proceed with steps toward case development and eventual prosecution.
- In addition, many respondents identified public corruption as a significant problem in Paraguay that enables money laundering. One prosecutor noted that corruption permeates the entire system and expressed the view that if Paraguay does not attack corruption, bad consequences will follow. Officials from SENABICO described some of the problems associated with corruption relative to money laundering. These include: 1) lack of money laundering convictions involving corrupt individuals; 2) lack of asset recovery in cases where corruption is a factor; 3) inadequate resources and personnel for intelligence work and investigations; and 4) SENAD's rare investigations of non-drug-related criminality.
- The ECT knew judicial corruption was a problem at the inception of the program. An Advisor explained that certain judicial procedures can favor defendants and impede investigations, e.g., a provision that allows defense attorneys to demand that a prosecutor or judge be recused from a case. According to the Advisor, this is easy to do and common practice in Paraguay, and it is a reason why so few cases are ultimately tried in the courts. A respondent shared an anecdote of this occurring in February 2019. The lead prosecutor in a major case was recused the day before 14 targets were to be placed under investigation and arrested. SEPRELAD has led an interagency effort to propose new legislation to make it more difficult to remove a prosecutor from a case.



- Non-specialized judges also do not have a sufficient understanding of the applicable burden of proof needed to secure a conviction for money-laundering crimes. Counterpart interview respondents shared that while specialized judges who have been trained in AML/CFT matters generally have a good understanding of these issues, the same is not true of judges of general jurisdiction. According to one respondent, a non-specialist judge will investigate drug trafficking but is unlikely to be interested in following the dirty money. A specialized judge will try to separate and identify the dirty money. As this official described the situation, “The specialist [judge] will go to pursue the wash—the ordinary [judge] only the precedent.”
- A respondent noted that special investigative techniques are only allowed in cases involving illegal drugs and trafficking, and that Congress has not authorized such special techniques for investigating other crimes.
- Another respondent described the problem of inadequate investigative resources, noting that while investigating a money-laundering case is never easy, it is particularly difficult in Paraguay, where the prosecutor’s office has minimal data to work with and cases stagnate. According to the respondent, the situation has not advanced significantly in a long time. This respondent noted that there is no mechanism for the prosecutor to access information online, and that SEPRELAD has much more access to quick, online information than the public prosecutor’s office. The respondent also said that there has not been enough training to teach prosecutors to connect dirty money with predicate events.
- The prosecutor’s office also lacks sufficient personnel. A United States Agency for International Development interview respondent working in the sector noted that the prosecutor’s office has only eight to 10 analysts for the entire country, and very few of them have financial intelligence expertise.

Overall Conclusion: The impact of OTA’s assistance is reflected in Paraguay’s improved standing per the 2021 GAFILAT Mutual Evaluation Report.

OTA’s overall contribution to Paraguay’s AML/CFT system through TA to SEPRELAD can be summarized through GAFILAT’s report. A SEPRELAD interview respondent noted that without the help of the OTA RA, Paraguay would never have passed the 2021 GAFILAT mutual evaluation. Paraguay’s ratings improved dramatically between the 2008 and 2021 MERs. According to GAFILAT, Paraguay is now “compliant” or “largely compliant” with most of the FATF recommendations, whereas per the 2008 MER, it was only “compliant” with two, and was “non-compliant” with 30.

Based on the evaluation findings supported by interviews and OTA’s project documents, Table 1 makes connections between the ECT’s TA contributions and GAFILAT’s determinations.



Additionally, Paraguay was removed from the FATF “grey list” in April 2018, three years following the commencement of OTA assistance, after the FATF concluded that Paraguay had undertaken measures to correct the deficiencies identified in the core and key recommendations of the previous (2008) MER. This is an important point because grey listing has significant negative consequences, including:

- It discourages foreign investment; a grey-listed country stands to suffer foreign direct investment shrinkage as a result. According to the IMF, grey-listed countries typically suffer an average net loss of 7.68% of capital flow into their states relative to GDP.⁴⁵
- Foreign banks and investors may become reluctant to do business in grey-listed countries, choosing instead to operate in other jurisdictions that present healthier risk profiles.
- Grey-listed countries are automatically considered high-risk jurisdictions by the European Union and the United Kingdom (in other words, they are considered jurisdictions with strategic deficiencies in their AML/CFT regimes that pose significant threats to the financial system).

Paraguay would not have achieved either of these things without major improvements in SEPRELAD’s capacity, and that the ECT has made a significant contribution to SEPRELAD’s effectiveness.

IV. Recommendations

Based on the evaluation findings, from a third-party perspective, the evaluation team suggests that OTA consider the following recommendations that can apply to continued assistance in Paraguay and/or similar ECT programs in other countries:

1) Formally engage other constituents in program planning and technical assistance implementation.

Three of the ECT’s four project objectives—1) strengthening AML/CFT supervision of financial and non-financial sector; 2) improving AML/CFT case development and creating a financial crimes working group; and 3) developing an asset forfeiture and recovery program—depended on input and coordination with agencies other than SEPRELAD. While OTA Advisors worked closely with SEPRELAD throughout the project and interacted with other parts of the government, the evaluation did not find evidence that OTA formally consulted other agencies with planning or implementation of project activities. Given the ECT’s broad and ambitious

⁴⁵ Mizuho Kida and Simon Paetzold. 2021. *The Impact of Gray-Listing on Capital Flows: An Analysis Using Machine Learning*. IMF Working Paper 2021/153



objectives at the inception, it would have been useful to plan a minimal level of active engagement, from the outset, with other agencies within Paraguay's AML/CFT system that interact with SEPRELAD on a regular basis. The ECT never entered into a formal agreement or terms of reference with other agencies like the ECT did in its previous engagement in Paraguay from 2003 to 2011.⁴⁶ While the strategy for the ECT's current program focused almost exclusively on TA to SEPRELAD, critical constraints to case development and prosecution with other constituent agencies remain outside SEPRELAD's influence.

2) Regularly update planning documentation to adjust to changes Advisors are making as they address emergent needs and realities on the ground with different activities.

During the project, changes in circumstances necessitated adjustments in Advisors' plans. For example, it was not feasible for OTA Advisors to perform their originally contemplated roles regarding AML/CFT supervision because the IMF covered this need. It would have been helpful for the ECT to adjust the workplans more frequently than annually to ensure OTA's activities and assistance remained relevant to current needs and opportunities to leverage change.

3) Include opportunities to review program strategies and progress and make mid-course corrections in response to changing circumstances.

As noted above, there were aspects of two of the project objectives that could not be achieved for reasons beyond OTA's control. OTA did conduct mid-course program reviews and generally adjusted its assistance. However, OTA did not formally update the project objectives to reflect the changed circumstances. Doing so may have provided an opportunity to further engage Paraguayan counterparts and give increased focus to areas in which assistance was most critically needed. For example, OTA's periodic internal program reviews provided useful insights on progress toward objectives, milestone achievements, and barriers.⁴⁷ It is unclear to the evaluation team, based on Advisor interviews and project documents, how the reviews were or were not used to inform mid-course changes with the ECT's original project objectives or to take advantage of new opportunities for leveraging change.

For example, the ECT's recognition of critical constraints to the AML/CFT system outside SEPRELAD were potential missed opportunities for OTA to change or expand its original scope of TA beyond SEPRELAD. Alternatively, OTA could have curtailed further efforts toward unachievable objectives (such as those related to asset forfeiture) and either planned an earlier

⁴⁶ OTA Economic Crimes Team internal document, *2013 End of Project Report*:
201301_paraguay_ect_eop

⁴⁷ For example, OTA Economic Crimes Team internal document, *2018 Program Review*:
201906_paraguay_ect_pr_schenck_youngblood



exit strategy or redeployed time and resources to program objectives that targeted other unaddressed TA needs for SEPRELAD.

4) Explore opportunities to continue to support Paraguay to address priority actions of GAFILAT’s MER.

While GAFILAT’s assessment of Paraguay’s compliance with FATF recommendations was overwhelmingly positive, its assessment of Paraguay’s record on the Immediate Outcomes was not as strong. GAFILAT rated Paraguay as “moderate” in ML/TF financial intelligence and confiscation (Immediate Outcomes 6 and 8) and “low” in ML investigation and prosecution (Immediate Outcome 7).

OTA’s 2019 final project review concluded that it was appropriate to graduate Paraguay in 2019, citing the need for the Paraguayan constituents to fully implement recent reforms to achieve sustainability. The review also noted the risk of creating dependency on OTA technical assistance in the absence of graduation.⁴⁸ While this concern is understandable, interviews with Paraguayan counterparts as well as some of the findings of the 2021 GAFILAT MER suggest that OTA could provide further useful assistance, including working through the issues with the PM and SEPRELAD’s reporting, moving forward on asset seizure now that the legal framework includes relevant provisions, and reinforcing the efficacy of the FCWG that was active while the FCT was involved but has been less so more recently.

