Ronald Maclean Abaroa

Ronald Maclean-Abaroa was Mayor of La Paz four times between 1985 and 1996. He held five different cabinet positions in the Bolivian national government, and was his party’s nominee for the presidency in 2002. Maclean is internationally recognized for his successes in tackling corruption in La Paz. He is a founding member of Transparency International and has been a Senior Operations Officer in the Urban and Local Government Division of the World Bank Institute.

1. The Makings of a Leader

Ronald Maclean Abaroa was born in La Paz in 1949, to a Bolivian family of Scottish ancestry. Interested in politics from a young age, Maclean obtained his Bachelor’s degree in Development Economics from the University of Maryland in 1971. Returning to Bolivia after graduation, Maclean began his career in the private sector, helping to launch and manage the country’s largest gold mining company as well as other mining ventures. Despite his commercial success in the mining industry, after a few years Maclean was ready for a change. Bolivia at the time was in economic and political crisis: the political landscape was becoming increasingly fragmented and, by the end of the 1970s, the incumbent military dictatorship was subject to coups and counter-coups. Most Bolivians were extremely poor and there was increasing social unrest. Maclean felt that it made little sense to become a wealthy man in a poverty-stricken country, and decided that he could help his country through a move into politics.

By the age of 29, Ronald Maclean had become Bolivia’s youngest minister (having been appointed Minister for Planning). Soon after, in 1980, Maclean obtained his Masters in Public Administration from Harvard’s Kennedy School of Government. During Maclean’s time in the US, Bolivia’s financial situation worsened further, and by 1984 the country had entered into a period of hyperinflation. When Maclean returned to Bolivia, he recruited his Harvard professor, Jeffery Sachs, to help draw up a plan for the stabilization of the economy. Maclean himself geared up to become Minister of Finance. However midway through his preparations, Mclean was asked by his party’s leadership candidate to run for Mayor of La Paz. The position was high-profile and influential and, although many of his contemporaries considered the decision to be political suicide, Maclean decided to run.

2. The Situation in La Paz

In 1985, Ronald Maclean Abaroa became the first democratically elected Mayor of La Paz for forty years. He inherited a city in tatters. Bolivia was suffering with the world’s highest inflation rate: roughly 24,000 percent in 1985. With an average per capita income of around $400 per year, soaring prices were proving catastrophic for the already poor population.

In La Paz, City Hall was literally crumbling. The municipality’s revenue stream had been devalued by hyperinflation, and there was no money for repair works, telephone bills or lighting. Even more pressingly, in Mclean’s first month in office he was dismayed to find that the city had insufficient revenue to pay its improbably large workforce of 5,700 staff.
The previous administration’s financial affairs were almost impossible for Maclean to decipher. There were no balance sheets, budgets, or revenue figures. Furthermore, there was no possibility of support from higher tiers of government, as the new national political regime effectively prohibited bail-outs from federal government.

Maclean decided his only option was to take drastic action, cutting the city’s labour-force by 2000 people. Many of those who were let go were public works labourers, who – it was widely believed - had been hired by the previous Mayor to boost his electoral support. Maclean’s party leaders were appalled at the political risk the Mayor was taking. He recalls, “[they said] ‘You’re going to destroy the party. Why are you doing this?’ I always remember this phrase: ‘This is the last time that you will ever be elected. You’ll destroy your political future if you do this.’” In reality, those who were laid off raised little protest. Maclean convinced union leaders that the present situation was unsustainable, and that the workers had been earning too little to survive on in any case (in some cases with salaries as low as $10 a month). Under Maclean’s plan, redundant workers were granted a small severance package, and those that remained were given a pay rise.

Maclean’s move had been a success. It gave the city some financial headroom, and also attracted the attention of the World Bank, who would later step in to provide the city with financial assistance, having been impressed by the Mayor’s budgeting. Maclean’s next aim was to undertake a series of efficiency reforms to improve the city’s balance sheet further.

