

PD-ABF-675  
81861

# Andean Counter-Drug Initiative

Objective IV:  
Alternative  
Development

Annual Report  
1992



AGENCY FOR INTERNATIONAL DEVELOPMENT  
FEBRUARY 1993

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## **ANDEAN REGIONAL: THE PROBLEM**

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Coca production and cocaine consumption reached unprecedented levels during the 1980s. Bolivia, Colombia, and Peru, the world's coca-producing countries, increased their economic dependence on coca and the cocaine industry as the decade progressed. Ecuador experienced some of the negative side effects of this growing drug problem as well. A steep economic decline during this period, particularly in Bolivia and Peru, created incentives for the work force to enter into coca cultivation, processing, and trafficking. As a result of the rise in coca production, accompanied by a decline in legal sectors, an increasing percentage of the jobs, income, and foreign exchange in these countries has been generated by illegal, coca-related activities.

## **ANDEAN REGIONAL: ALTERNATIVE DEVELOPMENT STRATEGY**

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Alternative Development is economic development with a special emphasis on reducing the role of illicit drugs in the overall economy. The objective of Alternative Development is to strengthen and diversify the legitimate economies of the Andean nations to enable them to replace coca. The United States Government's (USG) implements its Alternative Development strategy through a program of the Agency for International Development (A.I.D.) that provides alternative economic opportunities for those involved in or considering the coca industry. Alternative Development is not crop substitution. A.I.D.'s extensive experience with crop substitution in both Latin America and Asia has clearly demonstrated that economic assistance to illicit growing areas alone is not effective. Both illicit labor and illicit crop production are dynamic and mobile. Alternative economic opportunities depend upon sound economic policies to generate demand for diversified economic growth and job creation nationwide.

The USG works in Alternative Development in the Andean countries at both the micro and macro levels. At the micro level, A.I.D. projects deliver agricultural research, marketing assistance, credit, rural infrastructure, and other services to help farmers shift from illicit to licit activities. A.I.D. projects also promote trade and investment to expand job creation and trade in the legitimate economy. Also at the micro level, the Alternative Development portfolios attempt to improve the quality of life in non-growing regions to prevent both migration and new coca growth. A.I.D. projects stimulate non-coca jobs, income, and foreign exchange to allow Andean economies to reduce their coca dependency and to make it possible financially for nations and individuals to leave the illegal economy.

At the macro level, the USG engages in an active economic policy reform dialogue with Andean governments so the projects and the overall economy operate within the market-oriented framework that they need for economic growth to succeed in the long run. Balance of payments support cushions these economies during the difficult transition away from coca-derived income. These cash transfers, are conditioned on economic performance, human rights and democracy issues (Peru),

and counter-narcotics performance (eradication, interdiction, and law enforcement), the latter of which is essential to the success of Alternative Development.

Alternative Development, like any sound economic development, takes time. Time is required for sound economic policies to build confidence for investment, production, and job creation. Time is also required to identify and expand markets for new products and services. Just as the coca economy did not materialize overnight, neither will an economy based on alternatives to coca.

## **ALTERNATIVE DEVELOPMENT AND THE USG COUNTER-NARCOTICS STRATEGY**

Alternative Development is only part of a larger, integrated strategy devised by both the USG and Andean Governments. The USG strategy, the five-year Andean Counter-Drug Initiative, addresses both the supply and demand sides of the international drug problem.

The success of Alternative Development depends in part on the market price for coca, which is affected by law enforcement and international demand. Experience demonstrates that Alternative Development can prosper only if there are both economic incentives for licit activities and penalties for illicit activities. Therefore, Alternative Development must be supported by narcotics control and demand reduction activities for it to succeed.

To help broaden the base of economic opportunities, the Andean strategy also consists of passage of the Andean Trade Preferences Act (ATPA). The ATPA provides Andean countries duty-free access to U.S. markets for ten years for all but a few products. Technical assistance for the ATPA is being provided to assist Andean exports in conforming to U.S. agricultural import requirements. Debt reduction packages are under consideration as well.

Other donors are also supporting Alternative Development. They have preferred to make their contributions through the United Nations' Drug Control Program, which operates Alternative Development activities in coca-producing areas of Bolivia and Peru. A.I.D. is seeking greater collaboration with other donors on Alternative Development through the Organization for Economic Cooperation and Development and the Development Assistance Committee.

## **ADMINISTRATION OF JUSTICE**

The flourishing drug trade also has taxed the inefficient and already overburdened justice systems of the Andes. Part of the USG's Andean Counter-Drug Initiative includes promoting justice sector reform in Bolivia, Colombia, Ecuador, and Peru. The aim of these projects is to increase the effectiveness and fairness of the administration of justice in these countries. As a special emphasis, the projects seek

to strengthen the capacity of the justice systems to prosecute drug traffickers in their own countries.

## NARCOTICS AWARENESS AND EDUCATION

A final component of the regional strategy in all four countries is increasing public awareness to change attitudes toward the drug problem. These projects educate the Andean public on the dangers of the drug trade and create the necessary public will to support counter-narcotics and Alternative Development activities. These projects also address the growing problem of drug abuse in the Andes through public prevention campaigns and education.

## COUNTRY STRATEGIES

Although there are similarities in the theoretical underpinnings of the four Andean Alternative Development programs, each country's program is tailored to country-specific circumstances and needs. These differences in both the nature of the problem and the strategy to respond to those problems are detailed in the sections that follow. The estimated funding levels for those countries are found directly below.

### Andean Regional: Estimated Funding for Alternative Development

(US\$ Millions)

COUNTRY	FY 1991	FY 1992	FY 1993*	FY 1994*
Bolivia	77	100	70	
Colombia	50	55	20	
Ecuador	0	6☼	0	
Peru	60	95	40	
Totals	187	256	130	90

☼ The amount of \$6.2 million was deobligated from Bolivia for Ecuador. \* Contingent on the availability of funds and performance in counter-narcotics and sound economic policy implementation. Country levels for FY 1994 are to be determined.

## **BOLIVIA: THE PROBLEM**

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Bolivia is the world's second largest producer of both coca leaves and refined cocaine products. Bolivia cultivates approximately 46,000 hectares of coca, which are concentrated in two main growing areas. The Yungas are the source of 25 percent of all coca, most of which is used legally for traditional domestic consumption. The tropical lowlands of the Chapare are the source of the other 75 percent of all coca, which is destined mostly for illicit international use. Bolivia's coca market is transparent and accessible. Daily coca leaf prices are widely known, and agricultural cooperatives play an active role in marketing.

### ***Bolivia's Coca Industry***

- ***Number two cultivator and processor of coca worldwide***
- ***Has destroyed more than 40,000 hectares of tropical forest***
- ***Corrupts government and threatens democratic institutions***

Bolivia is a very poor country. Coca represents a significant source of jobs and income for its people. Bolivians were attracted to illicit coca production during the early to mid-1980s when the Bolivian economy virtually collapsed. In 1992 the Bolivian coca industry accounted for 7.4 percent of the national labor force, 2 percent of GDP, and 16 percent of foreign exchange earnings, according to A.I.D. estimates. (These figures refer to the estimated amount of earnings that actually remained in Bolivia). These numbers could increase, however, if Bolivia continues to process more of its raw coca leaves into more profitable cocaine products. The coca industry also costs the Bolivian economy through environmental damage. An estimated 7,281,786 liters of kerosene or gasoline and 881,460 kilograms of sulfuric acid are used annually in Bolivia to process cocaine paste and base. These toxic chemicals are in turn dumped on the ground or poured into rivers.

## **BOLIVIA: ALTERNATIVE DEVELOPMENT STRATEGY**

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The long-term solution to the coca problem in Bolivia is broad-based, free-market economic growth. The Alternative Development strategy in Bolivia promotes such growth with a special emphasis on providing viable alternatives to the illegal coca economy. The strategy will help Bolivia make the transition from a coca-based economy to one which relies on legal non-coca sources for income and growth.

Bolivian labor is highly mobile. Thousands of people migrate routinely to areas where they can earn a living. The Alternative Development strategy has placed the highest importance on nationwide growth, so that a growing economic pie can attract not only previous coca farmers and laborers but also those who would otherwise be

### ***The Alternative Development Strategy in Bolivia***

- ***Recognizes the high mobility of labor in Bolivia***
- ***Promotes legal economic growth nationwide***
- ***Provides special attention to the coca-growing areas of the Chapare***
- ***Helps to stem migration to coca growing areas***

potential entrants into the coca labor force. A.I.D.'s own worldwide experience in crop substitution supports a national strategy not merely a provincial or crop strategy, precisely because labor responds to economic opportunity wherever it is found.

The strategy seeks to provide alternative jobs for labor in the Chapare and in the poles of development that the market economy creates nationwide, mainly in El Alto, La Paz, and Santa Cruz. It is recognized that there will always be a pool of labor that will be potential migrants to the Chapare and which neither Alternative Development nor any development strategy will not be able to reduce completely. Enforcement is the most effective supply-side approach to discourage that group from producing coca or cocaine. Alternative Development complements enforcement by providing alternative jobs in the Chapare and by reducing the flow of migratory labor to the Chapare through improved quality of life and economic opportunities in traditional communities.

Economic policy reform is a pillar of the Alternative Development strategy at the national level in order to accelerate macroeconomic growth. The strategy particularly stresses trade and investment to generate legal foreign exchange in place of coca. Increased stability, improved economic policies, better market opportunities, and economic growth provide the foundation for increased investment and trade. Bolivia has met the conditions of the ATPA, which gives it duty-free access to the U.S. market for specific goods over the next ten years. Bolivia will need to increase the rate of foreign investment in order to continue rapid economic growth.