5) Explore opportunities to assist SEPRELAD in updating the analysts’ handbook and related standard operating procedures (SOPs).

OTA’s 2019 final project review noted that the RA could assist with the deployment and use of SOPs and could work with the SEPRELAD analysts to identify which SOPs need revisions and make updates with the RA’s guidance. For example, information security SOPs are a priority for FATF.

6) Explore opportunities to assist supervisory authorities in other financial and non-financial sectors, as well as to the PM.

The 2022 GAFILAT MER rated Paraguay “largely compliant” with FATF Recommendation 26 (Regulation and Supervision of Financial Institutions), “compliant” with FATF Recommendation 27 (Powers of Supervisors) and “largely compliant” with FATF Recommendation 28 (Regulation and Supervision of DNFBPs). However, several counterpart respondents said that

⁴⁸ OTA Economic Crimes Team internal document, *2018 Program Review*: 201906_paraguay_ect_pr_schenck_youngblood



additional OTA assistance would be helpful with other (non-bank) financial entities and non-financial sector entities (DNFBPs).

Another respondent expressed that despite the positive GAFILAT findings, a better understanding of the system leads to further incentives to improve. This official noted that previous MERs focused only on technical compliance, in contrast to the current emphasis on efficient AML/CFT implementation of the current legal framework's laws and procedures.

A former SEPRELAD official wished that OTA could provide an Advisor focused on the prosecutor's office, noting that it is useless for SEPRELAD to provide good reports if the prosecutor's office does not know how to use them. As noted above, GAFILAT rated Paraguay as "low" in Immediate Outcome 7 (Investigation and Prosecution). Additionally, GAFILAT noted a low level of compliance with elements of Paraguay's Strategic Plan regarding "detection-investigation-criminal justice."⁴⁹

7) Explore opportunities to further improve cooperation between SEPRELAD and CBP.

SEPRELAD and CBP have worked well together with some past initiatives (e.g., developing banking guidelines) as discussed in OTA's 2018 program review document, but the review highlighted some areas where collaboration should be strengthened. The evaluation team concurs with the following opportunities identified in the program review:

- According to SEPRELAD interview respondents, CBP's risk-based supervision is weak, and they were not optimistic that the AML council could influence CBP to improve its supervision.
- The Paraguayan Bankers' Association discussed poor communication between SEPRELAD and CBP, resulting in a lack of clarity regarding supervisory matters. The Association noted that the banks needed clear guidelines, but that outreach was limited.
- While CBP expressed satisfaction and appreciation for OTA's assistance, CBP did not seek additional assistance, because it was working with the IMF to implement a risk-based supervision system. Despite this, OTA's 2019 program review observed that there were plenty of opportunities for additional assistance considering CBP's work with the IMF.

Four years have passed since the OTA's final program review in 2019, and the evaluation suggests two additional possibilities for targeted TA:

⁴⁹ GAFILAT. 2021. MER, p. 38.



- Collaboration between SEPRELAD and CBP to reach a consensus view with STR reports⁵⁰
- AML/CFT aspects of group (“consolidated”) supervision

The second point is especially pertinent. Paraguay hosts a significant number of international banking groups.⁵¹ Financial associations of this type pose unique challenges in the AML/CFT area due to the necessity of groupwide policies and procedures for effective risk management and effective means for regulators to analyze and address the risks associated with its relationship with other group entities.⁵² A Paraguayan financial supervisor identified consolidated supervision of financial groups as one of the main challenges in strengthening Paraguay’s AML/CFT system going forward. The GAFILAT rated Paraguay as “largely compliant” with FATF Recommendation 18, noting that despite some positive aspects, there is no obligation to provide for group-wide compliance, audit, and/or AML/CFT functions.⁵³

All of these items suggest that OTA’s support of SEPRELAD’s collaboration with CBP is worth consideration.

8) Explore opportunities to provide TA for beneficial ownership of legal entities.

The new legislation requiring registration of beneficial owners is a positive AML measure. The effectiveness of the law, however, depends upon compliance by entities and their beneficial owners, and upon the ability and willingness of public authorities to detect hidden beneficial owners and to impose substantial penalties for noncompliance. Experience in other countries suggests that criminals are quite adept at concealing beneficial ownership and true control of legal persons and legal arrangements through which they conduct illicit activities. A former SEPRELAD official expressed that prosecutors need more knowledge and training on research techniques regarding how to trace actual beneficial owners, and that such intervention needs to come through an actual program rather than occasional seminars.

⁵⁰ OTA Economic Crimes Team internal document, *2018 Program Review: 201906_paraguay_ect_pr_schenck_youngblood*

⁵¹ IMF Country Report No. 22/248: *Paraguay Technical Assistance Report—Bank Resolution Framework And The Deposit Guarantee Fund*. 2022. <https://www.imf.org/en/Publications/CR/Issues/2022/07/26/Paraguay-Technical-Assistance-Report-Bank-Resolution-Framework-and-the-Deposit-Guarantee-521332>

⁵² Gary A. Gegenheimer. 2019. “Consolidated Supervision and Anti-Money Laundering Compliance: The Crossroads of Effective Banking Supervision” *SEACEN Financial Stability Journal*, <https://www.seacen.org/publications/RePEc/702001-100456-PDF.pdf>

⁵³ GAFILAT. 2021. MER, pages 265–66.



V. Suggested Next Steps

Paraguay has made substantial progress in its AML/CFT regime. This is confirmed by GAFILAT’s assessment of Paraguay as “compliant” or “largely compliant” with 37 of the FATF recommendations in its 2021 MER and Paraguay’s 2018 removal from the FATF grey list. This is due in large part to OTA’s assistance to SEPRELAD, which has significantly improved its capacity for meaningful analysis and has a much clearer understanding of the proper role of an administrative FIU. All the counterparts whom the evaluation team interviewed were extremely complimentary of the ECT Advisors’ guidance and support.

Other component parts of the AML/CFT establishment could also benefit from OTA assistance. While the CBP may have a satisfactory program for risk-based AML/CFT supervision, the non-bank supervisory authorities, as well as public authorities that oversee DNFBPs clearly do not. The GAFILAT rated Paraguay only “partially compliant” with FATF recommendation 22 (customer due diligence relative to DNFBPs) and noted that “it is necessary to continue strengthening the supervision and sanction processes in those DNFBPs designated as having a higher level of risk.”⁵⁴ The judiciary and PM could also benefit from assistance. OTA should explore opportunities in this area, whether on a solo basis or in collaboration with other international development organizations.

Reporting entities within the AML/CFT system could benefit from assistance. The GAFILAT MER commented on both the low number of STRs by some reporting entities and the low quality of many STRs.⁵⁵ This reflects a lack of understanding among some reporting entity sectors as to what is required and how to provide information that will be useful to SEPRELAD and the PM. OTA should explore means to help reporting entities improve their understanding and processes in this area.

Resistance to change will challenge some administrative officials who have been in their positions, or similar positions, including impacting the relationship between SEPRELAD and the PM. Many interview respondents also acknowledged that corruption is a major problem.

Despite these challenges, the effort is worth pursuing. OTA should take every opportunity to raise awareness among Paraguayan government officials, reporting entities, and members of the public of the destructive effects of money laundering, terrorist financing, and financing of proliferation of weapons of mass destruction, and to encourage the development of the political will — and the commitment of sufficient resources — to combat these undesirable elements. The cost of vigorous enforcement is high, but the cost of weak enforcement is much higher.

⁵⁴ GAFILAT. 2021. MER, p. 175.

⁵⁵ GAFILAT. 2021. MER, pp. 50; 59–61.



VI. Annexes



Annex A: Methodology and Data Sources

Primary evaluation methods included a desk review of project documents provided by the Office of Technical Assistance (OTA) and key informant interviews (KIIs) that provided multiple perspectives and sources to support and verify the evaluation findings.

Desk Review

Project documents

The evaluation team analyzed project documents provided by OTA to gain a basic understanding of OTA's activities and interventions in the ECT program area in Paraguay.

For EQ1, the desk review focused on OTA's high-level project objectives that were achieved,⁵⁶ and details of the ECT's activities that led to their achievement from OTA's project documents as reported by ECT Advisors. Similarly, the team reviewed the project documents for details of project objectives that were not achieved and why to support findings for EQ3. The desk review process for EQ1 and EQ3 also provided the evaluation team with evidence for sustainability to support EQ2's findings.

