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CURBING CORRUPTION: IDEAS THAT WORK | SEPTEMBER 2015

# Cleaning Up La Paz

How Bolivia's biggest city freed itself from  
a ubiquitous culture of corruption.

by Nieves Zúñiga and Paul M. Heywood

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The *Democracy Lab* and Legatum Institute have commissioned a series of case studies that examine specific interventions against corruption which have produced positive results. The aim is to tell a set of stories that illustrate how combatting corruption works in practice, which may offer insight on some of the larger issues across the globe. The papers will form the basis of a conference in September 2015, and will focus on broader themes, such as developing methods to combat corruption, promoting good outcomes, and measuring success. The goal of this project is to identify ideas that do and don't work and share them with the wider anti-corruption and policy communities.

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One of the world's highest cities, La Paz has long been famous for its spectacular location amidst the peaks of the Bolivian Andes. It has also been infamous for its corruption. For years, its reputation for malfeasance undermined public trust in municipal government and discouraged potential international donors. As a result, by the end of the 1990s, the city's economic health was precarious.

Reversing the decline of La Paz was the avowed mission of Juan Del Granado, who was elected mayor of the city in 1999 at the head of a newly founded political party he and his colleagues dubbed "the Movement without Fear." He came to office with one word in mind: transformation. "The day after he took office, Del Granado realised that none of the municipal vehicles and machines had fuel," recalls Pedro Susz, a key Del Granado aide. "He ordered the purchase of \$10,000 of gasoline to make them functional. Some days later, the vendor insisted on talking face to face with Del Granado. Once in his office, and accustomed to the old practices, he extended a check for \$1,000 to Del Granado, saying, 'Mayor, here's your 10 percent.' Those were the last words he managed to utter before being forcibly expelled from the town hall."

During his first two years in office, Del Granado established a zero-tolerance approach to graft. It was so comprehensive and so strict that Susz, jokingly, called it a "policy of terror," noting that the administration would "shoot first and ask questions later." According to Susz, the new administration vowed to take action at the slightest hint of corruption, though always in line with proper legal procedures. As a result, the city's previous mayors, such as Gaby Candia, Lupe Andrade, and Germán Monroy Chazarreta, were prosecuted and imprisoned. The Del Granado administration's message to the people of La Paz was clear: the days of official impunity were over.

Del Granado and his team reinforced this message by translating their principles into a comprehensive policy program, "Zero Tolerance for Corruption," in 2002. The program had three main components. First, the reformers made it clear that the fight against corruption would entail rigorous prosecution of corrupt acts, supported by codes of conduct for public officials. Second, the new administration planned to foster economic recovery by reforming the city's fiscal policies, including collecting due revenues and restoring credibility with external funders and aid agencies. Third, Del Granado and his colleagues aimed to reshape the relationship between public institutions and citizens by establishing greater transparency and more participative mechanisms aimed at building trust. The policy also stipulated pay cuts for members of the executive alongside statutory declarations of individual assets designed to restore the credibility of government.

Accountability and transparency were at the heart of Del Granado's agenda. In a pioneering move in 2004, his city administration created a Transparency Unit, the first institution of this kind ever established in Bolivia. Initially, it operated on a very small budget. (Starting with just five civil servants, it has since grown to employ more than 30 people.) The unit made use of a number of innovative anti-corruption tools. Among these were varied mechanisms for reporting allegations of

corrupt acts committed by public officials, including a special telephone tip line, an email address, and an [online complaints procedure](#).

The unit also made frequent use of what it called “simulated users,” a form of mystery shopping in which one of its members pretended to be a normal user of a public service in order to detect irregularities in how that service was provided. “There have been cases in which business owners have reported civil servants who were demanding fees in return for blocking possible audits,” says Jorge Dulon, the La Paz Transparency Unit’s current head. “Once the city government receives a complaint of this kind, it then takes coordinated action to catch the civil servant when he meets with the businessperson to receive the money.”