3. Uncovering Corruption

Maclean’s private sector background had taught him that efficiency was the key to any successful business. He saw many inefficiencies in the city administration when he arrived in La Paz. For example, Maclean noticed that public works labourers (who constituted a large proportion of the municipality’s workforce) were only working 5 hour days\textsuperscript{16}. Their machinery was often missing, broken or outdated. Bureaucracy in city hall was so complex that many citizens paid ‘runners’ to guide through applications or enquiries for them, and permits or licences were often delayed until ‘speed money’ was paid\textsuperscript{4}. Major planning applications for large scale developments were treated in exactly the same way as small scale applications, for home repairs for example. Administrators appointed under the previous regime carried out a very poor job. Maclean set about making administrative reforms and organisational overhauls to improve the situation. He tried to schedule and prioritise public works projects, improve the information service for citizens at City Hall, and got rid of troublesome staff.

However, Maclean soon realized that his administrative reforms were making only the smallest improvements to the city’s operational efficiencies, and began to suspect that the city’s problems ran deeper. He asked Bob Klitgaard, one of his Harvard contemporaries - to come to La Paz to review the organisation and management of the municipality, and to be a “friend, counsellor and coach”\textsuperscript{10}.

Klitgaard and Maclean interviewed employees and investigated operations at City Hall in detail. They soon uncovered a staggering degree of corruption. The oddities which Maclean had attributed to incompetence or inefficiency, emerged for what they truly were – signs of corruption. Bribes, collusion, extortion and kickbacks were widespread. The office for public procurement had no open or transparent bidding process. The city cashier skimmed off the top of money passing through his hands – making himself thousands of dollars a month. Labourers in the public works department would steal and sell parts or fuel from city machinery. Property tax assessors under-valued property in return for payments. Corruption was evident at all levels of the administration.
4. **Maclean’s Strategy**

Together, Maclean and Klitgaard came up with a formula, which they believed explained the causes of corruption in La Paz, and would help them to tackle it.

\[
\text{Corruption} = \text{Monopoly Power} + \text{Discretion} - \text{Accountability} \\
C = M + D - A
\]

Their thesis centres on the assumption that corruption is not a question of morals or ethics, but rather it is one of incentives and deterrents. Maclean believes that those with an opportunity to be corrupt (i.e. those with monopoly power and limited accountability) carry out a rational cost-benefit analysis in making their decisions. They consider the potential gains (i.e. financial gains from taking bribes), and whether these are outweighed by the possible losses – such as loss of reputation, potential to be fired etc. The ‘weight’ given to possible losses is partially affected by the likelihood of getting caught.

In La Paz, incentives for corruption were strong. Extreme poverty pushed many individuals to feel they had no other choice but to supplement their incomes by corrupt means. Deterrents were weak. City Hall jobs were so poorly paid as a result of hyperinflation that the threat of unemployment was no disincentive. Corruption was so widespread that there was little shame attached to being found out. Wealth obtained from corruption was flaunted rather than hidden. In other words, Maclean and Klitgaard felt that the whole system was broken, which was not the same as the people being ‘bad’ or ‘immoral’. On this basis, they set about ‘fixing’ the system with a strategy based on some key principles:

4.1. **Work with the bureaucracy, not against it**

MacLean involved employees in assessing and correcting corrupt practices within the City. Through this ‘participatory diagnosis’ Maclean hoped to give the employees ownership of the anti-corruption solutions they came up with. He built a team fighting against corruption, rather than being a Mayor fighting against his corrupt staff.

4.2. **Show that you mean business**

MacLean saw that it was important that people took his changes seriously. Therefore he decided that his first action against corruption should be a bold statement – a dramatic action to “make a big splash, fry the big fish, and be open about that” xii – in order to signal that he was bringing about real changes. The ‘statement’ he chose was to fire the city’s cashier and provide information on his activities to the state prosecutors. The cashier was a middle-ranking employee, but a well-known figure, who as the controller of the City’s cash had ample opportunity to supplement his salary. He had amassed considerable wealth and power, and made a show of both around the city, offering personal loans and driving a fleet of expensive cars. Maclean felt that making a bold move and standing behind it signaled his commitment to the citizens to bring about change.

