

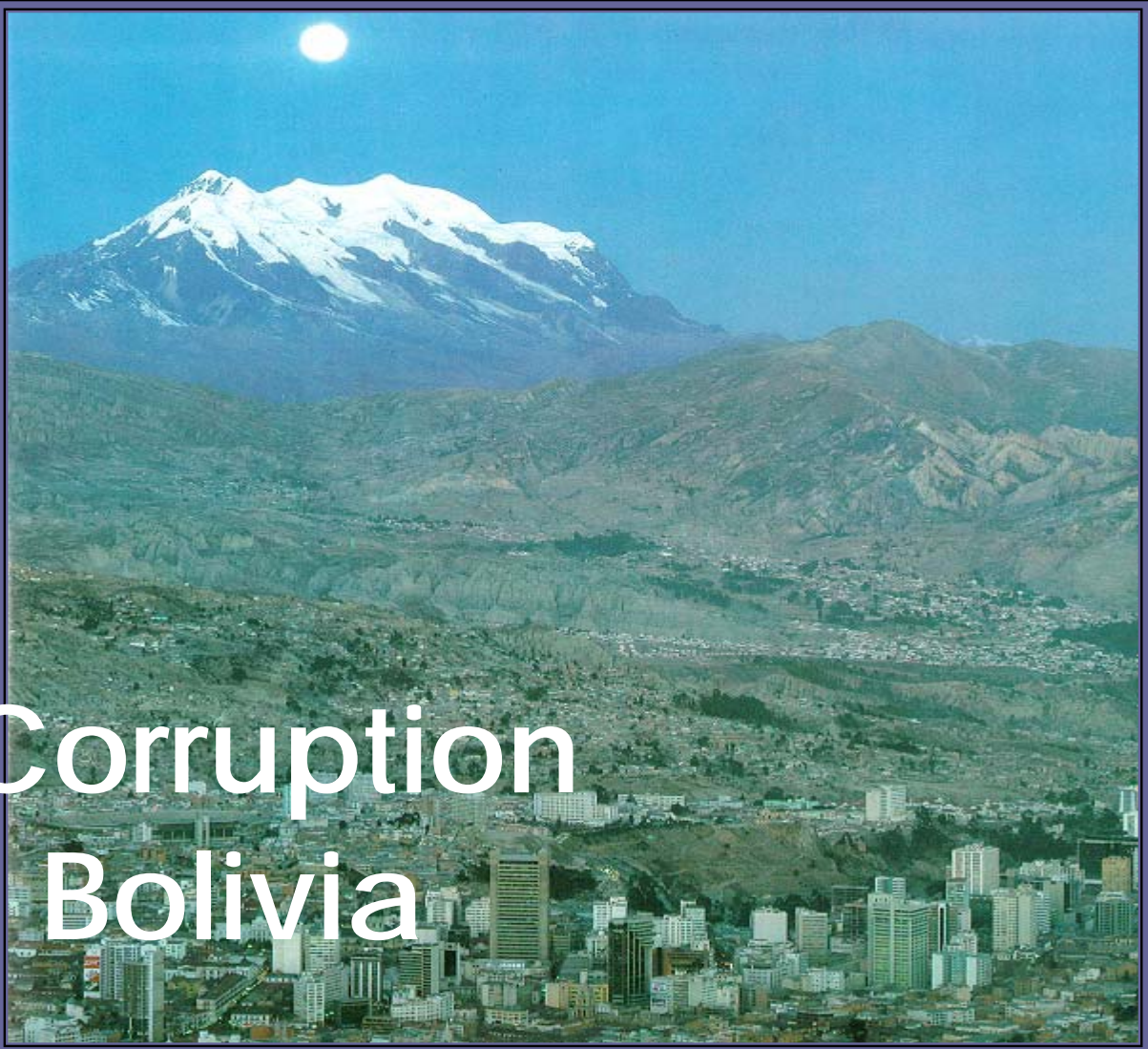


Fifth Annual Glocalization Conference

June 30 – July 2, 2006

Fighting Corruption in La Paz, Bolivia

A Case Study



Ronald MacLean-Abaroa



La Paz, Bolivia: 1985

Hyperinflation —————> Impoverishment
—————> Political crisis
—————> Government Falls



Crises in La Paz

- Hyperinflation and collapse of city revenues
- Salary erosion for city employees
(US\$10/month)



The “Old” Model

PUBLIC WORKS

- A huge “construction company” (4,000 workers)
- Machinery, parts and gasoline stolen
- Huge cost overruns

TAXES AND REVENUES

- Complexity: 100 plus different taxes

PERMITS AND LICENSES

- Over-regulation
- Many permits and licenses are required

PROCUREMENT

- Collusion
- Kickbacks

THE CASHIER

- Inflation peddler & speculator
- The symbol of mismanagement and corruption



Effects on the City

Financial collapse is imminent

La Paz What Happened?

Fighting Corruption





Key Steps

- Diagnosis
- Strategy
- Implementation



Diagnosis

- Addressing the payroll crisis with employees
- What kinds of corruption? Unpack
- Where, how much, who benefits, who is hurt?
- Participatory diagnosis



Developing a Strategy

- Use a framework to guide analysis
- Emphasize institutional adjustment
- $\text{Corruption} = \text{Monopoly} + \text{Discretion} - \text{Accountability}$
- Principal-Agent-Client Model: Information and incentives
- Crime of calculation = Cost/Benefit Analysis



Implementation

- The principle of frying a “big fish”
...otherwise, the culture of impunity persists
- The cashier bites the dust
- Low-hanging fruit



Public Works

- Re-invent the role: not a “construction company” anymore, but a promoter and regulator
- Involve private sector
- Huge cuts in personnel 40%



Personnel

- Salaries comparable with private sector
- Huge cuts in numbers & better quality
- Merit system & professionalism



Procurement

Simplification:

- From 26 steps to 6 steps
- Monitor: the principle of the ***sample***

Competition and transparency



Permits and Licenses

- Deregulate & promote competition
- Single registry of all transactions
- Isolate clients from agents handling permits



Taxes and Revenues

Simplification:

- Cut the numbers of taxes (126 to 7)
- “Self-evaluation” of property
- Incentives for tax collectors



Results

- Revenues soared (especially property taxes)
- Investment in public works up by 10 times
- Corruption collapsed
- Re-elected for fourth term

THANK YOU