Del Granado’s program was not the first attempt to combat corruption in La Paz. Ronald MacLean-Abaroa, elected mayor in 1985, had also sought to address the issue. As described in *Corrupt Cities* (2000), the book he co-authored with economist Robert Klitgaard, MacLean-Abaroa based his work on the assumptions expressed in Klitgaard’s famous formula:  $C = M + D - A$  (corruption equals monopoly power plus discretion, minus accountability).

MacLean-Abaroa’s so-called “therapeutic approach” correspondingly sought to introduce competition, reduce bureaucratic discretion and leeway, and increase accountability. He achieved some impressive short-term successes. After his departure from office, however, La Paz quickly returned to its old corrupt habits. Del Granado, like his predecessor, also focused on reform in areas such as revenue collection, permits and licenses, personnel, and auditing. Crucially, however, Del Granado did not work only with incentive structures, but also stressed promoting a more positive and ethical mind-set in public officials.

Del Granado’s strategy made use of carrots as well as sticks to incentivise ethical behaviour by public officials. The positive incentives included rewards and recognition for good practice. Once or twice a year, the city government hosted ceremonies in which it presented awards to the most efficient, transparent, cordial, and honest civil servants.

Such measures were important above all because they contributed to a positive change in the image and self-perception of public officials. Traditionally the public had tended to view such officials as self-interested operators rather than as public servants acting in the common interest. But thanks to Del Granado’s reforms, the city’s residents gradually came to see local officials as public managers and, in some cases, even as positive agents of social transformation, says Yerko Ilijic, a member of the La Paz city government. This process was helped by Del Granado’s public relations acumen and his ability to use events (even natural disasters) to foster a sense of pride among municipal officials and workers.

In early 2002, for instance, a [flood](#) caused by two weeks of heavy rain killed 68 people and left a total of 1,581 victims in the city. La Paz proved highly vulnerable, due largely to decades of unregulated, poor-quality construction on its steep hillsides. Moreover, the city lacked any kind of emergency program or budget

reserves to deal effectively with such disasters. A massive communal effort was required to help flood victims and repair the damage, and Del Granado's city employees made an enormous, highly visible contribution. 10,313 people participated, contributing food, clothing, and medicine, as well as establishing solidarity campaigns to provide extra support.

The resulting public gratitude for their efforts bolstered the morale of city officials, who had long been derided by the public for their rent-seeking and predatory behaviour. The experience encouraged them to put public good before individual self-interest. The characteristic yellow vest worn by municipal workers became a symbol of pride, helping to create a sense of loyalty to the city and marking a shift in the way civil servants thought about their role.

Under Del Granado, city officials also vowed to improve the performance of a bureaucracy widely regarded as both inefficient and corrupt. To this end, the La Paz city government created "Continuous Improvement Units," which aimed, among other tasks, to simplify and speed up procedures for planning applications and business permits. This was achieved by putting part of the application process online. The city created web pages that provided detailed information about requirements, deadlines, and timeframes, as well as step-by-step guides to various procedures. The city government also introduced a system for texting citizens to let them know when their applications were completed. These tools increased transparency and thus reduced opportunities for bribery and corruption.

The city government also set out to implement transparent procurement policies (including a system for awarding public contracts and tenders on a genuinely competitive basis), to conduct intensified monitoring of public projects (sending inspectors to supervise works and check that the quality of materials complies with the contract and that deadlines are met), and to appoint public officials on the basis of performance rather than political or personal affiliations. All of these measures contributed greatly to restoring the credibility of local government by enhancing transparency and accountability and helping to establish clean governance.

To this end, Del Granado's administration made a point of embracing the Financial Administration System and Governmental Control Act (SAFCO), which became law in Bolivia in July 1990. This law was the result of an \$8.3 million World Bank and USAID project launched in 1987 that aimed to improve the efficient use of public resources, promote accountability, and develop mechanisms to prevent and identify the misuse of state resources. Other measures to promote transparency and access to information included the creation of a web page listing all municipal regulations since 1960.

At the same time, the city government was also encouraging the citizens of La Paz to become more involved in running the city and to take more responsibility for the quality of urban life. The effort focused on increasing popular participation in municipal affairs and fostering a sense of common ownership and responsibility.

