



## La paz<sup>1</sup>

### Source:

### Robert Klitgaard--Ronald MacLean-Abaroa-H. Lindsey Parris: Corrupt Cities: A Practical Guide to Cure and Prevention.

Few municipal officials will face situations as extreme as the one encountered by Ronald MacLean-Abaroa when he took over as mayor of La Paz, Bolivia. Yet as we have related his account to officials in other countries, listeners have responded with knowing smiles.

*On September 13, 1985, I was sworn in as the first elected mayor of La Paz since 1948. I knew I would be facing a difficult task, but I never imagined how grave the situation was. I quickly discovered that I had better find someone to loan me money to survive into the next month, because my new salary was the equivalent of only US\$45 per month. Not only that, I would find it almost impossible to form my immediate staff since they would be paid even less. At the end of that day, I boarded the mayor's vehicle, a decrepit 1978 four-wheel drive, to return home, wondering if I had not fallen into a trap from which it was impossible to escape, short of resigning from my first elected office. The idea that radical change was essential turned out to be my savior. I was facing a limiting case. Bolivia was still in the midst of its worst economic crisis ever. The former President had had to cut his term short and leave office before being driven from it by the army, the people, or most likely a combination of both. Though an honest President, he was unable nonetheless to reverse the economic collapse. Inflation in August had reached an estimated annual rate of 40,000 percent. The next day I returned to my office, wondering where to start my reforms. The four-wheel drive had broken down and I had to drive to work in my own car. While parking in front of city hall, I noticed that there among the crippled vehicles were two conspicuously fancy cars. One belonged, I later learned, to a foreign expert working with the municipality. The other, an elegant sedan, belonged to the cashier of city hall. I had my first hints of where the resources were. The cashier was a fifth-class bureaucrat with a minimal salary who, I came to know, had the habit of changing several times a week which car he drove to work. He made no secret of his obvious prosperity. In fact he had taken the habit of offering loans to the impoverished municipal employees, including some of his superiors, charging a "competitive" weekly interest rate. Later, up in my office, I developed a deep sense of solitude. Accustomed to working in the private sector, where I managed fair-sized mining companies, I was used*

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*to working with a team. In my newly elected post, there was nothing that resembled a team. All the people I found looked and acted more like survivors of a wreck than anything else. The professional staff was earning an average of about US\$30 per month. Many employees were anxiously seeking alternative sources of income to bring home. Corruption, if not always at the scale of the cashier, was everywhere.*

*Bolivia had just had a change of government at the national level, and the new administration was from a different party than my own. I would not be able to count on support from the national government, as had been customary in the recent past when mayors were appointed by the President and subsidized by the national treasury. New laws meant that cities were on their own financially, and I learned that in two weeks I would have to meet a payroll that was worth roughly 160% of the total monthly revenues of La Paz! Part of this was due to the hyperinflation and the changes in federal support. But part of it, maybe a lot of it, was due to corruption.*

*I found many signs of malignancy in the municipality. The degree of institutional decay was such that authority had virtually collapsed in the municipality. Everyone was looking for his or her own survival in terms of income generation, and therefore corruption was widespread. Tax collectors used techniques ranging from extortion to speed money to arrangements for lower taxes in exchange for a bribe. Property taxes were particularly vulnerable to collusion between taxpayers and corrupt officials. A new assessment was needed as the result of the hyperinflation and a legion of municipal functionaries was ready to hit the streets, meet property owners, and “negotiate” a property value that would suit both owners and functionaries well, but one far below the true value. The result would be a tax saving for the property owners, particularly the rich; a bribe for the colluding functionary; and a city unable to provide services because it lacked even minimal resources.*

*The city government was in effect a huge “construction company” that wasn’t constructing much. The city owned tractors, trucks, and all kinds of construction machinery. There were two thousand city laborers, who were paid meager, fixed salaries and were only coming to work an average of five hours a day. Machinery was also used for a similar amount of time, rendering it extremely inefficient given its high capital cost. But I found that the use of gasoline, oil, and spare parts was abnormally high. Surely they were being sold in the black market, I thought, and soon this suspicion was sadly verified. New tires and expensive machinery parts such as fuel injectors, pumps, and Caterpillar parts were available for sale and in exchange broken and used parts were “replaced” on the city’s machinery.*

*Finally, there was the municipal police, a “soft police” that didn’t conduct criminal investigations or carry arms but was responsible for regulating the informal sector, inspecting the markets for cleanliness, and keep order among the city vendors. This, too, was a source of corruption, as the municipal police would extort money in exchange for letting vendors undertake both legal and illegal activities.*