EXPEDIENTE ABIERTO

PARAGUAY'S UENO CRISIS: ACCOUNTABILITY OR A REDISTRIBUTION OF POWER?

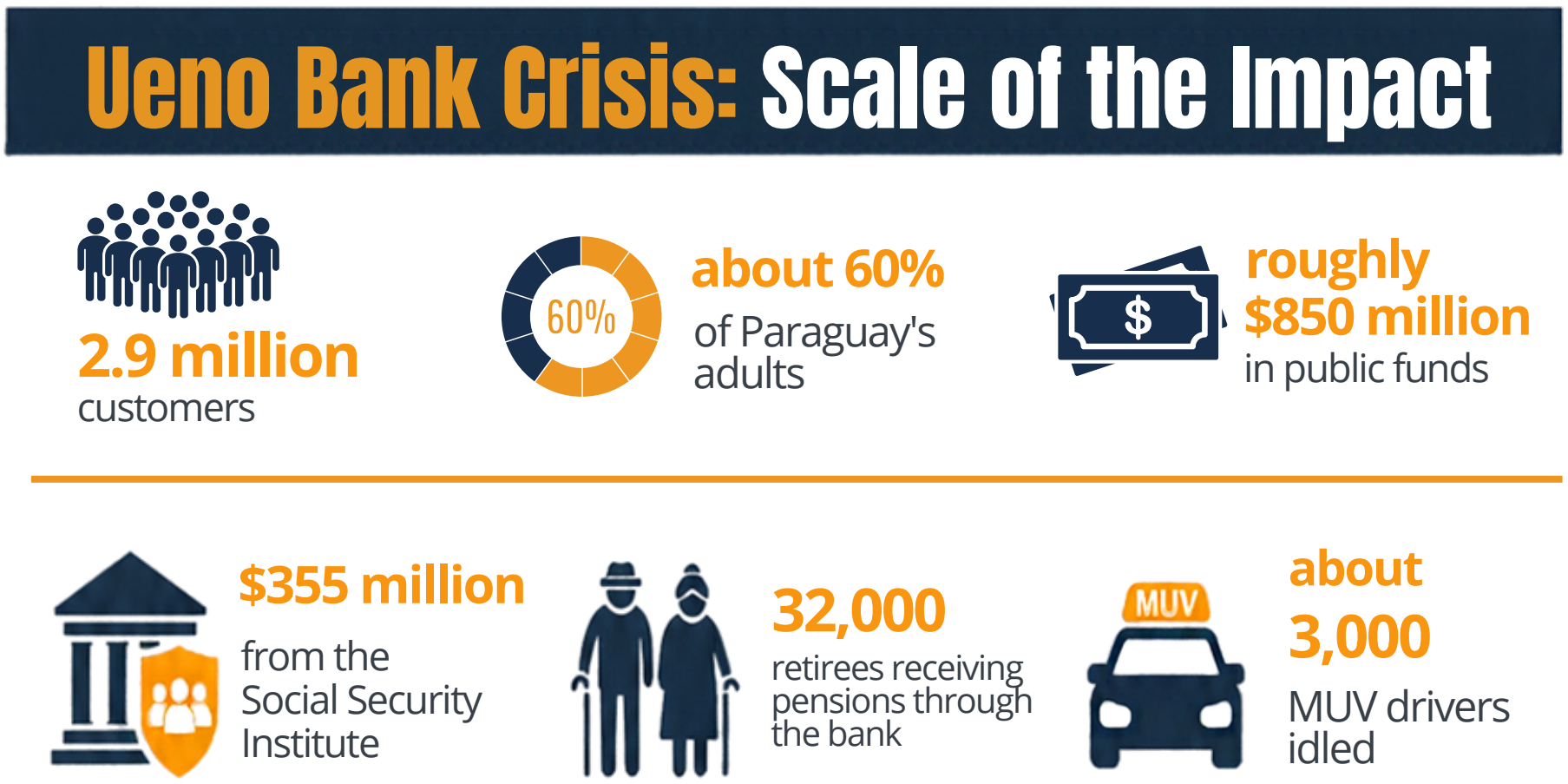
November 2026

R. Evan Ellis

Nov. XX (UPI) -- On Nov. 3, Paraguay's Central Bank announced it was shutting down Ueno Bank, the country's largest lender by number of clients, after its solvency ratio fell below half the legal minimum. Three days later, the Senate voted 44-0 to remove President Santiago Peña in the country's first presidential impeachment since 2012, and he has been in detention since that evening. The episode exposed serious failures of governance and supervision, but it also shows how the fight against corruption can serve factional ends. What remains undecided is whether Paraguay emerges with stronger institutions or simply a new distribution of power.

The collapse touched households across Paraguay. Ueno reported 2.9 million customers, equivalent to about 60 percent of the country's adults, many of them previously unbanked. The bank also held roughly $850 million in public funds, including $355 million from the Social Security Institute, which paid some 32,000 retirees their pensions through the bank. The crisis forced the permanent closure of the ride-hailing platform MUV, idling about 3,000 drivers.





At one level, the scandal illustrates how corruption and institutional weakness can threaten Latin America's prosperity and stability. Paraguay ranks 150th among 182 countries in Transparency International's 2025 Corruption Perceptions Index. Prosecutors have charged 27 people over loans that Ueno allegedly steered to companies tied to its controlling group, Grupo Vázquez. Ueno's founder and first vice president, Federico Miguel Vázquez Villasanti, and its president, Juan Manuel Gustale Cardoni, are in pretrial detention.