4.3. **Change the incentive structures.**

Maclean set out to break the logic of Klitgaard’s formula \(C= M + D - A\) in La Paz. His MIT and Harvard summer students helped to introduce systematic cost benefit analysis into the city’s decision making processes in order to reduce discretionary decisions. Maclean also sought to reduce the number
situations or positions in which individuals had monopoly power, and concurrently increased accountability. He introduced harsher fines for corruption and used $1million of World Bank loans to increase city employees’ pay, in order to rebalance the incentive structures.

4.4. Bring together supply and demand

Maclean introduced competition into City Hall, encouraging private sector procurement to meet the city’s supply needs. This was in contrast to the previous regime under which the City simply employed more people so that it could carry out works or complete projects itself. The introduction of competition meant that a fair price was obtained for services which could be outsourced.

The results of Maclean’s actions were impressive. Within three years, he had significantly reduced corruption in all areas of city government. Employees were incentivized to work more efficiently and honestly. Top talent began to consider a career in City Hall. City revenues increased more than threefold, rising from approximately $7.8 million in 1986 to over $27 million by the decade’s end. Over the same period, the budget deficit declined from about 40 percent of total revenues to less than 10 percent and investment in city infrastructure rose by a factor of ten.

5. Leadership Style

Ronald Maclean Abaroa’s time as Mayor of La Paz exemplifies some of the hallmarks of his leadership style:

5.1. Using Private Sector-Expertise

Maclean enjoyed a successful, albeit relatively brief, career in the private sector before moving into public office. He applied learnings and principles from that time when he came to govern La Paz, with positive effects. For example, the financial scrutiny, budgeting and accounting skills Maclean had developed added a degree of rigour to the city’s finances, and helped to uncover the systemic corruption in the city. Maclean used cost-benefit analyses in prioritizing city works projects, and in doing so reduced the degree of discretion public servants had when making investment decisions. The introduction of competition to the city’s procurement process helped to drive down the city’s costs.

However, Maclean cautions against over-simplifying the similarities between the public and private spheres. He explains that in the private sector “you have a limited objective and plenty of resources to make it work. In the public sector you have huge objectives and very limited resources.” Applying private sector methods to improve efficiencies in his first few months in office only made minor in-roads into solving La Paz’s problems. Before long, Maclean realized that the city was suffering from systemic corruption, a problem which could not be solved with efficiency savings.

Maclean also advocates that the public and private sector have complementary roles, and emphasizes the importance of city leaders recognising when the private sector can do something better (or for less cost). He advises future city leaders “Be realistic. Do what you can, do it well and let the private sector do the rest. Don’t try and do everything in the public sector.”
5.2. Seeking Help and Using the Best People

Throughout his mayoralty, and in his other public posts, Ronald Maclean was aware of, and not afraid to admit to his own limitations. He often asked others for advice or employed them in a formal capacity as city advisors, picking the very best people he could as counsel. Examples include:

- Jefferey Sachs, whom Maclean approached early in his career to ask for help in drawing up an economic stabilization plan for Bolivia;
- Robert Klitgaard whom Maclean called upon to help him diagnose the problems in La Paz’s City Hall;
- Lt Col Jean Michel Enfraze (an international advisor to police departments) and Jeffrey Franks of Harvard. Maclean hired both as consultants once he became aware of corruption within La Paz’s police force (particularly amongst those police who were in charge of regulating the city’s sprawling markets). The consultants were responsible for reviewing the situation and proposing changes\textsuperscript{xvii}.

Maclean places great value on the significance of a “fresh pair of eyes”. Klitgaard in particular helped him to see La Paz’s problems in a fresh light. Maclean has said “Sometimes you look at the same street, the same people, and you [begin to see] different things”, and in relation to La Paz:

“In the beginning, I thought it was just ineffectiveness, it was just that people didn’t know what to do, didn’t have the tools to do it, didn’t understand. In fact, they understood very well. They had their own logic. ... I started to realize that, whereas I had a vision and a plan to drive the city in one direction, the organization was going its own way, in its own different directions.”\textsuperscript{xviii}

Maclean also understood the importance of building a strong team around him at City Hall. Although unable to do bring in the personnel he wanted in the first years of his mayoralty due to the city treasury’s extreme financial pressures, Maclean employed the best people he could afford to. He took graduate students from MIT and Harvard over summer breaks, which brought good people into the city at low costs. He saw that it was important to incentivize talent to work in the city, and as soon as he could, increased payrolls accordingly. By the end of his tenure, the city administration could compete directly with the private sector in recruitment of talent.