A.I.D. presently is executing thirteen projects at the micro level to facilitate the transition for workers already in or seeking to enter the coca industry, as well as to increase economic growth. The cornerstone of these projects is the Cochabamba Regional Development Project. This project provides farmers with the agricultural technology, equipment, credit, and the rural infrastructure to help make alternative economic opportunities attractive. This project is complemented by projects in both coca-growing and non-growing areas that generate licit jobs and foreign exchange. Two A.I.D. projects focus on improving the quality of life in labor-surplus areas in the Department of Cochabamba and elsewhere to stem the tide of migration to coca areas. These two projects are funded with normal development assistance rather than special narcotics funds. The remaining projects increase local awareness of the

dimensions of the drug problem and improve the efficiency of the justice sector in order to improve the prosecution of narcotics criminals.

The Alternative Development strategy in Bolivia is closely coordinated with the Government of Bolivia's own Alternative Development strategy, much of which appears in the form of Bolivian Law 1008 (Coca and Controlled Substances Law) of 1988. Under Law 1008, coca farmers are compensated for voluntary eradication of coca. This is an integrated Country Team effort with the Government of Bolivia involving the Narcotics Affairs Section, the Drug Enforcement Agency, as well as USAID/Bolivia.

A.I.D.-supported projects for Alternative Development in Bolivia are listed on the following page.

## ALTERNATIVE DEVELOPMENT PORTFOLIO USAID/BOLIVIA

### DIRECT IMPACT<sup>1</sup> ALTERNATIVE DEVELOPMENT PROJECTS

PROJECT NAME	PROJECT NUMBER	PROPOSED FUNDING	START/END DATES
CHAPARE REGIONAL DEVELOPMENT	511-0543	\$38.5 m	FY 1983/92
COCHABAMBA REGIONAL DEVELOPMENT	511-0617	\$80.0 m	FY 1991/96
ECONOMIC RECOVERY PROGRAM	511-0604	\$264.0 m	FY 1991/94
EXPORT PROMOTION	511-0585	\$23.5 m	FY 1988/95
MICRO AND SMALL ENTERPRISE DEVELOPMENT	511-0596	\$10.0 m	FY 1988/93
P.L. 480 TITLE II (FOOD FOR WORK)		\$78.4 m	FY 1991/94
PRIVATE AGRICULTURAL ORGANIZATIONS	511-0589	\$6.7 m	FY 1986/93

### ENABLING<sup>2</sup> ALTERNATIVE DEVELOPMENT PROJECTS

PROJECT NAME	PROJECT NUMBER	PROPOSED FUNDING	START/END DATES
ADMINISTRATION OF JUSTICE	511-0626	\$10.0 m	FY 1992/97
CARE COMMUNITY DEVELOPMENT	511-0618	\$7.0 m	FY 1991/95
COMMUNITY AND CHILD HEALTH	511-0594	\$20.0 m	FY 1988/95
DRUG AWARENESS AND PREVENTION	511-0613	\$9.2 m	FY 1991/97
ELECTRIFICATION FOR ALTERNATIVE DEVELOPMENT	511-0614	\$16.7 m	FY 1991/96
JUSTICE SECTOR	511-0609	\$2.0 m	FY 1988/93
NATIONAL RURAL HOUSEHOLD SURVEY <sup>3</sup>	511-0612	\$1.0 m	FY 1991/93

<sup>1</sup> Direct impact projects directly produce non-coca jobs, income, or foreign exchange.

<sup>2</sup> Enabling projects do not directly create jobs, income, or foreign exchange but create the conditions for those accomplishments.

<sup>3</sup> Provides baseline data for measuring income in the rural areas of Cochabamba.

## **BOLIVIA: RESULTS TO DATE**

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### **MACRO LEVEL SUCCESSES**

One of the most important results to date is the declining dependence of the Bolivian economy on coca. This can be attributed largely to two factors: growth in the national economy and lower coca prices since 1990. Due in large part to serious economic reforms, Bolivia has gone from the severe economic crisis in 1985 to nearly 4 percent annual growth rates. Given this growth, the trends are clear--Bolivia is decreasingly dependent on coca for its economic growth and survival.

***According to the World Bank, the Bolivian Economy is Less Dependent on Coca***

- ***As a percentage of GDP, it dropped from 26% in 1987 to 6% in 1991***
- ***Coca as a share of legal exports, fell from 68% in 1988 to 25% in 1990***
- ***The legal economy created approximately 100,000 jobs in 1991-- a much faster rate than the coca economy created***

These trends are similar to that of the population of the Chapare, which is steadily declining as laborers are drawn to opportunities elsewhere.

Trends in Bolivia's economy in 1992 continued to be positive, which is critical to the overall success of Alternative Development. Some successes include the estimated GDP growth of 3.8 percent. Unemployment dropped from 7.3 percent to 5.8 percent. Inflation continues to decline, dwindling from 14.5 percent to 10.6 percent last year. The volume of exports increased, but lower prices caused overall export values to decrease from \$766 million to \$600 million.

Important measures to reform the economy included: the enactment by the Bolivian Congress of a law on privatization that provides for the sale of all but two public enterprises; approval of a revised tax code; closure of almost all state banks; the introduction of simplified export procedures; improvements in auction procedures for the Central Bank's open market operations; and the submission to Congress of laws on the Central Bank and the banking system.

### **PROJECT LEVEL SUCCESSES**

The Cochabamba Regional Development Project (CORDEP), Economic Support Funds (ESF), Private Agricultural Organizations, Export Promotion, PL 480 Titles II, Micro and Small Enterprise Development, and Electrification for Alternative

Development projects helped generate jobs, investment, and foreign exchange for Bolivia to help replace coca-based revenues. Some of the best news comes out of the Cochabamba Department. After years of intensive research and development, some of the most promising alternative crops are taking hold with farmers. Pineapple growers, for example, earned about \$1,000 on average in 1992 for that crop alone, and that figure is to go up dramatically in the next few years. Farmers growing improved varieties of bananas, oranges, and pineapples in the Chapare can expect to enjoy incomes that are several times higher than the national average by 1996. Plantings of alternative crops continue to rise, indicating that the growers themselves think that alternative incomes will be sustained in the future. Not only are alternative crops being exported to its South American neighbors but are also finding high levels of acceptance in domestic markets. Data confirm that most farmers are diversifying their holdings, thereby avoiding future reliance on coca.

The Export Promotion Project continued to show impressive results, generating some \$12.2 million in non-traditional exports and 1,300 jobs in this reporting period while facilitating investments by firms from Peru, Portugal, and Spain. An important breakthrough took place when a Bolivian Foundation was organized to finance agricultural exports in collaboration with the Latin American Agribusiness Corporation. Significant progress was also made in simplifying export procedures. The volume of non-traditional products exported nationwide continues to surge.

The PL 480 Title II Program provided over 78,183 person-months of temporary jobs in 10 major cities and 32 towns. Case studies of these temporary workers demonstrate that this Food-for-Work program provides a vital safety net for workers affected by the Bolivian economy's deep restructuring. Some temporary workers have indicated interest in possible migration to the Chapare in the absence of such job opportunities.

The Drug Awareness and Prevention Project conducted a public opinion survey in Cochabamba to determine attitudes toward the Alternative Development program. Three out of five respondents were in favor of Alternative Development, while the percentage was even higher in the Chapare. The project also carried out a prevalence survey on the attitudes and use of drugs in urban areas, which revealed that over half of urban Bolivians believe the drug problem should be solved either by the producing country or by both the producing and consuming countries. These surveys in general gave important insight into Bolivian attitudes toward both the nature of the problem and the best solutions for solving those problems.

## COLOMBIA: THE PROBLEM

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Colombia is the world's largest processor and trafficker of cocaine and the third leading producer of coca. Colombia's cocaine industry is organized into clandestine crime groups which have made Colombia the hub for most of the world's cocaine production and marketing. Colombia reaps the greatest profits from the Andean coca industry because of the more lucrative nature of cocaine processing and marketing, compared with coca growing. In addition, Colombia is increasingly a producer of poppies for heroin production. At the same time, Colombia has among the worst drug abuse problems of the four Andean countries.

### *Colombia's Coca Industry*

- *Is Number one in cocaine processing and trafficking worldwide*
- *Increases inflation and causes the overvaluation of the Colombian peso to the detriment of exports*
- *Imposes high security costs on the economy and deters foreign investment and tourism*
- *Is linked to the assassination of hundreds of judges, high-ranking political figures, police, other public officials, and ordinary citizens*

## COLOMBIA: ALTERNATIVE DEVELOPMENT STRATEGY

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Assistance to Colombia is based on performance in counter-narcotics action by the Government of Colombia (GOC) and the serious pursuit of economic policy reform to promote growth. Colombia has consistently performed very well on both fronts, as certified annually to the U.S. Congress in the Department of State's International Narcotics Control Strategy Reports.

*The Colombian Alternative Development strategy, which the USG supports, consists of three components:*

- *Economic restructuring to promote growth*
- *Strengthening of the democratic system*
- *Alternative economic development*

The first component, economic restructuring, is predicated on the need to expand economic opportunity to create viable alternatives to the cocaine industry. A critical dimension of the strategy is to support Colombia's drive for international

markets, a program Colombia calls "Apertura" or economic liberalization. Fundamental policy reforms, initiated by the GOC, and reinforced by policy dialogue on the part of the USG, are positioning Colombia to compete better in international markets, thereby increasing licit jobs and export earnings.

Regarding the second component of the strategy, Colombia adopted a new constitution in 1991 that provided for decentralization of political power and reform of the justice sector. A reformed justice sector will provide the means to prosecute aggressively the country's narcotraffickers. A.I.D. has put its Justice Sector Reform (JSR) Project at the center of its development activity in Colombia.

The third component of the strategy promotes Alternative Development directly through use of cash transfer assistance. Cash transfers provide dollars to assist Colombia in the payment of official debt. The GOC then provides an equivalent amount of local currency to be applied to mutually agreed upon activities. A.I.D. obligated \$36 million in FY 1992 for the cash transfer program. The local currency funds in 1992 supported Alternative Development with an emphasis on the Departments of Valle (Cali) and Antioquia (Medellín), and "Apertura." These projects are entirely managed by the GOC.