OTA shared the following categories of project documents with the evaluation team:

- Briefing materials (4)
- End of project report (2)
- Field trip reports of OTA Advisors (41)
- OTA letters to the Minister (2)
- Paraguay evaluation cover sheet
- Program review (3)
- Project performance (3)
- Project proposal narratives (4)
- Technical implementation reports (4)
- Terms of reference for work with SEPRELAD 2015
- Project workplans for 2015, 2016, and 2019 (4)

⁵⁶ OTA Economic Crimes Team: *Paraguay 2019 Work plan*



Reference documents

In addition to project documents, the evaluation team used the following external documents to contextualize and support the findings and conclusions presented above:

- GAFILAT, Mutual Evaluation Report of the Republic of Paraguay, 2022
- Official documents from Paraguay: Laws, regulations, and the AML/CFT National Strategic Plan
- [Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism](https://www.coe.int/en/web/moneyval/implementation/fiu), Financial Intelligence Units: <https://www.coe.int/en/web/moneyval/implementation/fiu>
- Bureau of International Narcotics and Law Enforcement Affairs [2016 International Narcotics Control Strategy Report \(INCSR\)](#) — Countries/Jurisdictions of Primary Concern — Paraguay

Key Informant Interviews

Working from interview guides tailored for each category of respondents, the evaluation team conducted KIIs to document a full range of perspectives on OTA’s work, uncover new findings, and validate findings from the document analysis. KIIs focused on specific OTA activities and technical assistance to address the three evaluation questions (EQs) in greater detail.

Annex Table A is an inventory of respondents interviewed in-country or virtually. Their names have not been included in this report to maintain anonymity.

Mixed-Methods Approach

The evaluation team’s design approach started with the desk review to establish a basic understanding of what the ECT did in Paraguay. The KIIs were then used to verify, build on, and/or add nuance to what was already known from the documents. The team also analyzed the ECT’s contributions to broader outcomes in Paraguay’s AML/CFT system.

Preliminary findings for the ECT project were verified using multiple data sources and the evaluation team developed conclusions regarding OTA’s contributions to project objectives and their sustainability.

Data Collection

Document review

The evaluation team reviewed documents to identify themes and preliminary findings for deeper probing and verification. The evaluation team implemented a data coding process using the



ATLAS.ti qualitative analysis application that enables the coding, consolidation, and retrieval of data, such as document sources, text excerpts, themes, and key words for further analysis.

Key Informant Interviews

Between November 2 and November 30, 2022, the Bixal evaluation team conducted 11 KIIs with 26 respondents. The interviews were conducted in Spanish with counterparts and in English with OTA Advisors. Interviews in-country were conducted in person and interviews conducted after the evaluation team had left Paraguay were done virtually. All interviewers closely followed prepared interview guides and instructions to ensure that interviews were unbiased and focused on the EQs. When possible, the Bixal evaluation team recorded the interviews to ensure data were captured completely and accurately. The evaluation team transcribed audio recordings in Spanish and then translated them to English for analysis.

Notetakers took notes using a notetaking guide. In advance of the first KII, notetakers were trained on the evaluation team's SOP for notetaking to ensure they captured the highest quality data. All interview notes that were taken in Spanish were translated to English. The quality assurance section of this report details the evaluation team's quality assurance process for notes and transcription translations.

During November 2–11, 2022, the evaluation team visited Asunción, Paraguay. The evaluation team completed 11 total KIIs with 26 respondents. Annex Table A breaks out KII respondents by group and by gender. Annex Table B breaks out KII respondents by institution.



Annex Table A: Number of Interview Respondents

KII Respondent Groups	Respondents
Direct Government of Paraguay counterparts	20
Beneficiaries	1
Constituents	3
ECT Advisors	2
KII Respondent Gender	
Men	17
Women	9
Total KII Respondents	26

Respondents represented the following institutions (in alphabetical order):

Annex Table B: Interview Respondents by Institution

Institution	Respondents
Central Bank of Paraguay	4
OTA	2
Paraguayan Chamber of Deputies	1
Public Ministry (Attorney General's Office)	2
SENABICO	3
SEPRELAD Financial Intelligence Unit	8
Undersecretary of State for Taxation (SET)	3
U.S. Embassy	1
United States Agency for International Development	2
Total KII Respondents	26

Data Analysis Process

The evaluation team conducted qualitative analysis of the KII on an ongoing basis concurrent with data collection to identify emerging findings and trends during the evaluation's data collection phase. The evaluation team translated interview notes to English to be coded and analyzed with the ATLAS.ti application by grouping similar data under themes or categories so



the evaluation team can easily locate, retrieve, and combine the textual data that corresponds to an EQ, concept, or theme of interest.

When data collection was nearly complete, all evaluation team members convened for an analysis workshop to discuss findings and conclusions for EQs one and two. After data collection was complete, the evaluation team met to discuss findings for EQ three, as well as trends and themes that emerged during data analysis. Insights and ideas from this process were developed for presentation as preliminary findings to OTA for vetting and discussion on December 19, 2022, before the final evaluation report was drafted. With insights from the presentation, the team further analyzed the data for additional verification of findings and conducted an additional KII to further probe a subset of questions of interest.

Quality Assurance

The evaluation team followed standard quality assurance best practices that included the following:

- Notetakers uploaded their notes at the end of each day of data collection. The team leader and/or Bixal staff reviewed notes for accuracy, completeness, precision, and quality.
- Spanish transcripts and notes were translated using an external translation service. A bilingual team member reviewed all translated transcripts and notes for completeness and accuracy.
- The evaluation team met at the end of each day of data collection in Asunción to discuss what was heard and observed to ensure consistency in collecting and reporting data.
- The ATLAS.ti application enabled the team to check for accuracy and completeness of qualitative data as they are entered and coded. Standard cross-checking protocols were followed to ensure consistency and accuracy.
- The data analysis workshops provided an opportunity for evaluation team members to check each other's assumptions and cross-check data quality.



Annex B: Limitations

The evaluation team faced several key limitations of time, resources, and data that constrained the evaluation's possible purposes and scope. The OTA and the evaluation team were aware of most of these limitations from the beginning, and evaluation design choices were made to address these limitations.

Limited Access to OTA Advisors, Counterparts, and AML/CFT Constituents

The evaluation team initially identified six OTA Advisors for KIIs who had worked on the ECT project in Paraguay at different times in the project cycle, providing technical assistance in different areas, as Intermittent Advisors and RAs. However, the evaluation team was only able to interview two OTA Advisors, one of whom was the only Advisor to live in Paraguay. The evaluation team was unable to interview most of the ECT's Intermittent Advisors, including the first Advisor at the inception of the project, and another who focused on financial supervision. This limitation was partially mitigated through the evaluation team's focus on OTA's project documents that included a complete set of trip reports that documented Advisor activities, although the pro forma reports do not reflect Advisors' insights as well as an interview.

The evaluation team was also unable to speak to some former counterparts and their staff who have moved on from their previous positions since collaborating with OTA. For example, the evaluation team was unable to interview one key counterpart, a former SEPRELAD Minister who worked with the first Intermittent OTA Advisor in the project's beginning. From counterpart interviews, the evaluation team learned that AML/CFT agencies have experienced significant periodic staff attrition and replacement concurrent with new presidential administrations. As a result, the evaluation team interviewed a limited number of counterpart staff who had worked directly with OTA Advisors. In addition, some former OTA counterparts and staff members declined to be interviewed for reasons that were not articulated, but the evaluation team assumes that real or perceived job security, political, personal safety, or legal risks were among inhibiting factors.

Specifically, despite multiple attempts, the evaluation team was unable to speak to staff from SENAD. OTA Advisors worked indirectly with SENAD to establish a financial crimes working group with other AML/CFT agencies in Paraguay and to advise on SENAD's asset forfeiture strategy. The evaluation team was unable to interview compliance officers in the banking sector to probe whether other private sector constituents in the AML/CFT system observed any indirect changes that might be associated with the ECT's contributions to SEPRELAD.

To address these limitations, the evaluation team reached out beyond the names found in OTA's project documents to additional respondents who were suggested during interviews in snowball sampling to broaden the respondent pool. While some of the original intended respondents were unavailable, the evaluation team was able to interview alternative subjects who provided a



diversity of perspectives on the ECT's activities and contributions as well as verification of the evaluation findings from multiple sources.

Evaluation of a Strategic and Sensitive Sector

Paraguay is a small country and the AML/CFT sector is fraught with security, political, and legal risks and sensitivities that manifested challenges to this external evaluation process. The evaluation team requested interviews with counterparts who often preferred to be interviewed in groups. While potentially being able to include more respondent perspectives, the evaluation team did notice some respondents were unable or unwilling to speak freely in group settings with their colleagues or supervisors, potentially wary of political or professional consequences. To mitigate this limitation, the evaluation team requested individual follow-up meetings with some respondents to give them an opportunity for a more discreet, individual interview that resulted in alternative perspectives that would not have otherwise been shared.

