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AGENCY FOR INTERNATIONAL DEVELOPMENT
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OFFICE OF THE AUDITOR GENERAL
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AUDIT REPORT

USAID/LAOS

NARCOTICS CONTROL

A.I.D.
Reference Center
Room 2086 NS

Period Covered by Audit: July 1, 1971
through November 30, 1973.

Audit Report No. 8-439-74-69

Date Report Issued: April 30, 1974

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AUDIT REPORT

USAID/LAOS

NARCOTICS CONTROL

PROJECT NO. 439-11-799-084

PART I - PURPOSE AND SCOPE

We have made an initial comprehensive audit of the Narcotics Control Project No. 439-11-799-084.

The purpose of the audit was to determine if any significant problems exist which may affect the progress or achievement of project objectives, and to verify compliance with project agreements and applicable AID regulations.

The audit included a review of pertinent financial and commodity records, planning documents, correspondence files, and discussions with responsible officials of USAID/Laos and the Royal Lao Government (RLG). Narcotics control activities were also observed in Houa Khong province, in the region known as the Golden Triangle. The audit was made in accordance with generally accepted auditing standards and included such tests as were considered necessary.

The audit covered the period from July 1, 1971 to November 30, 1973. Significant matters disclosed by the audit are presented in Part IV, Statement of Findings and Recommendations. Major findings are summarized in Part III.

PART II - BACKGROUND

The Narcotics Control Project in Laos was established as part of an international effort to put an end to the illicit production, smuggling, trafficking, and abuse of dangerous drugs.

The need for effective narcotics control was evident in the United States where drug use and addiction had become a serious social problem and had reached epidemic proportion in many areas. Another problem was drug abuse by U.S. military personnel stationed in overseas areas where controls over the use of and traffic in drugs has historically been weak or non-existent.

Although Laos is relatively unimportant as an opium producer, it was considered a conduit for opium and heroin to the continental United States and Asian countries, and as a location for laboratories refining Burmese opium into heroin.

Funds for the project are authorized by Section 481, International Narcotics Control, of the Foreign Assistance Act of 1961, as amended. Since July 1, 1971, \$3.5 million has been provided for the USAID/Laos Narcotics Control Project (Exhibit A).

PART III - SUMMARY

[Overall we find a repeated lack of adequate quantitative definition of project targets (goals, purposes, output indicators). This leads to the situation where meaningful evaluation of project progress is not possible. We are satisfied that much is being done on this project but the above project design deficiency results in a significant deterrent to determination of project effectiveness. Our findings often illustrate this condition.

1. Narcotics enforcement mechanisms have been established but significant loopholes exist (some of which the project may not be capable of closing) and quantitative measurements have not been established to measure enforcement effectiveness. Regional coordination between Laos, Burma, and Thailand has been established and is working but its effectiveness is limited because the major poppy growing area (The Shan States in Burma) remains uncontrolled.

2. The addict rehabilitation program is treating many addicts but a follow-up program has not been established to measure abiding effectiveness nor has the incidence of addiction been established to define a baseline for future evaluation nor has the expression been made of a quantitative target.]

The project has sponsored an Agricultural Redirection Training Center to train former Lao opium producers in the production of vegetable, livestock and fish, but as yet no substitute crop has been identified/developed which can compete with opium as a cash crop although research is under way for such identification/development.

PART IV

STATEMENT OF FINDINGS AND RECOMMENDATIONS

A - PROJECT PROGRESS

The Narcotics Control Project was established to:

- (1) develop an effective RLG narcotics enforcement capability to disrupt the flow of illegal narcotics within and through Laos;
- (2) provide rehabilitation services for Lao narcotics addicts that will result in the reduction of the number of Lao addicts who remain dependent on opium;
- (3) establish a program of alternate crop production that will result in a reduction in poppy cultivation in Laos.

1 - Enforcement

In September 1971, an Anti-Narcotics Law was enacted by the RLG. Prior to this time, there were no laws in Laos pertaining to the growing, trafficking, or consumption of opium and its derivatives. The most significant accomplishment since the law was enacted has been the destruction of all known heroin refineries operating in Laos.

Four RLG agencies are responsible for enforcement of the Anti-Narcotics Law. These are the Groupe Special de' Investigation (GSI), the Lao National Police, the Force Arme'e Royale (FAR) Military Police and the RLG Customs Service.

The GSI is the coordinating organization for narcotics enforcement activities in Laos and was established to give impetus to narcotics enforcement from the highest level of the RLG. Advisory assistance has been provided by the U.S. Drug Enforcement Agency, the USAID Public Safety Division, and the U.S. Customs Bureau. Commodities including vehicles and communication equipment have been provided from project funds.