A.I.D.-supported projects for Alternative Development in Colombia are listed on the following page.

## ALTERNATIVE DEVELOPMENT PORTFOLIO USAID/COLOMBIA

### DIRECT IMPACT ALTERNATIVE DEVELOPMENT PROJECTS

PROJECT NAME	PROJECT NUMBER	PROJECT FUNDING	START/END DATES
ECONOMIC STABILIZATION PROGRAM	514-9001	\$41.0 m	FY 1991
ECONOMIC STABILIZATION PROGRAM	514-9005	\$36.0 m	FY 1992

### ENABLING ALTERNATIVE DEVELOPMENT PROJECTS

PROJECT NAME	PROJECT NUMBER	PROJECT FUNDING	START/END DATES
JUSTICE SECTOR REFORM	514-9002	\$ 36.0 m	FY 1991/96

### ALTERNATIVE DEVELOPMENT PROJECTS UNDER DESIGN

PROJECT NAME	PROJECT NUMBER	PROJECT FUNDING	START/END DATES
TRAINING AND TECHNICAL ASSISTANCE	514-9003	\$ 5.5 m	FY 1993/95
DRUG AWARENESS AND EDUCATION	514-9004	\$ 4.0 m	FY 1993/95

## COLOMBIA: RESULTS TO DATE

### ECONOMIC REFORM AND GROWTH

Since the end of 1990, the Gaviria Administration has pushed a complete package of reforms through Congress, which touched on practically every facet of economic and social policy, including: financial and tax laws; exchange rates; labor code; privatization of telecommunications, ports, railroads, and the financial sector; Andean Common Market; and government downsizing, among others. Some of these reforms are outlined in the box below.

<b>COLOMBIA'S ECONOMIC REFORMS</b>	
<ul style="list-style-type: none"><li>■ <b>Trade Policy Reforms</b> <i>Elimination of almost all prior import license requirements.</i> <i>Reduction of import/export procedures.</i> <i>Establishment of a free market exchange regime.</i> <i>Elimination of the ceiling on profit remittances for foreign investors.</i> <i>Phasing out of export subsidies.</i> <i>Reactivation of the Andean Pact.</i></li></ul>	<ul style="list-style-type: none"><li>■ <b>Labor Market Reform</b> <i>Revision of the labor code to enhance job stability and facilitate creation of new jobs</i></li></ul>
<ul style="list-style-type: none"><li>■ <b>Capital Markets Reform</b> <i>Strengthening the financial system by reducing forced investments and increasing capital requirements.</i> <i>Implementation of an ambitious privatization program of key financial sectors.</i> <i>Authorization to foreign capital funds to operate and invest in the shares of local companies.</i></li></ul>	<ul style="list-style-type: none"><li>■ <b>Public Sector Reform</b> <i>Downsizing of the National Civil Service by 20%.</i> <i>Privatization of State Owned Companies such as ports and railroads.</i> <i>Central Bank made more autonomous from the Government.</i> <i>Conversion of the export promotion agency into an export-import bank.</i> <i>Creation of the New Ministry of Trade.</i> <i>"Demopolization" of the telecommunications sector to allow private companies to compete.</i></li></ul>

Real GDP grew by 2.3 percent in 1991, compared with 4.1 percent in 1990. This slowing of growth resulted mainly from the effects of guerrilla violence and tight monetary policies. The cost of anti-guerrilla efforts and repairs to the country's infrastructure caused by guerrilla violence reduced GDP growth by 0.6 percent in 1991, a damage figure which may increase in 1992. Estimates for GDP growth in 1992 are between 2.1 percent and 3.3 percent.

***The Performance of the Colombian Economy in 1992 Was Promising***

- ***Estimates for real GDP growth are between 2.1% and 3.3%***
- ***Most important agricultural exports steadily increased***
- ***Unemployment decreased to 9.2% in September 1992 compared to 10.2% at the end of 1991***
- ***Inflation in September 1992 was the lowest in four years, 26.9%***

## **JUSTICE SECTOR**

Colombia's new constitution lays the groundwork for a comprehensive reform of the criminal justice system. This reform will move the justice system from an inquisitive one to a more effective accusatorial one. These reforms are allowing Colombia to take a firm stance against narco-traffickers through the criminal prosecution of powerful cartels.

A.I.D.'s predecessor activities to the Justice Sector Reform (JSR) Project supported the studies and analysis that led to the creation or reform of the judicial institutions as outlined in the 1991 constitution, including:

- ***The Prosecutor General's Office:*** responsible for capturing and bringing to trial the major narcotraffickers, terrorists, and corrupt government officials.
- ***The Special Courts:*** tries and convicts narcotraffickers, terrorists, and serious criminals.
- ***The Public Defender's Office:*** guarantees human rights.
- ***The Attorney General's Office:*** investigates and prosecutes illicit enrichment and corruption by government officials, as well as human rights violations.

The JSR Project's accomplishments in FY 1992 are highlighted in the box below.

### ***Justice Sector Reform Accomplishments in 1992***

- ***Refurbishment of twenty-five prosecutorial units***
- ***Development of comprehensive criminal law data bases to prosecute major crimes***
- ***Development of the Ministry of Justice's new criminal procedural code to improve case management***
- ***Design of alternative dispute mechanisms (mediation and arbitration) to reduce case loads***
- ***Strengthening of the Office of Special Investigations of the Attorney General's Office with better investigative techniques***
- ***Improvements of police investigative capacity through extensive training in investigative techniques***
- ***Judicial protection for Special Court judges who try narcotics cases***

## PERU: THE PROBLEM

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Peru cultivates approximately 60 percent of the world's coca. Coca cultivation is spread throughout Peru, with approximately 50 percent found in the jungle areas of the Huallaga Valley. The cultivation and production of coca is illegal in Peru except for a small area near Cusco, where the coca leaf is used for traditional domestic purposes. However, the laws concerning coca cultivation are not strictly enforced. Peruvian terrorist groups often control marketing and growing areas, making access to information and growers difficult and dangerous. There is little market for coca leaves domestically, and many of Peru's coca farmers are becoming first stage processors of coca paste to increase their earnings. Peru continues to suffer from extremely difficult conditions which force some to turn toward the coca industry to earn a living. Peru does not yet have a significant problem of drug abuse among its own citizens, although it is increasing.

### *Peru's Coca Industry*

- *Is number one in coca cultivation and number three in cocaine production worldwide*
- *Accounts for 3% of GDP, 3% of the labor force, and 16% of exports*
- *Finances terrorist groups*
- *Corrupts democratic institutions*
- *Dumps more than 400 million liters of poisonous waste annually into the Amazon headwaters*

The expansion of the coca industry has destroyed more than 10 percent of the Peruvian rain forest through chemical dumping, slash and burn land clearing, soil erosion and degradation, and the alteration of delicate ecosystems.

## PERU: ALTERNATIVE DEVELOPMENT STRATEGY

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The objective of the Alternative Development strategy in Peru is to revitalize the Peruvian economy and provide viable alternatives to the illegal coca economy. The strategy operates at both the macro and micro levels. The long-term goal of the strategy on the macroeconomic front includes three major components:

- Stabilization of the economy through macroeconomic adjustments
- Opening up the economy so that expanded non-traditional exports and efficient production for a growing domestic market can replace coca revenues
- Promotion of legal employment opportunities to attract members of the labor force away from the coca industry

The Alternative Development portfolio supports these macroeconomic changes through balance of payments support, policy dialogue, and a project dedicated to improving economic policy analysis and implementation.

The strategy includes activities at the project level to improve alternative economic opportunities for those in coca-growing areas and to help keep potential migrants out of those areas. Key projects are the Upper Huallaga Area Development (UHAD) Project and its successor project, Selva Economic Revitalization (SER) Project, which is under design. These core projects are supported by improvements of the Frontier Road ("Carretera Marginal") to facilitate marketing of alternative crops. The UHAD Project provides farmers with the agricultural technology, equipment, credit, and rural infrastructure needed for the expansion of legal crops. The SER Project will build on the trust established by its predecessor project with the farmers and the government. It will emphasize community participation and private sector involvement.

Another project, the Export Promotion Project, generates jobs and exports nationwide. The project directly encourages investment, job creation, enterprise development, and the expansion of non-traditional exports by the private sector. The remaining projects enable the aforementioned projects to succeed by promoting public awareness of the narcotics problem and by improving the administration of justice, particularly against narco-traffickers.

Three assumptions are critical if Alternative Development assistance is to be effective in Peru. The first key assumption is that the Government of Peru (GOP) is able to implement comprehensive macroeconomic policy reforms, moving its policies and institutions toward a stable market-oriented system. The second assumption is that counter-narcotics control efforts result in the disruption of coca markets, which makes coca production less attractive. The third assumption key to Alternative Development's success is that security and government authority are reestablished in the coca growing regions (Huallaga Valley) and along the country's national highways.

A.I.D.-supported projects for Alternative Development in Peru are listed on the following page.

## ALTERNATIVE DEVELOPMENT PORTFOLIO USAID/PERU

### DIRECT IMPACT ALTERNATIVE DEVELOPMENT PROJECTS

PROJECT NAME	PROJECT NUMBER	PROJECT FUNDING	START/END DATES
ECONOMIC STABILIZATION AND RECOVERY	527-0344	\$330.0 m	FY 1991/95
EXPORT PROMOTION	527-0349	\$19.5 m	FY 1991/97
UPPER HUALLAGA AREA DEVELOPMENT*	527-0244	\$27.9 m	FY 1981/92

\* Grant amount is \$12.9 million. Loan amount is \$15 million.