Limited Access to Background Statistical Metrics and Contextual Data

For various legal, security, political, and/or ethical reasons within Paraguay's AML/CFT context, the evaluation team did not have access to statistics, confidential reports, or internal metrics such as:

- AML/CFT data or key performance indicators
- SEPRELAD reports
- AML/CFT-related suspicious activity reports, cases, or investigations

The evaluation team is aware of the sensitivities around AML/CFT data and cases in Paraguay. However, without access to those data, the evaluation team cannot make any quantitative statements on the AML/CFT system in Paraguay, definitive statements on the quality of SEPRELAD's reports, or statements on the quality of AML/CFT cases in Paraguay. The evaluation team relied on the qualitative data from interviews that described changes in Paraguay's system over time as narrative observations.

Recall Bias

The evaluation team relied heavily on data generated from qualitative KIIs in which respondents were asked to recount facts and details from events that happened three to seven years ago. Selective memory can lead to measurement bias. In many cases, the key informants' perspectives of activities that happened years in the past may have changed. A lens of selective memory and current circumstances may contribute to a key informant's overall perspective. Recall bias can also lead to respondents forgetting important information such as names or dates, and the detailed nuance that is important to understand how and when the ECT's technical assistance was implemented. To account for this, the evaluation team reviewed and coded early



project documentation such as trip reports to better understand the inception phase of the ECT's project in Paraguay and articulated some interview questions on early activities. While most of the interviews and the evaluation team's questions focused on the later years of the project that were most fresh in respondents' memory, questions about the early period invited responses in general terms, with the understanding that details were limited.

Project Documentation Limitations

A key challenge for the evaluation team was gaining an understanding of the ECT's contributions to change at a strategic ECT project or AML/CFT system level. While OTA has good activity-level documentation of the ECT's work, such as trip reports covering short periods of time, there are no summative or consolidated annual or final reports for the ECT's work in Paraguay from 2015 to 2019. In contrast, OTA's previous ECT engagement in Paraguay from 2003 to 2011 was documented in a five-page end-of-project report produced in 2013,⁵⁷ but this precedent was not followed with a similar document after the ECT's engagement ended in 2019.

OTA's annual Traction and Impact Assessments,⁵⁸ while designed to provide an annual performance review against OTA's Agency-level, cross-program objectives, are limited to subjective scores. These scores combine "traction" (i.e., progress) and the impact of multiple project objectives in a single Likert scale number using score criteria that were not specified and do not include any accompanying narrative of the ECT's results in Paraguay.

Although OTA has adopted the use of logic frameworks for other, more recent programs, ECT/Paraguay lacks a log frame that includes program-level objectives and progress measures that would have been a core data source from which the evaluation could have built.

The evaluation team used all the project documents that OTA provided. While workplans for 2015, 2016–2017, and 2018–2019 were useful resources for the evaluation team, workplans for 2017 and 2019 were not included in the documentation provided to the evaluation team. Traction and Impact reports for 2016 and 2018 were also not available.

⁵⁷ OTA Economic Crimes Team internal document, *2013 End of Project Report: 201301_paraguay_ect_eop*.

⁵⁸ For example, OTA Economic Crimes Team internal document, *2019 Technical Implementation Assessment: 3054 Paraguay 2019 Crimes TI Assessment*



Annex C: Evaluation Data Source Matrix

Evaluation Question	Research Questions (indicative)	Sources of Evidence	Research Method
<p>1. To what extent has the ECT achieved the four project objectives as defined in the Paraguay workplans? In which areas was the ECT the most successful?</p>	<p>Asked for each project objective:</p> <p>1.1 Increase the efficiency and effectiveness of the FIU analytical function and the capacity of the FIU to deliver improved and sufficient analytical products to law enforcement, as confirmed by end users, including as reflected by an increase in money-laundering investigations supported by FIU referrals.</p> <p>1.2 AML/CFT supervision of financial and/or non-financial sector(s)—mentor AML/CFT examinations with the goal of creating refined supervisory manuals, improved coordination between the CBP and FIU, and examination action plan and schedule.</p> <p>1.3 AML/CFT case development, including working with investigative, prosecutorial, and/or judicial authority. The objective is to create a financial crimes task force that meets regularly, develops a case-tracking mechanism, and an operations manual.</p> <p>1.4 Develop asset forfeiture and recovery program that reflects international best practices.</p>	<p>OTA documents</p> <p>OTA Advisors and Associate Directors</p> <p>AML/CFT</p> <p>GAFILAT MER</p> <p>SEPRELAD</p> <p>CBP</p> <p>PM</p> <p>SET</p> <p>Customs Authority</p> <p>Congress</p> <p>U.S. Embassy</p> <p>USAID, Paraguay</p> <p>IMF, Paraguay</p>	<p>Document review</p> <p>Results mapping</p> <p>KIIs</p> <p>Network mapping</p>



<p>2. Which of the ECT’s project objectives in Paraguay have been sustained over time and why?</p>	<p>How did each of the ECT’s program objectives and activities (influence/guide/shape) the development of Paraguay’s overall AML/CFT system?</p> <p>Did staff turnover at SEPRELAD impact the sustainability of the ECT’s TA outcomes?</p> <p>How do the ECT’s counterparts describe the future of their (AML/CFT system or FIU) (e.g., 1 year/3 years)?</p> <p>How willing are counterparts to implement program objectives/reforms suggested by the ECT?</p>	<p>OTA documents</p> <p>OTA Advisors and Associate Directors</p> <p>AML/CFT</p> <p>GAFILAT MER</p> <p>SEPRELAD</p> <p>CBP</p> <p>PM</p> <p>SET</p> <p>Customs Authority</p> <p>Congress</p> <p>U.S. Embassy in Paraguay</p> <p>USAID, Paraguay</p> <p>IMF, Paraguay</p>	<p>Document review</p> <p>Results mapping</p> <p>KIIs</p> <p>Network mapping</p>
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<p>3. Which of the ECT’s program objectives were not achieved and why?</p>	<p>What gaps in the AML/CFT system remain unaddressed?</p> <p>How do counterparts and constituents understand and describe their role in the Paraguayan AML/CFT system?</p> <p>How do counterparts describe the challenges to improving Paraguay’s AML/CFT system?</p>	<p>OTA documents</p> <p>OTA Advisors and Associate Directors</p> <p>AML/CFT</p> <p>GAFILAT Mutual Assessment</p> <p>SEPRELAD</p> <p>CBP</p> <p>Public Ministry</p> <p>SET</p> <p>Customs Authority</p> <p>Congress</p> <p>U.S. Embassy</p> <p>USAID, Paraguay</p> <p>IMF, Paraguay</p>	<p>Document review</p> <p>Results mapping</p> <p>KIIs</p> <p>Network mapping</p>
<p>AML/CFT: anti-money laundering and countering the financing of terrorism</p> <p>CBP: Central Bank of Paraguay</p> <p>ECT: Economic Crimes Team</p> <p>FIU: Financial Intelligence Unit</p> <p>GAFILAT: Latin American Financial Action Task Force</p> <p>IMF: International Monetary Fund</p>		<p>KII: key informant interview</p> <p>OTA: Office of Technical Assistance</p> <p>SEPRELAD: Secretariat for the Prevention of Money or Property Laundering</p> <p>SET: Undersecretary of State for Taxation</p> <p>USAID: United States Agency for International Development</p>	



Annex D: Connecting ECT Activities to GAFILAT Determinations

Project Objective/Evaluation Team Findings/Conclusions	GAFILAT Determination
<p>Project objective 1: Increasing the effectiveness of SEPRELAD’s analysis and reporting</p> <p>The ECT provided training in targeted areas, such as indicators used for detecting and investigating suspicious activity, remittances, and offshore transactions, and worked with SEPRELAD analysts to help them develop their analytical skills. SEPRELAD’s reports to the PM have improved, although there is room for further improvement.</p>	<p>SEPRELAD produces financial intelligence reports that are the product of the analysis of the information it receives from reporting entities and of the value added provided by its access to a wide range of sources of information. The financial intelligence produced also contributes to the working groups established for the investigation of emblematic cases by the Attorney General’s Office. (MER, page 9)</p>
<p>Project objective 2: Strengthening the AML/CFT supervision of financial and non-financial sectors</p> <p>While OTA’s participation in this area was limited due to the involvement of the IMF, OTA Advisors did foster improved communication between SEPRELAD and CBP and provided mentoring to CBP examiners.</p>	<p>The GAFILAT MER rated Paraguay “largely compliant” with FATF Recommendation 26 (Regulation and supervision of financial institutions), “compliant” with FATF Recommendation 27 (Powers of Supervisors) and “largely compliant” with FATF Recommendation 28 (Regulation and supervision of DNFBPs). (MER, pages 289–94)</p>
<p>Project objective 3: Improving AML/CFT case development and create a financial crimes task force⁵⁹</p> <p>The ECT facilitated the creation of the FCWG that convened regularly when OTA</p>	<p>SEPRELAD prepares the financial intelligence reports as a result from the analysis of the information received from the reporting entities and adds value by having access to a wide range of sources of information enables SEPRELAD. SEPRELAD’s financial intelligence also</p>

⁵⁹ Originally called the financial crimes task force, the name was changed in 2016 to emphasize that the group would take on issues that could be solved by TA, and not be operationally focused.