Oversight failed as well. Bank supervisors had ordered Ueno to shed its loans to related companies, but the Central Bank found indications that the firm that bought them, itself part of the group, had been financed by the bank. Former Central Bank President Carlos Carvallo had headed Ueno's forerunner, Financiera Ueno, until 2023, when he moved directly to the institution responsible for supervising it. Carvallo says he recused himself from decisions involving the bank, but he has since been charged and detained. Peña was a business partner of Grupo Vázquez until March 2025 and now faces charges including breach of trust, which he denies.

At a second level, the crisis illustrates how allegations of corruption can become instruments of political warfare even when the underlying wrongdoing is genuine. Peña owed his rise to his longtime mentor, former President Horacio Cartes, who leads the ruling Colorado Party, but by October their alliance had fractured, with Peña and Vice President Pedro Alliana building a faction of their own.

On Nov. 5, Cartes endorsed impeachment, saying it would put the country's institutions back on course. Colorado lawmakers then joined the opposition to remove Peña while sparing Alliana, who had been named in the same impeachment request. The new vice president, Antonio Barrios, Cartes's personal physician and longtime confidant, praised Cartes in his swearing-in remarks. The Senate, which had refused Peña's emergency nominees to the Central Bank, confirmed Alliana's choice, economist Jorge Schreiner, within three days.

None of this establishes that Cartes orchestrated either the bank's intervention or Peña's removal, and the distinction matters. A legitimate investigation into financial wrongdoing is not proof of a coordinated political maneuver. Yet when the beneficiaries of a president's fall are so visible, the credibility of the process rests on whether prosecutors and judges can demonstrate their independence.

There are nevertheless grounds for cautious optimism. By Nov. 9, the deposit-guarantee fund had paid advances to 1.74 million of the roughly 1.87 million eligible depositors. About 97 percent of Ueno's depositors are expected to be fully protected. Moody's considers systemic risk containable if the resolution is fast and orderly. The constitutional succession, though hurried, held.

The risks remain real. The guarantee covers only about 30 percent of the value of Ueno's deposits, leaving larger savers, businesses and public institutions, including the pension fund, uncertain about recovering the rest. Nor is constitutional succession the same as accountability, which depends on courts establishing responsibility through evidence rather than political convenience, and on reforms that correct the supervisory failures behind the crisis.

Containment, Protection and the Accountability Gap

Immediate stabilization

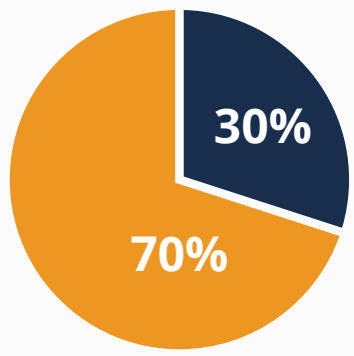
1.74 million of roughly 1.87 million eligible depositors received advances by Nov. 9.

About 97% of Ueno's depositors are expected to be fully protected.

Systemic risk is considered containable if the resolution is fast and orderly.

Remaining risks

The guarantee covers only about 30% of the value of Ueno's deposits, leaving larger savers, businesses and public institutions uncertain about recovery.



Constitutional succession is not the same as accountability.

Paraguay retains considerable advantages. Its relatively stable macroeconomic environment, pro-business orientation, competitive labor costs and abundant hydroelectric energy from the Itaipú and Yacyretá facilities have helped attract investment, including growing interest in data centers and other energy-intensive industries. Its geography also gives it strategic importance. Paraguay occupies a central position in South America, with access to the Atlantic through the Paraguay-Paraná river system and increasing connectivity through the Capricorn Bioceanic Corridor. Its membership in MERCOSUR further enhances its relevance to regional commerce.

Paraguay is also Taiwan's only remaining diplomatic ally in South America, making its political stability especially important to Washington and Taipei. On Nov. 10, Taiwan said its ambassador had congratulated Alliana and that cooperation projects would continue. With Luiz Inácio Lula da Silva reelected in Brazil, Paraguay's value to Washington as a stable partner is likely to grow.

Yet that relationship faces new complications. Democrats will control both houses of Congress from January, and the Trump administration's treatment of controversial Latin American figures is a likely subject of oversight. In 2023, the Treasury Department sanctioned Cartes, citing "rampant corruption that undermines democratic institutions." The administration lifted those sanctions in October 2025, two months before President Donald Trump pardoned former Honduran President Juan Orlando Hernández. If Cartes emerges from the crisis with tighter control of the ruling party, Washington could find itself caught between its appreciation for a reliable ally and renewed concern about corruption and accountability.

Paraguay's importance to the United States should not depend on the fortunes of individual politicians, nor become an excuse for overlooking weaknesses in its democratic governance. Paraguay's challenge is to turn the crisis into lasting reform rather than a rearrangement of power, and Washington's is to value a longstanding ally while pressing for accountability and stronger financial supervision. Paraguay's ultimate demonstration of resilience will not be how quickly it replaced a president or contained a banking collapse, but whether it emerges with institutions more worthy of the confidence of its citizens and its international partners.

R. Evan Ellis

R. Evan Ellis is a senior non-resident associate at the Center for Strategic and International Studies. His latest book, Chinese Engagement in Latin America: New Patterns and Challenges, was published in 2026 by the Interamerican Institute for Democracy. The views expressed are solely those of the author.