### ENABLING ALTERNATIVE DEVELOPMENT PROJECTS

PROJECT NAME	PROJECT NUMBER	PROJECT FUNDING	START/END DATES
ADMINISTRATION OF JUSTICE	527-0303	\$4.1 m	FY 1986/93
DRUG EDUCATION AND PUBLIC AWARENESS	527-0288	\$6.0 m	FY 1985/92
NARCOTICS EDUCATION/COMMUNITY INITIATIVES	527-0347	\$8.8 m	FY 1992/97
POLICY ANALYSIS, PLANNING, & IMPLEMENTATION	527-0343	\$7.2 m	FY 1990/95

### ALTERNATIVE DEVELOPMENT PROJECTS UNDER DESIGN

PROJECT NAME	PROJECT NUMBER	PROJECT FUNDING	START/END DATES
DEMOCRATIC INITIATIVES	527-0356	\$ 10.0 m	FY 1994/99
JUDICIAL STRENGTHENING	527-0352	\$ 15.0 m	FY 1993/98
SELVA ECONOMIC REVITALIZATION	527-0348	\$125.0 m	FY 93/2000

## PERU: RESULTS TO DATE

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A.I.D.'s project portfolio and results in 1992 were affected by the change in relationships between the GOP and the USG due to extra-constitutional actions taken by President Fujimori on April 5, 1992. Funding for new activities in FY 1992 was suspended with the exception of Narcotics Education and Community Initiatives Project. Some additional funding also was provided to the Administration of Justice Project to allow for the restructuring of the Project. The Policy Analysis, Planning and Implementation (PAPI) and Export Promotion Projects were resumed following the successful Constituent Congress elections in November 1992. A.I.D. is proceeding with the design of the Judicial Strengthening Project, an Economic Stabilization and Recovery Program, and the Selva Economic Revitalization Project for funding in 1993.

### ECONOMIC STABILIZATION

The U.S. Mission to Peru, through high-level policy dialogue and the phased release of Economic Support Funds, has worked with the GOP to address macroeconomic issues to promote an economic environment for Alternative Development.

#### ***Economic Stabilization Achievements are Impressive***

- ***Reestablishing of ties between Peru and the international financial community has been a complete success***
- ***Monthly inflation has fallen from over 50% to 3%***
- ***The fiscal deficit has dropped to less than 2% of GDP from 7-8%***
- ***Privatization is successfully moving ahead***

With USG and other donor assistance, the GOP instituted a comprehensive package of economic measures designed to stop hyperinflation, reduce the fiscal deficit, and lay the basis for sustained economic growth in which the private sector plays a dominant role. The initial steps included the elimination of price controls, increases in taxes and cuts in government spending, combined with an elimination of subsidies and the liberalization of foreign trade. A more comprehensive list of structural adjustment measures are outlined in the box on the following page.

A.I.D.'s assistance through the PAPI Project, which is designed to produce policy recommendations that will improve macroeconomic performance, has been critical to the definition and execution of these policy reforms. PAPI has financed short-term services of experts in critical areas of the economy, as outlined in Annex A of this document. The National Confederation of Private Business Institutions used PAPI funds to finance research for new laws in private investment and a study of principles for constitutional reform, which will provide guidelines to consolidate structural reforms in the forthcoming Constitutional Congress.

### PERU'S ECONOMIC REFORMS

#### ■ Foreign Trade Liberalization:

Reduction of ad-valorem tariff rates from 56 to just two tariff levels, 15 and 25 percent.

Non-tariff barriers such as quotas were almost totally removed.

Customs and ports reform; enhancement of the temporary admission system for exporters imports

Creation of a duty-drawback scheme for domestic indirect taxes paid by exporter

#### ■ Foreign Exchange Liberalization:

Abolishment of foreign exchange requirements for exporters.

Establishment of legal transferability abroad of foreign currency deposits.

Unification of foreign exchange market.

Liberalization of interest rates.

#### ■ Capital Markets Reform:

Establishment of a legal framework guaranteeing private property.

Foreign investors have been permitted to remit abroad whole net profits and royalties.

Foreign investors have been allowed to freely purchase stock in any sector.

A new banking law was enacted to establish prudential and credit concentration ratios, and promotes multi-function banking and foreign banking investment.

#### ■ Land Market Reform:

Private ownership of land has been broadened and strengthened.

Land has been made freely transferable and can now be used as collateral for credit.

#### ■ Labor Market Reform:

Introduction of more flexibility in labor regulations

Transformation of the legal minimum wage into a non-binding reference wage.

Introduction of a more efficient regime of severance payments funds.

Passage of a law regulating collective bargaining without government interference.

#### ■ Deregulation:

Monopoly rights of twelve state-owned enterprises have been abolished including grain marketing, imports of fertilizers, gold and metals trading, reinsurance, oil derivatives, exploitation, and distribution, etc.

An Anti-Trust law was enacted in order to punish monopolistic behavior.

#### ■ Privatization:

Legal framework for the privatization process was established, which included public bidding processes and use of debt papers.

Privatization of major enterprises accomplished and continuing.

#### ■ Public Sector Reforms:

Employment reduction has been accomplished in the public sector.

Price controls and subsidies have been virtually eliminated.

Fuel prices and electricity tariffs have been adjusted to reflect cost of production.

State development banks have ceased operations; a small second-tier development bank may be created soon.

The political events of April 5, 1992 have also changed to some extent the current and prospective economic situation. Its immediate effects on the economy mostly have been negative. The United States, Germany, France, Belgium, and Spain suspended new aid, excepting only humanitarian assistance. Other countries belonging to the Peru Support Group reduced or stopped their funding after April fifth. Discussions are currently underway among the GOP, the International Monetary Fund, and bilateral donors to reconvene the Peru Support Group in light of Peru's recent progress toward establishing democratic institutions, including the National Registry of Detainees.

## PRIVATE SECTOR GROWTH

The strategy to increase private sector participation focuses on non-traditional exporters through the Export Promotion Project. The Export Promotion Project has not been fully implemented yet because of the events of April 5th. In the interim, the Association of Exporters (ADEX) has provided limited technical assistance to improve

the competitiveness of exportable products that in the long run will develop new markets and increase non-traditional exports. They have provided technical advisory services to various companies in Lima and the provinces. ADEX also organized a seminar in the Upper Huallaga Valley on foreign markets for tropical products.

## **COCA-GROWING AREAS**

Security problems from terrorists operating in the Huallaga Valley have severely restricted the UHAD Project. Furthermore, the price of coca continues to be high. Alternative crops are, however, making modest increases in productivity and quantity. The UHAD Project, which ends in March 1993 unless amended, has maintained, nonetheless, an important presence in Peru's major coca-growing area. In spite of the obstacles, the project has achieved tangible accomplishments during the last decade, as described in the box below.

### ***The Upper Huallaga Area Development Project has***

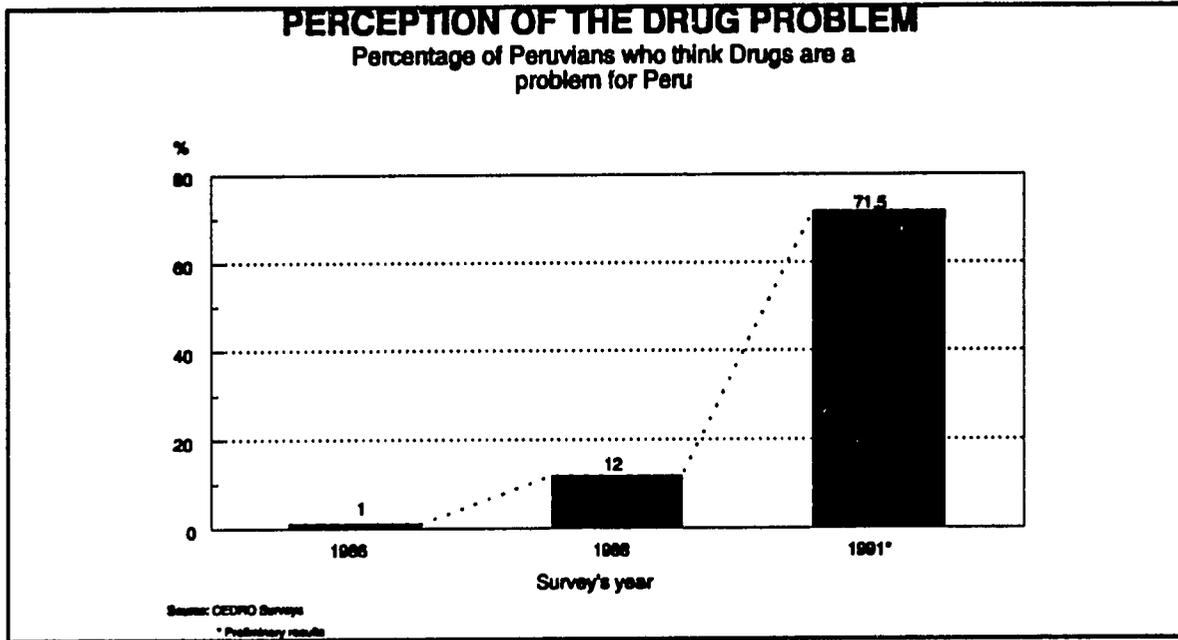
- ***Delivered agricultural services that have stimulated the expansion of legal crops from 26,000 hectares to more than 51,000 hectares.***
- ***Directly assisted 5,150 farmers to become legal owners of their lands, covering approximately 103,000 hectares.***
- ***Established nurseries to distribute improved seedlings and seeds of coffee, banana, yucca, maize, rice, achiote and cardamon***
- ***Disbursed more than 3,000 agricultural loans worth \$5.6 million***
- ***Rehabilitated more than 1,397 kilometers of valley roads***
- ***Provided temporary employment through more than 1,000 small-scale, high-impact community works***

Recently the project embarked on a series of new activities that promote the democratic process by fostering community-level decisions in small-scale community development projects. The response to these activities on the part of the local population has been extremely encouraging. The UHAD Project has benefitted by an increased GOP counter-narcotics and security efforts in the Huallaga Valley in 1992. The GOP assigned \$2.5 million for military civic action in the valley, increasing by 30 percent its commitment of armed forces for counter-narcotic and community development activities. The GOP has also passed a law making money laundering a crime, expanded controls on precursor chemicals, and regained its control over major airports in the Huallaga Valley, which had been used by drug traffickers.