Although the mechanism for narcotics enforcement has been established, we believe conditions exist which limit its effectiveness. For example, improvement is needed in making the Anti-Narcotics Law more effective in preventing the illegal growing, trafficking, and consumption of opium and its derivatives. There have been over 500 arrests for violation of the law, but there have been few convictions. The law also prohibits the cultivation of opium poppies throughout the Kingdom of Laos without the authority of the RLG; however, the RLG has little control over the estimated twenty tons of opium grown in Laos. Control over opium traffic routes in Laos is inadequate. Mekong River traffic between the border of Laos and the borders of Thailand and Burma is almost uncontrolled. Customs posts have been established along the border of Laos but their effectiveness is questionable. At airport terminals, air craft are subject to inspections by Lao customs agents or military police. Recently, records showed that at two major airports located in Northern Laos, almost all commercial and contract aircraft were being inspected; however, less than 30 percent of military aircraft were being inspected. This is a serious deficiency in view of the past involvement of military aircraft in illegal trafficking of drugs in Southeast Asia.

There is little data available to measure the impact of Lao narcotics enforcement on the international trafficking of drugs. Between September 1971 and September 1975, approximately one ton of opium was seized in Laos by various Lao enforcement agencies. However, this represents only a small amount of the hundreds of tons of opium produced in Laos, Thailand, and Burma combined. Reliable statistics on the amount of opium grown and consumed in the region are not available.

Regional coordination between the countries of Burma, Thailand, and Laos was considered an absolute necessity for any

effective control of international trafficking of narcotics. Some effort has been made toward regional coordination and there are some tangible results. However, affecting the success of regional coordination is the almost total lack of control over the Shan States in Burma that produce more than 80 percent of the opium grown in Laos, Thailand, and Burma.

2 - Rehabilitation Services

In September 1972, a National Detoxification Center was established in Vientiane to rehabilitate Lao drug addicts. Over 900 addicts have completed treatment since the center was opened. Another 1,800 Lao addicts have received treatment in Thailand. We believe the goal of reducing the number of Lao addicts who remain dependent on opium will not be realized as long as opium is readily available. For example, the Anti-Narcotics Law permits individuals over the age of 46 to legally grow and smoke opium. Furthermore, it is estimated that 80 opium smoking dens operate in Vientiane. We noted that enforcement officials are uncertain how the dens are supplied with opium.

The Mission states that despite these problems that recent indications of higher prices for opium and its derivatives in Vientiane have resulted in an increase in the number of patients seeking help at the detoxification center. The Mission states that this is factual evidence that the number of addicts is being reduced. This, of course, assumes that the higher prices are due to dwindling supplies of opium and not due to increased number of users (no baseline data has been established on the latter).

Many specifics are missing from the above discussion. The goal itself (reduction in the number of addicts) to be meaningful must be defined in terms of a baseline. Many questions remain unanswered, such as: From where do the patients entering the detoxification center arrive - from the opium dens or from other sources? How many patients return to addiction? It seems much more quantification of data is necessary to adequately support current assumptions under which the program is being operated.

3 - Agriculture Redirection

The agriculture redirection program is in the experimental stage. Lowland areas have been cleared for the purpose of relocating Lao families and encouraging them to grow crops other than opium poppies. In February 1975, an Agricultural Redirection Training Center was opened to train former Lao opium producers in vegetable, livestock, and fish production. USAID/Laos has funded an aerial survey in northern Laos to obtain estimates of the scope of opium production. Surveys will be repeated in subsequent seasons to gauge the success of the agricultural redirection center in reducing opium cultivation; however, no specific targets have been established for periodic reductions of opium production. The Mission points out that before any specific targets can be established there must be an alternative crop or crops that can compete with opium as a cash crop for the farmer. This raises serious questions as to the advisability of operating the Agricultural Redirection Training Center prior to the development of an alternative cash crop capable of competing with opium. The Mission's resistance to the establishment of specific goals coincides with our belief that at the present time, there is no incentive for opium poppy growers to turn to other pursuits. There is yet no proven alternate crop that can compete with opium poppies as a cash crop in Laos. Experimental crops are being grown on test plots, but the results may not be available for five years.