<p>Project Objective/Evaluation Team Findings/Conclusions</p>	<p>GAFILAT Determination</p>
<p>was present in the country. However, the overall effectiveness of the FCWG on AML/CFT case development is not clear. Meetings have been irregular since the end of the project.</p>	<p>contributes to the working groups created for the investigation of emblematic cases by the Attorney General’s Office. (MER, page 69)</p>
<p>Project objective 4: Developing an asset forfeiture and recovery program</p> <p>While this project objective could not be completely fulfilled due to the inadequacy of the legal framework during the project, OTA Advisors did help to get SENABICO “up and running.” OTA’s assistance on legal reform helped lay the foundation for the current, more robust legal framework in this area.</p>	<p>In general, the legal system in place is appropriate to combat money laundering. (MER, page 6)</p> <p>Confiscation in Paraguay is pursued as “the enactment of the special procedure for confiscation, special confiscation, deprivation of benefits and profits, and non-conviction-based confiscation,” as well as the creation by law of the SENABICO and the amendment of the criminal code, which readjusts the scope of the legal concept of substitute asset confiscation. Likewise, it is possible to observe the willingness of the authorities to apply confiscation measures. (MER, page 45).</p> <p>Paraguay has an adequate legal and institutional framework to support criminal proceedings to seize and confiscate assets and the proceeds of crime. (MER, page 78)</p> <p>Paraguay has set the prosecution and confiscation of the assets derived from criminal activities as a priority of its criminal policy, as well as proceeds, profits, and property of equivalent value. (MER, page 78)</p> <p>Confiscation of the proceeds of crime, proceeds, instrumentalities and property of equivalent value is pursued as a government objective, which can be appreciated by i) a solid legal and institutional framework; ii) being set as a priority in Paraguay’s Strategic Plan; iii) the</p>



Project Objective/Evaluation Team Findings/Conclusions	GAFILAT Determination
	results of confiscations in specific cases; and iv) SENABICO’s administration of the seized assets, with a view to their eventual confiscation. (MER, pages 78–79)

Annex E: Key Informant Interview Instruments

Qualitative Interview Guide—OTA Staff Version 1

Introduction (to be read to interview subject)

The evaluation of OTA/Paraguay’s program will serve two purposes: The first purpose is to ensure compliance with the Foreign Aid Transparency and Accountability Act (FATAA) of 2016, which includes requirements to evaluate the outcomes and impacts of OTA’s programs whose dollar value equals or exceeds the median program size and apply the findings and conclusions of such evaluations to proposed project and program design. The second purpose is to provide OTA with in-depth, third-party, retrospective insights of its economic crimes activities in Paraguay. Some aspects of OTA’s experience may be used to inform other current or future projects in Paraguay or other countries to inform adaptation, improve projects, discover ways to reduce the time to achieve project outcomes, identify new ways to effect positive change, and document project achievements and success.

Informed Consent

We anticipate the discussion to take 60–90 minutes. We will be asking you a series of questions on your work in Paraguay. Your participation in this discussion is voluntary and you are free to not respond to some questions or discontinue with the discussion at any point. We also request your consent to record the interview to ensure that our notes and transcripts are complete and accurate. At any time, you may request that you not be quoted, or your interview responses be off the record and not included in the interview notes or transcripts. The interview recordings, notes, and transcriptions will not be shared with OTA or others outside the evaluation team and will be deleted after the evaluation report is complete. If you have understood these points and consent to continue the discussion, can you please state, “Yes, I consent to be interviewed and recorded.”

Evaluation Questions (for reference use by interviewers during interview)



1) To what extent has the Economic Crimes Team achieved the four project objectives as defined in the Paraguay Work Plans? In which areas was the ECT the most successful?

1.1 Increase the efficiency and effectiveness of the FIU’s analytical function and the capacity of the FIU to deliver improved and sufficient analytical products to law enforcement, as confirmed by end users, including as reflected by an increase in money-laundering investigations supported by FIU referrals.

1.2 AML/CFT supervision of financial and/or non-financial sector(s)—mentor AML/CFT examinations with the goal of creating refined supervisory manuals, improved coordination between the Central Bank and FIU, and examination action plan and schedule.

1.3 AML/CFT case development, including working with investigative, prosecutorial, and/or judicial authority. The objective is to create a financial crimes task force that meets regularly, develops a case-tracking mechanism, and an operations manual.

1.4 Develop an asset forfeiture and recovery program that reflects international best practices.

2) Which of the ECT’s project objectives in Paraguay have been sustained over time and why?

3) Which of the ECT’s program objectives were not achieved and why?

Interview Questions

Program Role:
1) Can you tell us about your role in Paraguay?
1)
2) How were the project activities chosen and planned? How did your counterparts participate in the decision-making and planning processes?
2)
3) What were your expectations at the beginning of the project? How did they change over time? How do you think your expectations and assumptions compare to counterparts' expectations and assumptions?
3)



Results:
4) What were some of the key results and successes from the ECT’s work?
4)
5) Did you observe improvements in the effectiveness of the FIU and their analytical capacity?
5)
6) What were your activities with SEPRELAD examiners? What changes did you observe with them over time with their knowledge, processes, or behaviors?
6)
7) Which strategies were used to develop the Financial Crimes Task Force (FCTF)? What were the results?
7)
8) What was the effect of the operations manual developed for the FCWG?
8)
9) Do you think the counterparts’ big picture perception of the AML/CFT system has changed since the beginning of the program?
9)
10) In your opinion, did you see an improvement in authorities' understanding of asset forfeiture?
10)
11) Are there other activities or areas that the evaluation team should focus on that we haven’t asked about?
11)
Stakeholder Relationships:
12) How have the roles of the FIU and other AML constituents changed since the beginning of the program?
12)
13) Can you describe the relationship and communication between SEPRELAD and the CBP? Did it change over time?



13)
Challenges Encountered:
14) What have been some key challenges that you have encountered?
14)
15) Which activities were particularly difficult to implement?
15)
16) What have been the main operational challenges to asset forfeiture or seizure?
16)
17) In your opinions, what are the gaps in the Paraguayan AML/CFT system that remain unaddressed?
17)
18) What are the main impediments for the project objectives to be sustained over time?
18)
19) Do you have anything else that you would like the evaluation team to know?
19)



Qualitative Interview Guide—OTA Staff Version 2

Introduction (to be read to interview subject)

The evaluation of OTA/Paraguay’s program will serve two purposes: The first purpose is to ensure compliance with the Foreign Aid Transparency and Accountability Act (FATAA) of 2016, which includes requirements to evaluate the outcomes and impacts of OTA’s programs whose dollar value equals or exceeds the median program size and apply the findings and conclusions of such evaluations to proposed project and program design. The second purpose is to provide OTA with in-depth, third-party, retrospective insights of its economic crimes activities in Paraguay. Some aspects of OTA’s experience may be used to inform other current or future projects in Paraguay or other countries to inform adaptation, improve projects, discover ways to reduce the time to achieve project outcomes, identify new ways to effect positive change, and document project achievements and success.

Informed Consent

We anticipate the discussion to take 60–90 minutes. We will be asking you a series of questions on your work in Paraguay. Your participation in this discussion is voluntary and you are free to not respond to some questions or discontinue with the discussion at any point. We also request your consent to record the interview to ensure that our notes and transcripts are complete and accurate. At any time, you may request that you not be quoted, or your interview responses be off the record and not included in the interview notes or transcripts. The interview recordings, notes and transcriptions will not be shared with OTA or others outside the evaluation team and will be deleted after the evaluation report is complete. If you have understood these points and consent to continue the discussion, can you please state, “Yes, I consent to be interviewed and recorded.”

Evaluation Questions (for reference use by interviewers during interview)

1. To what extent has OTA's Economic Crimes Team achieved the four project objectives as defined in the Paraguay Work Plans? In which areas was the ECT the most successful?

1.1 Increase the efficiency and effectiveness of the FIU’s analytical function and the capacity of the FIU to deliver improved and sufficient analytical products to law enforcement, as confirmed by end users, including as reflected by an increase in money-laundering investigations supported by FIU referrals.