## **DRUG AWARENESS**

The Center for Drug Information and Education (CEDRO), the implementing agency for the Drug Education and Public Awareness Project, is an institutional success. CEDRO has developed a nationwide drug prevention program and built a

consensus in support of a more aggressive GOP action against drug production and trafficking. This trend is described in the graphic below. CEDRO has formed a unique coalition of leaders from all segments of society. This group gives the project credibility and access to Peruvians of all walks of life.



## JUDICIAL REFORM AND HUMAN RIGHTS

A major accomplishment in 1992 was the creation of the National Registry of Detainees. Although it will not be fully operational until early 1993, the Ministry of the Defense has begun to provide the Public Ministry (the coordinator of the Registry) its daily listing of those detained by the armed forces. Progress was also reported with respect to the development of a parallel registry within the Ministry of Interior of persons detained by the police as terrorism or narcotics suspects. This listing will also be transferred to the Public Ministry for inclusion in the National Registry. The use of National Registry aids in the protection of those detained by the police and military through monitoring of those authorities.

Other achievements in the justice sector include the establishment of 31 Legal Aid Offices throughout the country; the creation of two training academies, one for judges and one for prosecutors, with training courses attended to date by approximately 965 prosecutors and 405 judges; the design and application of pilot projects for case tracking and information systems for judges and prosecutors; and the completion of a number of studies, including a major judicial sector assessment, which presents specific proposals for judicial reform.

## **ECUADOR: THE PROBLEM**

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Ecuador, unlike its neighbors, has no significant coca cultivation and processing but is a transit country for coca products, precursor chemicals used to refine cocaine, and money laundering. Ecuador is attempting to avoid the economic dependence and violence that cocaine has caused for its neighbors. Although Ecuador has cultivated as much as 240 hectares of coca within the last five years, vigorous eradication efforts have resulted in the present cultivation figure of approximately 20 hectares.

## **ECUADOR: ALTERNATIVE DEVELOPMENT STRATEGY**

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The Alternative Development strategy in Ecuador is largely focused on economic policy reforms and counter-narcotics actions as part of \$6.2 million Economic Support Funds (ESF) cash transfer program. The Government of Ecuador (GOE) has announced wide-ranging economic policy reforms policies and the streamlining of government. Privatization has emerged as a top priority. Finally, as part of the ESF agreement, the GOE agreed to support specific counter-narcotics efforts.

A.I.D.'s strategy also has included narcotics awareness and education efforts to prevent the problems of production, trafficking, and consumption from developing in Ecuador.

## **ECUADOR: RESULTS TO DATE**

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After only a few months of implementation, it is too early to see the results of Ecuador's most recent economic reforms. The new Sixto Duran Ballen Government has inherited serious macroeconomic and structural challenges that it needs to resolve if Ecuador is not to fall behind other reform-minded Latin American economies. The GOE has begun work on reforms as part of the ESF agreement. Economic policy changes currently underway include: the reduction of inflation through lower fiscal deficits, increased incentives for the productive sector, repayment of international obligations, and the reduction of subsidies and price distortions that worsen income distribution.

Recent reforms in the area of narcotics policy have been significant, and A.I.D.'s activities have served to educate Ecuadorian officials and public on U.S. drug policies and on the dangers drugs pose to their society. Ecuador has passed strong laws and regulations to criminalize and control trafficking in illicit narcotic plants, drugs, chemicals and narco-assets; has centralized drug enforcement in the narcotics police; legalized a drug control role for the Armed Forces; adopted bilateral accords to control chemicals and money laundering; and established a cabinet-level drug council to coordinate national drug policy and efforts. In 1991 it signed a chemical control agreement. In September 1991 Ecuador passed comprehensive anti-narcotics

legislation based on the UN convention and OAS model regulations. The GOE has also signed anti-drug cooperation agreements with other South and Central American governments and participates in regional and multi-lateral anti-drug fora. On August 7, 1992 the GOE Minister of Foreign Affairs signed a bilateral money laundering agreement with the USG.

To date, the GOE has met all conditionality on the ESF program, and A.I.D. has disbursed the U.S. dollars.

## ANNEX A

# A.I.D. ALTERNATIVE DEVELOPMENT PROJECT ACCOMPLISHMENTS TO DATE

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## BOLIVIA

PROJECT NAME	PROJECT NUMBER	START/END DATES	PLANNED FUNDING	EXPENDED TO DATE
Chapare Regional Development	511-0543	1983-1992	\$38.5 million	\$38.2 million

**PROJECT PURPOSE:** To modify and improve the agricultural and forestry system: 7 farmers in the Chapare and associated high Valleys of Cochabamba to respond better to profitable opportunities using environmentally compatible models.

**PROJECT DESCRIPTION:** The project supports coca eradication and Alternative Development efforts by providing technical assistance to Bolivian institutions in the Chapare and/or High Valleys in the following areas: 1) development of research, extension, and production services for non-traditional crops grown in the Chapare; 2) development of a credit program; 3) improvement of rural infrastructure; 4) improvements of living conditions in the High Valleys; and 5) marketing of non-traditional alternative crops.

**GENERAL COMMENTS:** This is the last report on this project, which ended June 30, 1992. The project was developed in a very high-risk atmosphere. During much of the project, substantial areas in the Chapare were not accessible to the Government of Bolivia or project personnel for security reasons. However, A.I.D. continued the important work of testing crops and products for their adaptability to the region and the establishment of an effective tropical agricultural research and extension system. The capacity to produce and distribute planting material for the zone was also institutionalized through the state-run Bolivian Institute of Agricultural Technology, as well as a substantial number of private and community nurseries. The establishment of security in the former "Red Zone" and the opening of attractive markets for several alternative products set the stage for a market-driven, private-sector based follow-on activity, the Cochabamba Regional Development Project (CORDEP), which is off to a successful start. The data that appears below are the final data reported for the Chapare Project and take the place of the normal April through September period.

**Chapare Regional Development Project  
(511-0543)**

**BOLIVIA**

INDICATORS	OCT 91 - MAR 92	APR 92 - JUN 92*	CUMULATIVE	COMMENTS
<b>STRATEGIC OBJECTIVE INDICATORS<sup>1</sup></b>				
<b>Non-traditional Exports (TOTAL) (\$)</b>	<b>\$45,420</b>	<b>\$10,972</b>	<b>\$165,109</b>	
- Processed Tumeric	\$7,288	\$0	\$16,868	
- Bananas	\$33,690	\$9,520	\$128,746	
- Pineapples	\$4,443	\$0	\$18,043	The 1992 pineapple harvest began after June.
- Ginger	\$0	\$1,452	\$1,452	
<b>PURPOSE INDICATORS</b>				
<b>Agricultural Production (metric tons)</b>				
- Processed Tumeric	11.43	0	23	
- Bananas	128.81	128.8	472.6	
- Pineapples	9.83	0	42	
- Ginger	0	4	4	
<b>OUTPUT INDICATORS</b>				
Varieties tested or in process	53	0	273	148% of LOP (Life of Project) target

<sup>1</sup>Indicators at this level, as well as at other levels, were not considered in the project paper; therefore, there are no Life of Project (LOP) targets for them. \* Data for the current reporting period are actually for the April through June time period, at which time the project ended.

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**Chapare Regional Development Project  
(511-0543)**

**BOLIVIA**

INDICATORS	OCT 91 - MAR 92	APR 92 - JUN 92*	CUMULATIVE	COMMENTS
Farm animal improvements tested or in process	6	0	23	68% of LOP target
Post-harvest technologies tested or in process	2	0	2	
Number of farmers trained	4,901	3,213	28,446	91% of LOP target. Technically, this is the number of farmer training events and may include the same farmers trained on different occasions.
Number of farmers receiving technical assistance	7,131	3,874	29,977	181% of LOP target of 16,600 As above, it refers to farmer technical assistance events.
<b>Community Projects Constructed</b>				
- Health Posts	0	0	4	
- Schools	3	1	17	
- Water Systems (multi-purpose)	10	0	38	
- Auditoriums	0	0	14	
- Erosion and Flood Control (cubic meters)	1,952	525	5,617	
Rural Roads Upgraded (kilometers)	66	104	644	
Bridges Constructed	0	0	4	
<b>Agricultural Credit Indicators</b>				

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**Chapare Regional Development Project  
(511-0543)**

**BOLIVIA**

INDICATORS	OCT 91 - MAR 92	APR 92 - JUN 92*	CUMULATIVE	COMMENTS
Number of loans	45	29	1,217	Some approved loans were subsequently rejected
Amount Approved	\$227,570	\$154,220	\$6,204,742	Some approved loans were subsequently rejected
Average Loan	\$5,057	\$5,317	\$5,098	
Total area financed (hectares)	332	74	4,856	
Total area of coca eradicated by recipients of credit (hectares)	37	1,128	2,161	Some approved loans were subsequently rejected

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PROJECT NAME	PROJECT NUMBER	START/END DATES	PLANNED FUNDING	EXPENDED TO DATE
Cochabamba Regional Development	511-0617	1991-1997	\$80 million	\$6.4 million

**PROJECT PURPOSE:** To develop alternative sources of income and employment for people within the Department of Cochabamba.

**PROJECT DESCRIPTION:** The project consists of three interrelated components: 1) marketing, 2) capital resources, and 3) sustainable agricultural production. A private marketing unit is being established to provide assistance to private sector entities in the marketing of new and traditional products. Decisions on crop research and extension, crop production, and where to construct farm to market roads, will all be based on information provided by this marketing unit. Grants for farm inputs will be available to farmers participating in the eradication program and credit will be available for all beneficiaries.