B - PROJECT IMPLEMENTATION

1 - Addict Rehabilitation

It is noted that rehabilitation services are being operated in Laos to reduce the number of addicts who remain dependent on opium. While these services may or may not permanently cure some addicts, for the reduction in number of addicts in Laos to occur there must also not be one increase in new addicts at a faster rate than the rate of those permanently detoxified. The rehabilitation project apparently is justified on the assumption

that new addicts occur at a rate less than the detoxification rate. We know of no data which supports this assumption; apparently such baseline data has not been developed.

There is a need to establish follow-up procedures for narcotics addicts who have been rehabilitated.

In-country treatment of Lao addicts began in September 1972 with the opening of the National Detoxification Center in Vientiane. To date, over 950 addicts have completed treatment at the center and an additional 1,800 addicts have been sent for treatment in Thailand.

There are no follow-up procedures for accurately determining the recidivism rate of Lao addicts. Reportedly, only 16 percent of the Lao addicts treated return to the Detoxification Center for repeat treatment. However, opium is readily available in Laos for addicts who desire to return to drug use. Of the in-patients treated at the detoxification center, 75 percent are over 40 years old and can legally grow and smoke opium. Over 60 percent of the in-patients of all ages have been addicted for more than ten years.

One of the goals of the project is the reduction in the number of Lao addicts who remain dependent on opium. We believe that progress toward this goal can only be accurately measured by periodic follow-up of addicts who have been treated and in context with trend data on the total number of opium addicts in Laos.

In its response to the draft audit report, the Mission stated that the efforts of a consultant along with the records of patients that have been admitted to the National Detoxification Center (NDC) since its inception are adequate follow-up for this type of program. We believe the records provide an adequate basis for follow-up, but procedures for follow-up have not been established. No decision has been made as to what proportion of the expatriates will be checked for recidivism, how they will be selected, or at what intervals they will be checked. Since it is not likely that all recidivists will return to the NDC for additional treatment, the effectiveness of the program can be determined only by direct follow-up of a statistically selected sample.

Recommendation No. 1

We recommend that USAID/Laos establish follow-up procedures for addicts who have been detoxified, in order to accurately determine the effectiveness of the addict rehabilitation program.

2 - Implementation Plan

A Joint Project Implementation Plan (PIP) has not been prepared for the project.

Since July 1, 1971, approximately \$3.5 million has been obligated for the project; this includes funds for commodities, training and construction. The responsibility for implementing the project has been assigned to several diverse activities in USAID/Laos, including Agriculture, Public Safety, and Public Health. Under these circumstances a well prepared implementation plan is essential for effective and efficient implementation and evaluation of the project.

In its response to our draft report, the Mission disagreed with our recommendation that a detailed PIP be prepared for this project on the ground that the Mission prepares an annual Narcotics Control Action Plan which is submitted to the Cabinet Committee on International Narcotics Control. We have reviewed the most recent Plan and, while it may be adequate to support a request for funds, it does not contain the detail necessary in a program with operations fragmented between several implementing units. We believe that rather detailed action plans should be prepared for each implementing unit to ensure that there is no duplication of effort and, at the same time, that no areas are overlooked. Without delving into M.O. requirements, the kind of material required in a PIP by M.O. 1025.2 is needed for good management control purposes.

Recommendation No. 2

We recommend that USAID/Laos complete a detailed PIP for the project as outlined in M.O. 1025.2.

PART V - GENERAL COMMENTS

An exit conference was held on January 23, 1974, with the Director and members of his staff who are involved in the Narcotics Control Project. Mission comments on the draft audit report have been given consideration in this report.

This was the first audit of the Narcotics Control Project by this office. The Project was included in a General Accounting Office (GAO) review of Mission activities, but the published report of that review is not yet available.

NARCOTICE CONTROL PROJECTEXHIBIT ASummary of Obligations & Expenditures
July 1, 1971 to November 30, 1973

	<u>Obligations</u>	<u>Expenditures</u>	<u>Balance</u>
<u>Dollar Assistance</u>			
US Personnel Costs - Direct	\$ 393,087	\$ 299,490	\$ 93,597
US Personnel Costs - PASA	577,550	348,869	228,681
US Personnel Costs - Contract	135,790	89,163	46,627
TCN/Local Personnel			
Costs - Contract	6,559	5,641	918
Participants	61,010	40,965	20,045
Commodities	1,105,355	407,290	698,065
Other Costs - Direct	531,359	500,082	31,277
Other Costs - PASA	4,022	2,009	2,013
Other Costs - Contract	<u>665,028</u>	<u>375,754</u>	<u>289,274</u>
	<u>\$ 3,479,760</u>	<u>\$ 2,069,263</u>	<u>\$ 1,410,497</u>

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