The Del Granado administration gave citizens an incentive to play a larger role in the management of their neighbourhoods by creating District Neighborhood Hearings (*audiencias vecinales distritales*), in which citizens could present proposals and complaints to the authorities. It also encouraged active citizen involvement in the budgeting process for local public projects and created citizen assemblies and councils designed to offer greater control over public management. Citizen Planning Councils (*consejos ciudadanos de planificación*), chaired by a representative of the mayor, provide an arena to discuss policies. The La Paz city government also created the La Paz Assembly, a citizen body that is supposed to provide public scrutiny of medium- and long-term policies.

In addition, the city created a network of discussion forums (*mesas de diálogo*) and other bodies to allow city officials and citizens to jointly explore more strategic topics, such as the Municipal Development Plan. All of these measures exemplified the city government's changing conception of its purpose. No longer was its function merely to direct municipal spending; from now on it sought to explore new ways of encouraging social participation as well. Such efforts, administrators believed, were essential to building an environment of social trust in which both citizens and officials see themselves as stakeholders, thereby reducing both the opportunity and the need for corruption.

It should be acknowledged, however, that such mechanisms remain somewhat underused. According to a report published by the La Paz City Government in 2013, about 70 percent of respondents were unaware of these initiatives. Only 12 percent of respondents had participated in budgetary design, 1.6 percent in the assemblies and 1.5 percent in hearings with local authorities. Moreover, 55 per cent of respondents considered neighbourhood committees to be ineffective, compared to just 17 percent who thought they worked well.

The La Paz City Government has done what it can to foster a sense of civic awareness, encouraging citizens to understand that they bear collective responsibility for the quality of life in their city. This has included creative efforts to foster civility and obedience to laws that have a direct effect on public safety, such as respect for traffic lights. To that end, the city government hired people to dress up as zebras to cross roads at appropriate locations, dancing as they helped pedestrians to cross congested streets. People dressed in donkey costumes mocked jaywalkers. Such performance art became so popular that it was adopted in other Bolivian cities.

The Del Granado administration had an easier time funding such innovations due to the increased tax revenue generated by its anti-corruption measures, particularly from real estate. City officials succeeded in improving the transparency of the land registration process, thus ensuring that property taxes were more easily collected.

According to data from the La Paz City Government, the registration of land ownership, which had declined each year between 1998 and 2001, increased significantly from 2002 to 2004. The number of citizens paying tax on real estate

grew by 52 percent from 2000 to 2004. Tax revenue from real estate and vehicle ownership grew 37 percent between 2000 and 2004, and has continued to rise since then, growing some 15 percent just between 2010 and 2011. These economic improvements helped to restore the city's financial credibility, which in turn enabled it to attract funding from international sources such as the World Bank and the Inter-American Development Bank, both of which had previously been cautious about lending to Bolivian institutions. Examples of such funding are the Secondary Education Transformation Project (2007-2013), funded by the World Bank, and the Preparation for the Rehabilitation of Downtown La Paz (2009), funded by the Inter-American Development Bank.

The success and popularity of Del Granado's Transparency Unit inspired the national government of Evo Morales to set up similar units in all ministries, as well as creating a national Ministry for Institutional Transparency and the Fight against Corruption. Yet the national efforts to tackle the problem—like those in other Bolivian states and cities—have never quite managed to achieve the same success as the program in La Paz. Indeed, the city's success is all the more impressive given that it was achieved within the context of very high corruption in the rest of the country. (According to Transparency International, Bolivia remains the third most corrupt country in Latin America, just behind Venezuela and Paraguay.) Why has the anti-corruption effort in La Paz been so effective while that of the national government has not? The answer to this question requires careful research and analysis, but there are four points that may provide some insight into the differences.