**GENERAL COMMENTS:**

**BANANA** - The twelve small packing sheds were constructed and are functioning in Senda B, not San Luis as previously reported. Approximately 34,000 Grand Ney and Williams Banana vitroplants, improved varieties, were imported. These vitroplants are currently going through a hardening process in the green house at the La Jota Experiment Station. This green house was recently completed and includes a fully automated misting system. Additional importation of these vitroplants will be continued during the year until the total of 160,000 is attained. A community nursery was established in San Luis with 16,000 Grand Ney and Williams Banana plants. Ten small packing sheds were constructed in San Luis. Two experts in Banana disease, pest control, production and post-harvest handling were contracted. Four Bolivian Institute of Agricultural Technology (IBTA/Chapare) extension agents were sent for training in Banana production and post-harvest techniques in Costa Rica during May. Fourteen shipments, a total of 225 tons, of bananas were exported to Chile over a six-month period. Cold weather and transport difficulties prevented exports during most of the last quarter. An international expert on institutional and organizational support was contracted to work with the Banana Producers of the Chapare (UNABANA). A banana production and pest control consultant advised IBTA/CHAPARE technicians and farmers.

**PINEAPPLE** - The construction of the pineapple packing plant was started and is 80 percent completed. Some 10,262 pineapple vitroplants were imported. Additional importation of vitroplants will follow throughout the year until a total of 80,000 Cayena Lisa and Tahiti vitroplants of varieties are received. More than 279,250 Cayena Lisa suckers were purchased in Santa Cruz and distributed to 20 pineapple producers in the Chapare. Arrangements have been finalized for the purchase of 1,050,000 Cayena Lisa suckers to be imported from Colombia during the next period. A pineapple production and post-harvest expert was hired under a recurring short-term consultancy arrangement. The pineapple crop is developing well despite a cold, wet winter; the harvest began in late October.

**PALM HEARTS** - Palm heart seedlings were produced and distributed covering 16.6 hectares. Two community nurseries are functioning in Tacuaral and Isinuta in the Chapare, with 30,000 seedlings ready for distribution. A contract to purchase 380,000 plants from Agri-biotechnology from Costa Rica was signed. To date 100,000 vitroplants have been received. There is a producer association interested in planting 130 hectares supported by Agrocapital, the credit component of CORDEP. Discussions with a canning enterprise are proceeding well.

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**OTHER CROPS** - Development of other crops continue such as: passion fruit, ginger, tumeric, achiote, citrus, and pepper.

**EXTENSION** - CORDEP hired sixteen agricultural extension agents and provided technical assistance and training to 7,500 farmers during the six-month reporting period. Bids for constructing two extension offices in Ivirgarzama and Isinuta were advertised.

**COMMUNITY PRODUCTION UNITS** - Funds were approved for the construction of 35 community production sheds to support production efforts in pork, hair sheep, passion fruit, palm heart, banana, pineapple, achiote, and citrus.

**CREDIT** - A document determining the operational procedures for the Agriculture Donation Funds was approved. In this reporting period 72 loans for an approved value of \$435,600 were made to farmers in the Chapare and Highlands. The average loan size increased to \$6,050 compared to \$5,000 before. Crops accounted for 35 percent of the loans, livestock for 26 percent, and equipment and farm infrastructure for 39 percent.

**Non-Governmental Organizations (NGOs)** - During the current reporting period, a total of 20 NGOs were funded providing financing for 17 agricultural production projects and 3 agricultural support projects impacting on 5,748 families in 204 communities throughout Cochabamba.

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**Cochabamba Regional Development  
Project (511-0617)**

**BOLIVIA**

INDICATOR	BASELINE (No previous period)	JUL 92 - SEP 92	COMMENTS
<b>STRATEGIC OBJECTIVE INDICATORS (ALL CHAPARE)</b>			
Exports (TOTAL) (\$)	0	\$15,780	0% of LOP target of \$10.59 million
- Bananas	0	\$7,140	0% of LOP target of \$6.93 million
- Pineapples	0	\$0	0% of LOP target of \$3.14 million
- Processed Tumeric	0	\$8,640	3% of LOP target of \$340,000
- Ginger	0	\$0	1% of LOP target of \$181,500
<b>PURPOSE INDICATORS</b>			
<b>Agricultural Production (metric tons)</b>			
- Bananas	0	96	0% of LOP target of 22,770 metric tons
- Pineapples	0	0	0% of LOP target of 10,463 metric tons
- Processed Tumeric	0	12	2% of LOP target of 500 metric tons
- Ginger	0	0	0% of LOP target of 500 metric tons
Hectares Cultivated with Improved Varieties	0	911	7% of LOP target of 13,000 hectares
<b>OUTPUT INDICATORS</b>			
Successful Product Lines Implemented (CHAPARE)	0	2	17% of LOP target of 12
Successful Product Lines Implemented (HIGHLANDS)	0	2	15% of LOP target of 13

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**Cochabamba Regional Development  
Project (511-0617)**

**BOLIVIA**

INDICATOR	BASELINE (No previous period)	JUL 92 - SEP 92	COMMENTS
Number of farmers trained (CHAPARE)	0	2,596	17% of LOP target of 15,000. Technically, this is the number of farmer training events and may include the same farmer trained on different occasions.
Number of farmers trained (HIGHLANDS)	0	125	4% of LOP target of 3,400. Refers to farmer training events.
Number of farmers receiving technical assistance (CHAPARE)	0	1,481	10% of LOP target of 15,000. Refers to farmer technical assistance events.
Number of farmers receiving technical assistance (HIGHLANDS)	0	1,038	10% of LOP target of 10,000
<b>Community Projects Constructed</b>			
- Livestock production Centers (CHAPARE)	0	0	0% of LOP target of 130
- Packing Sheds/Cold Storage (CHAPARE)	0	12	10% of LOP target of 120 (new indicator)
- Community Nurseries (CHAPARE)	0	8	7% of LOP target of 120
Rural roads upgraded (kilometers) (CHAPARE)	0	0	0% of LOP target of 750 kilometers
Rural roads upgraded (kilometers) (HIGHLANDS)	0	0	0% of LOP target of 250 kilometers
Bridges constructed (CHAPARE)	0	0	0% of LOP target of 10
Bridges constructed (HIGHLANDS)	0	0	0% of LOP target of 4
Non-Government Organizations strengthened (HIGHLANDS)	0	16	LOP target will be included in next report. (new indicator)
<b>Agricultural Credit Indicators</b>			

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**Cochabamba Regional Development  
Project (511-0617)**

**BOLIVIA**

INDICATOR	BASELINE (No previous period)	JUL 92 - SEP 92	COMMENTS
Number of loans (CHAPARE)	0	58	Credit will be market-driven; no LOP targets will be assigned.
Number of loans (HIGHLANDS)	0	14	
Amount Approved (CHAPARE)	0	\$354,800	
Amount Approved (HIGHLANDS)	0	\$80,800	
Agribusiness loans (CHAPARE)	0	0	0% of LOP target of 15 (new indicator)
Agribusiness loans (HIGHLANDS)	0	0	0% of LOP target of 5 (new indicator)
Total area financed (hectares) (CHAPARE)	0	469	
Total area financed (hectares)(HIGHLANDS)	0	7	

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PROJECT NAME	PROJECT NUMBER	START/END DATES	PLANNED FUNDING	EXPENDED TO DATE
FY 1992 Economic Recovery Program	511-0604 <sup>2</sup>	1992	\$66 million	\$46.3 million

**PROJECT PURPOSE:** To provide balance of payments assistance in support of the Government of Bolivia's (GOB) economic recovery program, to offset foreign exchange losses from reduction in the cocaine trade, and to help pay for investment in alternative industries.

**PROJECT DESCRIPTION:** The \$66 million finances the COB official debt to the U.S. or international financial institutions. The local currency proceeds of the program are being used to finance local currency counterpart to USAID and multilateral development organizations' (MDOs') projects in support of the Alternative Development program and the USAID Trust Fund.

**GENERAL COMMENTS:** As a result of meeting all Conditions Precedent (CPs) for the first tranche, USAID/Bolivia approved disbursement of \$22 million to the GOB's Bolivian Central Bank (BCB) Dollar Separate Account on August 28, 1992. These CPs included eradication of 2,100 hectares of coca starting from February 1, 1992 which were complied with by July 20, 1992. No dollars had been used by the BCB by September 30, 1992. However, before the end of December 1992, they started using the 1992 ESF dollars and the corresponding 75 percent local currency (LC) for the first tranche during October 1992 (i.e., the equivalent of \$16.5 million). LC joint programming will be finalized during the last quarter of CY 1992. Preliminary negotiations with the GOB indicate that the LC may be programmed as follows based upon current coca eradication trends:

- Counterpart for USAID/Bolivia Projects: \$14 million
- USAID/B Trust Fund (TF) \$6 million
- Counterpart to MDO projects \$20 million
- Total expected LC generations: \$40 million

Progress on meeting CPs for the 2nd tranche relating mainly to coca eradication is behind schedule. As of September 30, 1992, 3,456 hectares were eradicated.

This report is for FY 1992, which ended September 30, 1992. At the end of calendar year 1992, the final eradication figure was 4,625 hectares of coca eradicated. This resulted in the deobligation of \$19.7 million of the \$66 million originally planned for 1992.

<sup>2</sup> The project number for the Economic Support Program in FY 1992 is 511-0604. The project number for FY 1991 is 511-0602.