1.2 AML/CFT supervision of financial and/or non-financial sector(s)—mentor AML/CFT examinations with the goal of creating refined supervisory manuals, improved coordination between the Central Bank and FIU, and examination action plan and schedule.



1.3 AML/CFT case development, including working with investigative, prosecutorial, and/or judicial authority. The objective is to create a financial crimes task force that meets regularly, develops a case-tracking mechanism, and an operations manual.

1.4 Develop an asset forfeiture and recovery program that reflects international best practices.

2. Which of the ECT’s project objectives in Paraguay have been sustained over time and why?

3. Which of the ECT’s program objectives were not achieved and why?

Interview Questions

Program Role:
1) Can you tell us about your role in Paraguay?
2) How were the project activities chosen and planned? How did your counterparts participate in the decision-making and planning processes?
•
3) What were your expectations at the beginning of the project? How did they change over time? How do you think your expectations and assumptions compare to counterparts' expectations and assumptions?
•
Results:
4) What were some of the key results and successes from the ECT’s work?
•
5) Did you observe improvements in the effectiveness of the FIU and their analytical capacity?



<p>6) What were your activities with SEPRELAD examiners? What changes did you observe with them over time with their knowledge, processes, or behaviors?</p> <p>6A) How would you characterize the relationship between SEPRELAD and the Public Prosecutor’s office? In your opinion, do SEPRELAD’s reports provide the Public Prosecutors with sufficient information from which to build a case? Do you have any insights as to the Public Prosecutors’ views as to the quality of SEPRELAD’s reports/the sufficiency of information provided by SEPRELAD? Are you aware of any criticisms by the Public Prosecutors of SEPRELAD’s reports? In your opinion, are these criticisms valid? If so, how can they be addressed?</p>
<p>7) Which strategies were used to develop the Financial Crimes Task Force (FCTF)? What were the results?</p>
<p>8) What was the effect of the operations manual developed for the FCWG?</p>
<p>9) Do you think the counterparts’ big picture perception of the AML/CFT system has changed since the beginning of the program?</p> <p>•</p>
<p>10) In your opinion, did you see an improvement in authorities' understanding of asset forfeiture?</p> <p>10A) One of the Project’s objectives is to “Develop an asset forfeiture and recovery program that reflects international best practices.” Through previous interviews, we have been told that most of OTA’s work focused on asset management, rather than asset forfeiture. Can you tell us whether that is actually the case, and if so, are you aware of the reason for placing more emphasis on asset management rather than asset forfeiture?</p>
<p>11) Are there other activities or areas that the evaluation team should focus on that we haven’t asked about?</p>
<p>Stakeholder Relationships:</p>
<p>12) How have the roles of the FIU and other AML constituents changed since the beginning of the program?</p>



13) Can you describe the relationship and communication between SEPRELAD and the CBP? Did it change over time?
Challenges Encountered:
14) What have been some key challenges that you have encountered?
15) Which activities were particularly difficult to implement?
16) What have been the main operational challenges to asset forfeiture or seizure?
17) In your opinion, what are the gaps in the Paraguayan AML/CFT system that remain unaddressed?
•
18) What are the main impediments for the project objectives to be sustained over time?
18A) Your reports emphasize that corruption is a huge problem, which can impede the effectiveness of Paraguay’s AML/CFT system. From a “30,000-foot view,” how can OTA address this problem?
•
19) Do you have anything else that you would like the evaluation team to know?



Qualitative Interview Guide—OTA ECT Counterpart Version 1

Introducción (para ser leída al entrevistado)

El propósito de la evaluación del programa de OTA/Paraguay es proporcionar a OTA información retrospectiva, profunda y de terceros sobre sus actividades de delitos económicos en Paraguay. Algunos aspectos de la experiencia de OTA en Paraguay pueden usarse para informar otros proyectos actuales o futuros en Paraguay u otros países para informar la adaptación, mejorar proyectos, descubrir formas de reducir el tiempo para lograr los resultados del proyecto, identificar nuevas formas de efectuar cambios positivos y documentar los logros y el éxito del proyecto.

Consentimiento informado

Anticipamos que la discusión tomará entre 60 y 90 minutos. Le estaremos haciendo una serie de preguntas sobre su trabajo en [SEPRELAD/SENABICO/SET/CBP]. Su participación en esta discusión es voluntaria y es libre de no responder a algunas preguntas o interrumpir la discusión en cualquier momento. También solicitamos su consentimiento para grabar la entrevista para garantizar que nuestras notas y transcripciones estén completas y precisas. En cualquier momento, puede solicitar que no se le mencione, o que sus respuestas a la entrevista sean extraoficiales y no se incluyan en las notas o transcripciones de la entrevista. Las grabaciones, notas y transcripciones de las entrevistas no se compartirán con la OTA ni con otras personas ajenas al equipo de evaluación y se eliminarán una vez que se complete el informe de evaluación. Si ha entendido estos puntos y acepta continuar con la discusión, ¿puede decir: “Sí, doy mi consentimiento para ser entrevistado y grabado.”

Evaluation Questions (for reference use by interviewers during interview)

1. To what extent has OTA’s Economic Crimes Team achieved the four project objectives as defined in the Paraguay Work Plans? In which areas was the ECT the most successful?

1.1 Increase the efficiency and effectiveness of the FIU’s analytical function and the capacity of the FIU to deliver improved and sufficient analytical products to law enforcement, as confirmed by end users, including as reflected by an increase in money-laundering investigations supported by FIU referrals.

1.2 AML/CFT supervision of financial and/or non-financial sector(s)—mentor AML/CFT examinations with the goal of creating refined supervisory manuals, improved coordination between the Central Bank and FIU, and examination action plan and schedule.

1.3 AML/CFT case development, including working with investigative, prosecutorial, and/or judicial authority. The objective is to create a financial crimes task force that meets regularly, develops a case-tracking mechanism, and an operations manual.



1.4 Develop an asset forfeiture and recovery program that reflects international best practices.

2. Which of the ECT’s project objectives in Paraguay have been sustained over time and why?

3. Which of the ECT’s program objectives were not achieved and why?

Interview Questions

Program Role:
1) Can you tell us about your role in [SEPRELAD/SENABICO/SET/CBP]?
1)
2) How were the project activities chosen and planned? How did your institution/group participate in the decision-making and planning processes?
2)
3) What were your expectations at the beginning of the project? How did they change over time? How do you think your expectations and assumptions compare to OTA’s expectations and assumptions?
3)
Results:
4) In your opinion, what have been some of the key results and successes since the beginning of OTA’s assistance?
4)
5) Did you observe improvements in the operational effectiveness of SEPRELAD?
5)
6) What were your activities with the ECT? What changes did you observe over time at your institution with respect to knowledge, processes, or behaviors?
6)
7) What can you tell me about the FCWG? What was the impact of the FCWG?
7)



8) How was the operations manual developed for the FCWG? How important was the operations manual for your work?
8)
9) Do you think your institution’s big-picture perception of the AML/CFT system has changed since the beginning of the project with the ECT? Why or why not?
9)
10) In your opinion, did you see an improvement in your institution as a result of the outcomes of project objectives 1.1–1.4?
10)
11) Are there other activities or areas that the evaluation team should focus on that we haven’t asked about?
11)
Stakeholder Relationships:
12) How has the relationship between your institution and SEPRELAD changed since the beginning of the ECT project in 2015? Has your role in your institution changed? Has the role of your institution changed?
12)
Challenges Encountered:
13) What have been some key challenges that you have encountered? Which activities were particularly challenging?
13)
14) What was the main operational challenges of implementing project objectives 1.1–1.4?
14)
15) What have been the main (operational, legal, political, other) challenges to improving the AML/CFT system in Paraguay?
15)
16) In your opinion, what are the gaps in the Paraguayan AML/CFT system that remain unaddressed? How could the AML/CFT system in Paraguay be improved?



16)
17) What are the main impediments for the outcomes of the ECT's work to be sustained over time? What do you think could be the effect of a government change next year?
17)
18) Do you have anything else that you would like the evaluation team to know?
18)



Qualitative Interview Guide—OTA ECT Counterpart Spanish Version 1

Introducción (para ser leída al entrevistado)

El propósito de la evaluación del programa de OTA/Paraguay es proporcionar a OTA información retrospectiva, profunda y de terceros sobre sus actividades contra delitos económicos en Paraguay. Algunos aspectos de la experiencia de OTA en Paraguay pueden usarse en otros proyectos actuales o futuros en Paraguay u otros países para informar la adaptación, mejorar proyectos, descubrir formas de reducir el tiempo para lograr los resultados del proyecto, identificar nuevas formas de efectuar cambios positivos y documentar los logros y el éxito del proyecto.