First, the national government's anti-corruption drive has been highly politicised. According to Jimena Costa, a political scientist and deputy for Unidad Democrática political party, the Morales administration has notoriously used anti-corruption measures as a weapon against opposition parties and leaders, among them Del Granado himself (after he ended his alliance with Morales' Movement Towards Socialism). This has undermined the integrity and reputation of the program. The La Paz anti-corruption drive, by contrast, is seen as genuinely apolitical and fair. A series of recent scandals involving the national government has highlighted both the lack of transparency in the awarding of public projects and the consistent political interference in the appointment of key civil servants. In La Paz, on the other hand, the city government's anti-corruption efforts have been notable for their respect for the law, their reliance on legal evidence, and a strict policy of non-interference by the executive in legal processes.

Second, the La Paz City Government adopted a holistic approach to addressing corruption. By tackling excessive bureaucracy, it has eliminated many opportunities for extorting bribes and also the incentive to pay them. At the national level, by contrast, there have been few efforts to streamline or improve the functioning of government bureaucracies.

The officials behind the La Paz anti-corruption program have also shown themselves far more willing than its competitors to allocate sufficient human and financial resources to the institutions they have created to fight corruption.

The Transparency Units in other states do not have the resources to function effectively. While the La Paz City Government's Transparency Unit has a staff of more than 30, its state-level equivalents tend to employ just one or two people each. These officials are responsible for a wide range of vital tasks, such as receiving and processing allegations of corruption and promoting new ethical values among public officials. When authorities fail to invest in anti-corruption mechanisms like this, they encourage public cynicism about the government's commitment to its stated goals.

A third difference involves the Del Granado administration's effort to transform the culture of city government, as described above. This holistic effort to change the mind-set of public servants with its emphasis on responsibility and self-respect, has no counterpart at the national level. Of course, like municipal employees, the national government's public servants have a code of ethics. However, the incentives for good behaviour at the municipal level are arguably broader and more powerful than any such official code, involving a range of intangible positive rewards such as public appreciation, personal fulfilment and the respect of peers who have also bought into the program. The resulting esprit de corps and solidarity within the reformed bureaucracy of the city government may well be the most effective way of ensuring compliance with ethical goals.

Implementing an anti-corruption policy at the national level is of course more complicated and time-consuming than doing so at the local level. But the differences between the approaches taken by La Paz and the national government ultimately have little to do with scale. Del Granado's program in La Paz stressed positive values such as solidarity, fulfilment, respect, and civic pride. The Morales government, by contrast, has blamed "Western values" for Bolivia's corruption problem, arguing that reconnecting with "indigenous values" is the solution. The underlying assumption of the second approach is that corruption is an imported phenomenon, one intrinsically alien to Bolivia's indigenous cultures. Whatever its political utility, this way of framing the discussion has, so far, had little tangible policy impact. In practice it tends to entail little more than sending "caravans" to different regions of the country to educate children and young adults about transparency and anti-corruption.

Fourth, it seems that people's tolerance of corruption is much lower at the municipal level than at the national level. In Bolivian national politics, corruption often takes a back seat to other issues, including ethnic and identity politics. For example, Evo Morales and his Movement Toward Socialism (MAS) party won presidential elections for the third time in December 2014 with 61 percent of the vote, despite major scandals and a widespread belief that corruption has worsened in recent years. On the other hand, in the most recent local elections held in March 2015, the MAS lost in the main cities of Cochabamba, Santa Cruz, and La Paz (where Luis Revilla, a successor to Juan Del Granado and an heir to his governance model, was re-elected as mayor). This suggests that quality of management matters more at the municipal level.

Perhaps the most important lesson of the La Paz experience is its emphasis on the promotion of integrity. The city's experience suggests that interventions based on such an approach are likely to prove more successful than more conventional anti-corruption campaigns. Or, to put it differently: cultivating positive values that stand in opposition to graft appears to be more effective than simply instilling a fear of retribution.

According to Pedro Susz, there are still tremendous challenges to changing attitudes about corruption. The city government is working closely with schools and communities, trying to get across the message that corruption is not simply about the extortion and payment of bribes. In this it has had some success. Among the achievements highlighted by Susz is the decline of an all-too common phenomenon: "City-employed security guards were accustomed to going to a restaurant to have lunch and leaving without paying just because they were guards. Now virtually none of them do that." Given how deeply such practices were embedded not just in Bolivia but in the region as a whole, this is something of which to be proud.



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