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**FY 1992 Economic Recovery Program  
(511-0604)**

**BOLIVIA**

INDICATOR	JAN 92 - MAR 92	APR 92 - SEP 92	CUMULATIVE Since JAN 92	COMMENTS
<b>STRATEGIC OBJECTIVE INDICATORS</b>				
Foreign Exchange Earnings	\$0	\$22 million	\$22 million	33% of \$66 million target for CY 1992
<b>PURPOSE INDICATORS</b>				
Inflation Rate	5.4%	3.6%	9%	On schedule, target for CY 1992 is 9.6%
Fiscal Deficit as a % of GDP	0.9%	1.8%	2.7%	Ahead of schedule, target for CY 1992 is 3.7%
Private Investment as a % of GDP	1.4%	2.7%	4.1%	Ahead of schedule, target for CY 1992 is 5.4%
Foreign Exchange Rate (% difference between official and parallel rates)	0.3%	0.3%	NA	Ahead of schedule, target for CY 1992 is less than 1%
<b>OUTPUT INDICATORS</b>				
Hectares of coca eradicated (both forced and voluntary) since February 1992.	1,133	2,846	3,456	54% of target of 6,400 for February-December 1992. Some 3,979 hectares have been eradicated in CY 1992 to date, including January 1992.
Square meters of coca seed beds eradicated	4,469	14,438	18,907	95% of CY 1992 target of 20,000
<b>Implementation of Law 1008</b>				
- Labs destroyed (paste, base, and cocaine)	487	644	1,131	
<b>- Seizures of drug assets</b>				
• Airplanes	8	10	19	

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**FY 1992 Economic Recovery Program  
(511-0604)**

**BOLIVIA**

INDICATOR	JAN 92 - MAR 92	APR 92 - SEP 92	CUMULATIVE Since JAN 92	COMMENTS
• Vehicles	11	31	42	
- Well-known traffickers incarcerated	0	10	15	Includes arrest of one kingpin during this period
Repayment of U.S. or multilateral debt	\$1.3 million	\$0	\$1.3 million	

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<b>NARRATIVE ON PROGRESS IN SATISFYING ECONOMIC RECOVERY AGREEMENT COVENANTS</b>	
<b>1. Economic stabilization and recovery program maintained</b>	The stabilization program is on track. Data is received regularly.
<b>2. Flexible exchange rate - real value of Boliviano maintained</b>	During the reporting period, the GOB has maintained the Boliviano's value in real terms with about a 0.25% difference between the official and parallel rate.
<b>3. Public reform covenants</b>	<p>a) At least five state-owned enterprises privatized by December 31, 1992: the GOB started an aggressive privatization program, awarding the following sales of enterprises: FABOCE (Cochabamba), Pollos Bebe (Sucre), Fábrica de Aceites Villamontes (Tarija), Criadero Truchas Piusilla (Cochabamba), and Fábrica de Cerámica (Sucre).</p> <p>b) No increases in public administration employment: the GOB has maintained its goal of no increase in public sector employment.</p> <p>c) Revised Tax Code to minimize tax evasion approved by the Congress: in April 1992 a modified tax code was approved by Congress, introducing important changes that strengthened the internal revenue service's tax monitoring, auditing, and enforcement capacity.</p> <p>d) General Law on the Environment approved by Congress and regulations developed: the General Law on the Environment, No. 133, was approved by Congress and signed into law by the President on April 27, 1992. A GOB technical committee is developing the regulations with financial support from the PL-480 Secretariat.</p> <p>e) Continued implementation and financing of the SAFCO (anti-corruption) Program by the GOB: the GOB disbursed the equivalent of \$1.2 million as counterpart for the World Bank/SAFCO Project.</p> <p>f) Increase in GOB resources to the judicial sector: the GOB has disbursed the equivalent of \$293,000 as counterpart for USAID's Justice Sector Project.</p>
<b>4. Alternative Development covenants</b>	<p>a) Emphasize GOB public investment through projects promoting Alternative Development: the GOB disbursed the equivalent of \$8.5 million to finance the Alternative Development Program through September 30, 1992 (i.e., Fund for Alternative Development (FONADAL), Subsecretary for Alternative Development (SUBDESAL), Program for Alternative Development (PDAR), etc.)</p> <p>b) GOB study on suspending the prohibition against importation and distribution of ground lime stone in Chapare: in process at SUBDESAL</p> <p>c) GOB resources assigned for road maintenance: SNC estimated that approximately \$25.8 million has been disbursed by the GOB for 1992 road maintenance (includes local currency counterpart for La Paz - Oruro recapping) which is 12 percent more than the amount assigned for 1991 (i.e., \$23 million).</p>

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**NARRATIVE ON PROGRESS IN SATISFYING ECONOMIC RECOVERY AGREEMENT COVENANTS**

5. Anti-terrorism efforts	During the reporting period four terrorists were arrested. Their sentences are in process at the La Paz Superior District Court. In addition, the sentences for eight Zarate Wilka Terrorists (reported in 1991), were confirmed by the La Paz Superior District Court.
6. Extradition	One extradition occurred in July 1992, Ms. Asunta Roca Suarez.
7. No taxation of the agreement and grant	GOB has complied with the terms of this covenant.

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PROJECT NAME	PROJECT NUMBER	START/END DATES	PLANNED FUNDING	EXPENDED TO DATE
Export Promotion	511-0585	1989-1995	\$23.5 million	\$7.6 million

**PROJECT PURPOSE:** To increase the dollar value of non-traditional exports and related employment by Bolivian and foreign companies to transform the Bolivian economy out of coca activities.

**PROJECT DESCRIPTION:** The project includes technical assistance to exporters, export financing, and foreign investment promotion. Technical assistance is directed toward production, quality control, marketing, policy dialogue, and export finance. Foreign investment promotion encourages investors to produce in and export from Bolivia.

**GENERAL COMMENTS:** The project has generated a total of \$22.6 million of new or expanded non-traditional exports, with a corresponding increase in full-time-equivalent jobs of 2,961. Of the total of \$22.6 million of exports generated, approximately \$22 million are directly attributable to project assistance. Domestic investment in the same export projects reached \$23.7 million. Foreign investment was \$3.5 million. In order to capture the real impact of foreign investment, reports will measure the amount of investment irretrievably committed instead of the amount of money spent. The amount will be defined by joint venture agreements, investment plans based on actual land purchased, or a similar firm commitment. Actual investment will also be tracked and compared to committed investment. Domestic investment will continue to be actual money spent.

New non-traditional exports include ornamental fish to the U.S., Germany, and Japan; organic quinoa to California; and disposable diapers to Peru. Additional foreign investors include a Portuguese computer firm, a Peruvian/U.S. T-shirt manufacturer, and a Spanish manufacturer of shoes.

One export promotion success story is quinoa. Quinoa, one of the Americas' oldest crops, grows best on Bolivia's altiplano. It has unusually high levels of proteins, vitamins, and minerals. ANAPQUI, an association of quinoa growers from the Southern altiplano, at one time enjoyed modest exports of its crop. But ANAPQUI was not aware of quinoa's potential in international markets until it was contacted by USAID/Bolivia's Export Promotion Project prior to the World's Fair in Seville. With USAID assistance, ANAPQUI has reestablished exports in record quantities and at record prices. This year it already has shipped four containers of quinoa to a California food importer. It also exports to Germany. Because of the increasing worldwide interest in organically grown foods, USAID arranged that quinoa be certified as an organic production. By doing so, both demand and prices paid to farmers have risen sharply. The southern altiplano, once an "expulsion" zone for coca laborers, is now welcoming returning highlanders from the lowlands.

USAID signed a Cooperative Agreement with the newly established development foundation, FUNDA-PRO (Foundation for Production), to manage the credit component of the Project. FUNDA-PRO will accept a donation of up to \$6 million and loan those funds in turn to the Latin American Agribusiness Development Corporation (LAAD). LAAD will provide credit for agribusiness export projects that fall short of commercial bank lending criteria. Funding was resumed in support of the Cooperative Agreement with the Bolivian Foreign Commerce Institute (IBCE) and, given present GOB increased support for the National Export Promotion Institute (INPEX), their funding will probably resume next period. Local currency counterpart funds continue to support the Ministry of Exports and Economic Competitiveness (MECE) with procedures for duty-free temporary importation for re-export;

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**"one-window" simplified export procedures; research in preparation for GATT negotiations; and intellectual property rights. A PL 480 sponsored proposal to extend technical assistance to producers to link them to successful export operations has been accepted by USAID. The Ministry of Foreign Relations (MFR) has submitted a proposal to increase the effectiveness of Bolivian commercial attachés in the promotion of exports and foreign investment. The proposal involves cooperation among the MFR, the Ministry of Exports, INPEX, and BOLINVEST (the name used overseas). USAID intends to support a modified version of the proposal through the use of local currency counterpart funds. A communication network will be established among a limited number of Bolivian Embassies and Consulates in support of export and foreign investment promotion.**

**A second evaluation of contractor reporting confirmed data on exports, revealed under-reporting on investments, and over-reporting on jobs. As a result of the evaluation, the contractor changed data collection procedures to include written confirmation sent to the client companies. The change has resulted in more accurate data. The major contributor to over-reporting on jobs was not counting job losses due to business down swings. The project had only tracked cumulative increases. The cost of following absolute numbers of jobs through business cycles exceeds any possible benefit. A discount was defined based on the evaluation conducted which is used to adjust the number of jobs reported. As there has been a significant amount of investment in export capacity by Bolivian clients, the contractor has begun reporting on domestic investment. Those data have not been evaluated. With the exception of domestic investment, the following information reflects contractor data modified by the evaluation findings.**

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**Export Promotion (511-0585)**

**BOLIVIA**

INDICATOR	OCT 91 - MAR 92	APR 92 - SEP 92	CUMULATIVE	COMMENTS
<b>STRATEGIC OBJECTIVE INDICATORS</b>				
Non-traditional Exports Generated	\$4,500,000	\$12,200,000	\$22,626,000	23% of LOP target
New Jobs Created	500	1,311	2,961	30% of LOP target
<b>PURPOSE INDICATORS</b>				
Foreign Investment in Export Capacity Generated	\$900,000	\$2,640,000	\$3,540,000	7% of LOP target
<b>OUTPUT INDICATORS</b>				
Companies Strengthened	23	-3	91	36% of LOP target. Several non-performers were dropped for a net loss.
Investor Visits	18	22	46	21% of LOP target
Size of Loan Portfolio	\$0	\$0	\$0	LOP target has been increased to \$8 million. Some \$1.1 million in loans are expected in next 6 months to Bolivian export oriented agribusinesses that fall short of commercial bank lending criteria.
Export Reference Libraries Established	0	0	3	100% of LOP target

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PROJECT NAME	PROJECT NUMBER	START/END DATES	PLANNED FUNDING	EXPENDED TO DATE
Micro and Small Enterprise Development	511-0596	1988-1993	\$10 million	\$4.2 million

**PROJECT PURPOSE:** To stimulate the growth and development of the small-scale enterprise sector to provide jobs in non-coca activities through focusing on institutional development of three local organizations that support this sector.