Consentimiento informado

Anticipamos que la discusión tomará entre 60 y 90 minutos. Le estaremos haciendo una serie de preguntas sobre su trabajo en [SEPRELAD/SENABICO/SET/CBP]. Su participación en esta discusión es voluntaria y es libre de no responder a algunas preguntas o interrumpir la discusión en cualquier momento. También solicitamos su consentimiento para grabar la entrevista para garantizar que nuestras notas y transcripciones estén completas y precisas. En cualquier momento, puede solicitar que no se le mencione, o que sus respuestas a la entrevista sean extraoficiales y no se incluyan en las notas o transcripciones de la entrevista. Las grabaciones, notas y transcripciones de las entrevistas no se compartirán con la OTA ni con otras personas ajenas al equipo de evaluación y se eliminarán una vez que se complete el informe de evaluación. Si ha entendido estos puntos y acepta continuar con la discusión, ¿puede decir: "Sí, doy mi consentimiento para ser entrevistado y grabado."

Evaluation Questions (for reference use by interviewers during interview)

1. To what extent has OTA's Economic Crimes Team achieved the four project objectives as defined in the Paraguay Work Plans? In which areas was the ECT the most successful?

1.1 Increase the efficiency and effectiveness of the FIU's analytical function and the capacity of the FIU to deliver improved and sufficient analytical products to law enforcement, as confirmed by end users, including as reflected by an increase in money-laundering investigations supported by FIU referrals.

1.2 AML/CFT supervision of financial and/or non-financial sector(s)—mentor AML/CFT examinations with the goal of creating refined supervisory manuals, improved coordination between the Central Bank and FIU, and examination action plan and schedule.

1.3 AML/CFT case development, including working with investigative, prosecutorial, and/or judicial authority. The objective is to create a financial crimes task force that meets regularly, develops a case-tracking mechanism, and an operations manual.



- 1.4 Develop an asset forfeiture and recovery program that reflects international best practices.
2. Which of the ECT's project objectives in Paraguay have been sustained over time and why?
3. Which of the ECT's program objectives were not achieved and why?

Interview Questions

1. Role: ¿Cuál fue su rol / trabajo entre 2015–2019?
2) Planeación: Hubo un proceso de planeación con la OTA para definir las actividades del Proyecto? La entidad para la que trabajaba / trabaja participó en el proceso de planeación del proyecto?
3) Expectativas del proyecto: ¿Cuáles eran sus expectativas al principio del Proyecto? Estas expectativas cambiaron con el tiempo?
4) Resultados: ¿Cuáles fueron los principales resultados positivos de la asistencia de OTA?
5) Mejoría: ¿Notó que la entidad se fortaleció gracias al apoyo de la OTA?
6) Actividades: ¿Qué actividades desarrolló con el equipo de la OTA? ¿Qué cambios notó dentro de su institución con respecto al conocimiento, procesos e impacto?
7) Grupo de trabajo contra crímenes financieros: ¿Tiene conocimiento de la existencia de este grupo de trabajo? Participó en él? ¿Qué nos puede contar al respecto? ¿Cuál ha sido su el impacto?
8) Manual del GTCF: ¿Se desarrolló un manual para el grupo de trabajo? ¿Cuán importante ha sido el manual para su trabajo?



<p>9) Entendimiento general del Sistema ALA/CFT: Considera que el entendimiento de su institución del Sistema ALA/CFT como un todo cambió desde el inicio del proyecto? Considera que el apoyo de la OTA contribuyó para ese cambio?</p>
<p>10) Mejoría específica: Notó que su institución se fortaleció en:</p>
<p>1.1 El fortalecimiento de la inteligencia financiera,</p>
<p>1.2 Regulación y supervisión ALA/CFT,</p>
<p>1.3 Desarrollo de casos de LA,</p>
<p>1.4 Proceso para identificar, incautar y comiso de bienes? (Ley 6431)</p>
<p>a.</p>
<p>11) Otras áreas: En su opinión, ¿existen otras áreas donde este equipo de evaluación se debe enfocar y que no estamos preguntando?</p>
<p>12) Stakeholder Relationships:</p>
<p>13) Relación entre entidades: Considera que la relación entre la SEPRELAD y otras entidades cambió desde el inicio del proyecto? Algo de este cambio puede ser atribuible al proyecto de la OTA?</p>
<p>14) Retos: ¿Cuáles cree que son han sido los retos para la implementación del proyecto? Qué áreas o actividades considera que han sido un reto para implementar o trabajar?</p>
<p>15) Retos operativos: ¿Cuáles fueron los retos operativos principales para:</p>
<p>1.1 El fortalecimiento de la inteligencia financiera,</p>
<p>1.2 Regulación y supervisión ALA/CFT,</p>
<p>1.3 Desarrollo de casos de LA,</p>
<p>1.4 Proceso para identificar, incautar y comiso de bienes? (Ley 6431)</p>

16) Principales retos para el Sistema: ¿Cuáles considera que son los principales retos para el fortalecimiento del sistema ALA/CFT de Paraguay?
a.
17) Debilidades por fortalecer en el Sistema ALA/CFT: ¿Cuáles son las principales debilidades que tiene el Sistema ALA/CFT de Paraguay? ¿Cómo se puede fortalecer?
a.
18) Obstáculos para la sostenibilidad: ¿Considera que los resultados del proyecto de la OTA siguen vigentes? ¿Cuáles son los principales obstáculos para que los resultados del Proyecto de la OTA se mantengan en el tiempo? ¿Cuál podría ser el impacto del cambio de gobierno del año que viene?
a.
19) Hay algo más que le gustaría contarnos?

Qualitative Interview Guide—OTA ECT Counterpart Spanish Version 2

Introducción (para ser leída al entrevistado)

El propósito de la evaluación del programa de OTA/Paraguay es proporcionar a OTA información retrospectiva, profunda y de terceros sobre sus actividades contra delitos económicos en Paraguay. Algunos aspectos de la experiencia de OTA en Paraguay pueden usarse en otros proyectos actuales o futuros en Paraguay u otros países para informar la adaptación, mejorar proyectos, descubrir formas de reducir el tiempo para lograr los resultados del proyecto, identificar nuevas formas de efectuar cambios positivos y documentar los logros y el éxito del proyecto.

Consentimiento informado

Anticipamos que la discusión tomará entre 60 y 90 minutos. Le estaremos haciendo una serie de preguntas sobre su trabajo en [SEPRELAD/SENABICO/SET/CBP]. Su participación en esta discusión es voluntaria y es libre de no responder a algunas preguntas o interrumpir la discusión en cualquier momento. También solicitamos su consentimiento para grabar la entrevista para garantizar que nuestras notas y transcripciones estén completas y precisas. En cualquier momento, puede solicitar que no se le mencione, o que sus respuestas a la entrevista sean extraoficiales y no se incluyan en las notas o transcripciones de la entrevista. Las grabaciones, notas y transcripciones de las entrevistas no se compartirán con la OTA ni con otras personas ajenas al equipo de evaluación y se eliminarán una vez que se complete el informe de evaluación. Si ha entendido estos puntos y acepta continuar con la discusión, ¿puede decir: "Sí, doy mi consentimiento para ser entrevistado y grabado."

Evaluation Questions (for reference use by interviewers during interview)

1. To what extent has OTA's Economic Crimes Team achieved the four project objectives as defined in the Paraguay Work Plans? In which areas was the ECT the most successful?

1.1 Increase the efficiency and effectiveness of the FIU's analytical function and the capacity of the FIU to deliver improved and sufficient analytical products to law enforcement, as confirmed by end users, including as reflected by an increase in money-laundering investigations supported by FIU referrals.

1.2 AML/CFT supervision of financial and/or non-financial sector(s)—mentor AML/CFT examinations with the goal of creating refined supervisory manuals, improved coordination between the Central Bank and FIU, and examination action plan and schedule.

1.3 AML/CFT case development, including working with investigative, prosecutorial, and/or judicial authority. The objective is to create a financial crimes task force that meets regularly, develops a case-tracking mechanism, and an operations manual.