5.3. Bold Decision Making

Running for Mayor of La Paz was, in itself, a bold move by Ronald Maclean. Considered to be ‘political suicide’ by many, even by those within his own party, Maclean knew that taking on a city in such a state of crisis would be a risk (even though he admits, he underestimated the extent of the crisis)\textsuperscript{xix}. Undeterred, he pursued the election, won, went on to make real improvements, and was re-elected three further times. Even as a young leader, Maclean was not afraid to take politically unpopular decisions – firing almost 40% of the city labour force, as well as the powerful and well-known City Cashier. In order to carry these decisions, Maclean had to be a persuasive leader. In some situations, for example a consultation meeting with trade union leaders on the city staff redundancies, Maclean demonstrated his persuasiveness effectively and received little opposition. However, he also admits that his job was made easier
as the people of La Paz had become so desperate that they were ready for change – they “did not need convincing”xx. Later on in his career, Maclean continued to take decisions that he believed were for the good of the city – despite the potential effect they could have on his popularity at the polling station. The clearest example was Maclean’s ‘cleaning up’ of the city’s corrupt police force, despite the unpopularity of changes with many citizens who felt that the (corrupt) status quo ‘worked’xxi.

5.4. Forming Alliances with Useful Institutions

Maclean’s good relationship with the World Bank was one of the factors which helped him to make real changes in La Paz. Using the favour that he had garnered with the Bank through his early and prudent budget cuts, Maclean was able to borrow funds on more than one occasion. He often used World Bank funds to strengthen his team and to attract talent that would otherwise have been outside the city’s reach. For example, he used a loan to raise wages for employees, and also to establish Bolivia Joven (Young Bolivia), a scheme which recruited Bolivians who were under 30, and who had been trained abroad. Maclean paired the Bolivians with graduate students from Harvard and MIT who worked for the city during their summer holidays. The youth and professionalism of the new team began to change attitudes and the spirit within City Hall. A World Bank training programme was also set up to upgrade existing city personnelxxii, and Maclean successfully secured a planning grant of $500,000 from the Bank, which he used to assemble an “all-star team” of planners to develop new projects in transportation, sanitation, infrastructure, and communicationsxxiii.

6. Life after La Paz

After his fourth term as Mayor of La Paz, Ronald Maclean returned to national government. He became Minister of Finance (and later held other cabinet positions including Minister of Foreign Affairs), before obtaining his party’s support to run for Bolivian president in 2002xxiv. Maclean lost out to Gonzalez Sanchez de Lozada in the general election, which was characterized by a high degree of fragmentation, with no candidate receiving more than 23% of the votexxv.

In the late 1990s Maclean spent three years as a Harvard Senior Research Fellow, leading research on institutional reform, anti-corruption strategies and devolution of government powers. He has subsequently advised a wide range of international bodies and governments on anti-corruption measures, and in 2000 published a book with Robert Klitgaard proposing a methodology for tackling corruption in cities. Most recently, through a partnership with Ana Vasilache of FPD in Romania, Maclean has assisted in building a network of expert anti-corruption practitioners in 7 countries of the South Eastern Europe region. This work, employing Maclean’s anti-corruption methodology, was rewarded with a UN Public Service Award in 2011xxvi. Maclean is also a founding member of Transparency International, the NGO that monitors corruption internationally.

Despite the number of senior leadership positions Maclean has held, he has admitted that his ‘favourite’ post was that of Mayor.
He recently said: “Once you have been a mayor, you are always a mayor. Your relationship with a city is like a gardener in a garden. You become obsessed with it.”

The road to a corruption-free La Paz has proven itself to be non-linear, with some regression following Maclean’s departure from office. The force of his leadership is still apparent today however: La Paz’s citizens are far less tolerant of anti-corruption than they were in 1985, and many of Maclean’s plans for the city are still being implemented 30 years on.

References


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