1.4 Develop an asset forfeiture and recovery program that reflects international best practices.

2. Which of the ECT’s project objectives in Paraguay have been sustained over time and why?

3. Which of the ECT’s program objectives were not achieved and why?

Interview Questions

Role: ¿Cuál fue su rol / trabajo entre 2015–2019?
1)
Planeación: Hubo un proceso de planeación con la OTA para definir las actividades del Proyecto? La entidad para la que trabajaba / trabaja participó en el proceso de planeación del proyecto?
2)
Planeación 2: Conoce si hubo un proceso de planeación con otras contrapartes para definir actividades relacionadas con el MP o con SENABICO?
3)
Expectativas del proyecto: ¿Cuáles eran sus expectativas al principio del Proyecto? Estas expectativas cambiaron con el tiempo?
4)
Resultados: ¿Cuáles fueron los principales resultados positivos de la asistencia de OTA?
5)
Mejoría: ¿Notó que la entidad se fortaleció gracias al apoyo de la OTA?
6)
Actividades: ¿Qué actividades desarrolló con el equipo de la OTA? ¿Qué cambios notó dentro de su institución con respecto al conocimiento, procesos e impacto?
7)
Grupo de trabajo contra crímenes financieros: ¿Tiene conocimiento de la existencia de este grupo de trabajo? Participó en él? ¿Qué nos puede contar al respecto? ¿Cuál ha sido su el impacto?
8)



<p>Manual del GTCF: ¿Se desarrolló un manual para el grupo de trabajo? ¿Cuán importante ha sido el manual para su trabajo?</p>
<p>9)</p>
<p>Entendimiento general del Sistema ALA/CFT: Considera que el entendimiento de su institución del Sistema ALA/CFT como un todo cambió desde el inicio del proyecto? Considera que el apoyo de la OTA contribuyó para ese cambio?</p>
<p>10)</p>
<p>Mejoría específica: Notó que su institución se fortaleció en:</p> <ol style="list-style-type: none"> 1. El fortalecimiento de la inteligencia financiera, 2. Regulación y supervisión ALA/CFT, 3. Desarrollo de casos de LA, 4. Proceso para identificar, incautar y comiso de bienes? (Ley 6431)
<p>11)</p>
<p>Otras áreas: En su opinión, ¿existen otras áreas donde este equipo de evaluación se debe enfocar y que no estamos preguntando?</p>
<p>12)</p>
<p>Stakeholder Relationships:</p>
<p>Relación entre entidades: Considera que la relación entre la SEPRELAD y otras entidades cambió desde el inicio del proyecto? Algo de este cambio puede ser atribuible al proyecto de la OTA?</p>
<p>13)</p>
<p>Retos: ¿Cuáles cree que son han sido los retos para la implementación del proyecto? Qué áreas o actividades considera que han sido un reto para implementar o trabajar?</p>
<p>Retos operativos: ¿Cuáles fueron los retos operativos principales para:</p> <ol style="list-style-type: none"> 1. El fortalecimiento de la inteligencia financiera, 2. Regulación y supervisión ALA/CFT,



3. Desarrollo de casos de LA,
4. Proceso para identificar, incautar y comiso de bienes? (Ley 6431)
Principales retos para el Sistema: ¿Cuáles considera que son los principales retos para el fortalecimiento del sistema ALA/CFT de Paraguay?
14)
Debilidades por fortalecer en el Sistema ALA/CFT: ¿Cuáles son las principales debilidad que tiene el Sistema ALA/CFT de Paraguay? ¿Cómo se puede fortalecer?
15)
Obstáculos para la sostenibilidad: ¿Considera que los resultados del proyecto de la OTA siguen vigentes? ¿Cuáles son los principales obstáculos para que los resultados del Proyecto de la OTA se mantengan en el tiempo? ¿Cuál podría ser el impacto del cambio de gobierno del año que viene?
16)
Hay algo más que le gustaría contarnos?
17)

Annex F: GAFILAT Evaluation

Post-project development: The 2021 GAFILAT Mutual Evaluation

Paraguay underwent a mutual evaluation by the GAFILAT during 2021, which included an on-site visit from August 23 to September 3, 2021. According to the previous (2008) mutual evaluation carried out by the IMF in accordance with the 2004 Financial Action Task Force (FATF) methodology, Paraguay had been rated “compliant” in two of the FATF recommendations, “largely compliant” in two, “partially compliant” in 14, “non-compliant” in 30, and one recommendation was classified as “not applicable.” Paraguay was not rated “compliant” or “largely compliant” in any of the 16 core and key recommendations. Based on the aforementioned mutual evaluation, the FATF placed Paraguay on an enhanced follow-up process (the “grey list”). FATF removed this status in April 2018 after it concluded that Paraguay had undertaken measures to correct the deficiencies identified in the core and key recommendations of the 2008 MER.

In the 2021 Mutual Evaluation Report (MER), GAFILAT rated Paraguay as “compliant” in 18 FATF recommendations, “largely compliant” in 19, “partially compliant” in two, and one recommendation was classified as “not applicable.” Paraguay was not found to be “non-compliant” with any of the recommendations.⁶⁰

The 2021 MER found that Paraguay's anti-money laundering and countering the financing of terrorism (AML/CFT) system has improved significantly since its last evaluation. There is a more robust legal and institutional framework to fight against ML/TF and proliferation financing. In terms of effectiveness, the 2021 MER found Paraguay has reached a “moderate” level, although major improvements are still needed in all areas of the AML/CFT system, and fundamental improvements are needed regarding money-laundering investigation, prosecution, and convictions. With these results, Paraguay did not fall under FATF’s monitoring, and therefore has no risk of being included in the “grey list.”

GAFILAT Evaluation

Paraguay is a member of the Financial Action Task Force of Latin-America, better known as GAFILAT for its acronym in Spanish. GAFILAT is a regionally based intergovernmental organization that brings together 17 countries from South, Central, and North America.

GAFILAT members have endorsed the 40 FATF recommendations aiming to prevent and combat money laundering, the financing of terrorism, and the financing of the proliferation of weapons of mass destruction, through a commitment to the continuous improvement

⁶⁰ GAFILAT. Paraguay’s Mutual Evaluation Report. <https://www.gafilat.org/index.php/es/noticias/180-informe-de-evaluacion-mutua-de-la-republica-de-paraguay>

strengthening of the various mechanisms of cooperation among member countries. GAFILAT supports its members in the implementation of the 40 recommendations and in the creation of a regional system to prevent money laundering and terrorist financing, through the development of guides, reports, and supporting documents. GAFILAT mutual evaluations follow the FATF's assessment methodology.⁶¹

Along with the FATF, the FATF-style regional bodies (FSRB) — including GAFILAT, the IMF, and the World Bank — are the entities with the mandate to develop FATF-styled assessments. There are nine FSRBs that cover different regions of the world. When a country is found with major weaknesses on its AML/CFT system and does not reach a minimum threshold as determined by the mutual evaluation, then FATF begins a close monitoring that could lead to a public listing.

⁶¹ GAFILAT. *What is GAFILAT?* <https://www.gafilat.org/index.php/es/espanol/18-inicio/gafilat/157-what-is-gafilat-3>

Annex G: Respondent List

TO BE REDACTED BEFORE PUBLISHING

Meeting	Respondent	Name Redacted	Name Redacted	Position	Institution	Date
1	1			Advisor ECT	OTA	10/25/22
2	2			Rule of Law Advisor	USAID	11/2/22
	3			Public Administration Specialist	USAID	11/2/22
3	4			Former Director General of Rules and Supervision	SEPRELAD (Financial Intelligence Unit)	11/2/22
4	5			Intendente	CBP	11/3/22
5	6			Minister SENABICO	SENABICO	11/3/22
	7			Legal Affairs General Director SENABICO	SENABICO	11/3/22
	8			General Secretary, SENABICO	SENABICO	11/3/22
6	9			Political Officer	U.S. Embassy	11/3/22
7	10			Chief of Large Taxpayers Audit Department Tax Authority	SET	11/4/22
	11			Coordinator de Tax Investigations Tax Authority	SET	11/4/22



	12			Vice Minister SET	SET	11/4/22
8	13			Congress Member	Paraguayan Chamber of Deputies	11/7/22
9	14			International Affairs Director	SEPRELAD (Financial Intelligence Unit)	11/8/22
	15			Regulations Director	SEPRELAD (Financial Intelligence Unit)	11/8/22
	16			Viceminister	SEPRELAD (Financial Intelligence Unit)	11/8/22
	17			Director General Financial Analysis	SEPRELAD (Financial Intelligence Unit)	11/8/22
10	18			Prosecutor Economic Crimes and Corruption	Public Ministry (Attorney General)	11/8/22
11	19			Attorney General	Public Ministry	11/8/22
12	20			Former Minister	SEPRELAD (Financial Intelligence Unit)	11/10/22
13	21			Customs Authority Coordinator of Administrative Investigations	Custom	11/10/22
14	22			Intendente	CBP	11/11/22

	23			Team Leader	CBP	11/11/22
	24			Member of the Board	CBP	11/11/22
15	25			Advisor ECT	OTA	11/11/22
16	26			Former Inter-institutional Relationships Director	SEPRELAD (Financial Intelligence Unit)	12/21/22
<p>CBP: Central Bank of Paraguay ECT: Economic Crimes Team OTA: Office of Technical Assistance SENABICO: National Secretariat for the Administration of Seized and Confiscated Assets SEPRELAD: Secretariat for the Prevention of Money or Property Laundering SET: Undersecretary of State for Taxation USAID: United States Agency for International Development</p>						