**PROJECT DESCRIPTION:** The project provides credit, training, technical assistance, and policy formulation to the National Federation of Savings and Loan Cooperatives (FENACRE) and its constituent credit unions; the Foundation for the Promotion and Growth of Micro Enterprises (PRODEM), and the Bolivian Federation of Small Industry (FEBOPI) and its affiliates, the Department Small Industries Associations (ADEPIs). Project components include: 1) Institutional Strengthening. Action International (AITEC) provides technical assistance to PRODEM. The World Council of Credit Unions (WOCCU) provides FENACRE with technical assistance: a) to strengthen the credit union system and to conform with new bank superintendency regulations; b) to expand the capacity of participating credit unions to channel credit to small enterprises; and c) to mobilize deposits. WOCCU also assists FEBOPI and the ADEPIs to develop technical assistance, training, and services for small businesses. 2) Credit: USAID/Bolivia will donate approximately \$1,800,000 to PRODEM and \$4,200,000 to FENACRE/Credit Unions to capitalize credit funds for micro and small enterprises. Credit resources for PRODEM provide loans primarily to production-oriented, micro enterprises. Credit also is made available to small producers through FENACRE and its affiliated credit unions. 3) Policy Research: This component includes research concerning micro and small enterprise sector issues, impediments to sector growth, and training needs. FEBOPI implements this component.

**GENERAL COMMENTS:** BancoSol, the pioneering result of USAID/Bolivia assistance to PRODEM, is developing well. Its portfolio has already grown to about 28,000 active loan clients, and it is having no difficulty in attracting resources to expand its operations. Other micro-credit organizations all over the hemisphere are looking at the BancoSol experience. PRODEM itself, while transferring its mature micro-credit offices to BancoSol, continues to experiment aggressively with the expansion of their basic micro-credit model, (e.g., moving into longer-term capital finance and rural finance).

The credit union component of the project has remained largely undisbursed, due to the weakness of FENACRE and its member credit unions. However, recent progress is very encouraging. The project team won a surprising policy dialogue victory in convincing the credit unions to publicly support a legal reform, which would subject them to independent supervision by the Banking Superintendent. USAID/Bolivia is convinced that such supervision is essential to the long-term soundness of the system. Project personnel, working with the Banking Superintendent, drafted the credit union section of the new banking law, whose passage in the next few months appears likely. Taking advantage of these developments, USAID/Bolivia is amending the project to help credit unions achieve compliance with the standards of the Superintendency. Selected credit unions that are complying with a rigorous multi-year internal reform program will have access to technical assistance and capital support from a "stabilization fund". The new structure is modeled on a very successful USAID/Guatemala program. If this effort is successful, its impact on credit union clients will be much greater than was envisioned in the original project design.

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FEBOPI has scored some notable successes for its membership. However, it has not made the progress hoped for in terms of its financial sustainability. When the funds programmed for FEBOPI under this project run out in mid-1993, continuing support by USAID/Bolivia is not anticipated. We are providing technical assistance to FEBOPI to develop a longer term business plan is currently underway, and it appears likely that another donor agency will support FEBOPI.

**Micro and Small Enterprise  
Development (511-0596)**

**BOLIVIA**

INDICATOR	OCT 91 - MAR 92	APR 92 - SEP 92	CUMULATIVE	COMMENTS
<b>STRATEGIC OBJECTIVE INDICATORS</b>				
New Jobs (PRODEM-BancoSol)	753	417	NA	These jobs are based on a calculation using the outstanding balances in PRODEM and BancoSol on the last day of the quarter; PRODEM loan portfolio outstanding is divided by \$1,000 and 25% of BancoSol's outstanding portfolio divided by \$1,000. This is a proxy indicator for job creation. These data are not cumulative.
<b>PURPOSE INDICATORS</b>				
Number of Paying Affiliates in FEBOPI	1,089	680	NA	Reduction due to 60% increase in fees. The actual dollar amount received remained constant.
Number of Active Borrowers in PRODEM and BancoSol (50%)	6,082	15,044	NA	PRODEM's La Paz office, El Alto office, and Santa Cruz office were transferred to BancoSol.
<b>OUTPUT INDICATORS</b>				
Loan Portfolio Outstanding (PRODEM and BancoSol [50%])	\$1,427,585	\$4,485,578	NA	
Loan Portfolio Outstanding (FENACRE)	\$100,000	\$100,000	NA	4% of LOP target
Training Courses (FEBOPI)	33	56	299	71% of LOP target
Number of Policy Studies (FEBOPI)	0	2	4	67% of LOP target

PROJECT NAME	PROJECT NUMBER	START/END DATES	PLANNED FUNDING	EXPENDED TO DATE
PL 480 Title II	N/A	FY 1991-1994	\$73 million	\$12.3 million <sup>3</sup>

**PROJECT PURPOSE:** To create short-term employment in non-coca activities through a food for work program.

**PROJECT DESCRIPTION:**

**A. Catholic Relief Services (CRS) Cáritas**

This cooperating sponsor has a highly successful urban food for work program in 5 major cities and 28 rural towns. During the six-month reporting period, 248 infrastructure projects were completed and 156 projects are in the process of being concluded, representing a total investment of \$6.1 million. Of this amount food resources represent \$2.4 million, and local contributions equal \$3.7 million. An average of 8,000 workers per month have been employed in these cities and rural towns. Under the rural food for work program, which is being phased out this fiscal year to provide more resources to the urban program, approximately 6,000 workers per month participated in 651 small infrastructure projects.

**B. Adventist Development and Relief Agency (ADRA)**

ADRA continued to carry out its urban food for work program in 5 cities and 4 rural towns completing 707 projects completed by the end of 1992. An average of about 9,000 workers per month are being provided with temporary employment under this program. The total food and counterpart investment in these infrastructure projects amounts to approximately \$4.6 million.

ADRA supports 6 rural development projects in the Departments of La Paz and Beni reaching 164 villages and 3,514 families. ADRA provides these communities with health and sanitation services, agriculture and marketing technical assistance, and training in these fields. In addition, ADRA assists the communities in constructing homes, schools, latrines, roads, bridges, and in forestation.

**C. Food for the Hungry International (FHI)**

FHI works in 179 rural communities in 8 provinces in the Departments of La Paz, Oruro, and Potosí. Its major emphasis is providing technical assistance and training to approximately 3,600 families in these rural areas to increase subsistence production and improve the health of mothers and their children under five years of age. FHI operates four training and demonstration centers where small farmers participate in practical learning in agriculture production, animal husbandry, and the management of water resources. It has a very successful program of constructing potable water wells, micro irrigation systems, and greenhouses, which have introduced vegetable production used for household consumption in the highlands.

FHI continues to sponsor Pro Women, a U.S. private voluntary organization, in an innovative programs, which provides 568 women organized into 18 groups in the city of El Alto and rural areas of the highlands with funds for community banks to loan small amounts of money for women-owned

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<sup>3</sup> FY 1992 not including transportation costs. Expenditures are calculated annually.

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businesses. The program provides training and technical assistance to the women in business administration in order to make their commercial activities more profitable.

**GENERAL COMMENTS:** Under the new Title II strategy, the municipal urban food for work program is the major activity of CRS and ADRA. This continues to be an important component of the Mission's Alternative Development strategy by creating temporary jobs in both the rural and urban areas. The urban municipal infrastructure program presently is reaching 10 major cities and 32 rural towns. The temporary employment provided by this program contributes to reducing migration to coca growing areas and provides a safety net for the GOB's structural adjustment policies. In addition, the program gives poor neighborhoods access to municipal decision making to construct needed infrastructure and obtain social services in their communities, thus supporting the democratic initiative objective of the Mission. Planning Assistance was awarded a grant in June 1992 to strengthen the democratic processes of the program in three major cities and nine towns. This strengthening exercise includes training citizen leaders, sponsors, and municipal officials in the area of citizen participation in planning, financing, and implementing projects in poor neighborhoods. The municipal food for work program also increases property values in these poor neighborhoods and potentially will improve the tax base of the municipalities. In several of the cities, the municipalities are increasing their financial contribution to infrastructure creation in the marginal areas of the city. The food for work program also is improving the basic sanitation conditions of the poorest neighborhood, thus contributing to improving the health of the population.

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INDICATOR	OCT 91 - MAR 92	APR 92 - SEP 92	CUMULATIVE FY 1992	COMMENTS (LOP figures are for FY 1992)
<b>STRATEGIC OBJECTIVE INDICATORS</b>				
Short-term Jobs Created (person-months) (Figures are based on average month-long jobs over the six-month period)	82,677	78,183	160,860	83% of LOP target. Previous figures have been revised.
<b>OUTPUT INDICATORS</b>				
<b>Community Forestation Sub-projects</b>	<b>106</b>	<b>55</b>	<b>161</b>	
CARITAS	18	0	18	
ADRA	88	55	143	Previous figures have been revised.
<b>Garbage Collection Services</b>	<b>26</b>	<b>26</b>	<b>52</b>	
CARITAS	10	13	23	
ADRA	16	5	21	Previous figures have been revised.
<b>Greenhouses constructed</b>	<b>42</b>	<b>194</b>	<b>236</b>	
FHI	0	138	138	
<b>Irrigation Channels Built</b>	<b>42</b>	<b>56</b>	<b>98</b>	
CARITAS	28	45	73	
ADRA (Storm drainage)	14	8	22	Previous figures have been revised.
FHI	0	.3	3	
<b>Latrines constructed</b>	<b>121</b>	<b>44</b>	<b>165</b>	
CARITAS	12	20	32	
ADRA	109	24	133	Previous figures have been revised.

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INDICATOR	OCT 91 - MAR 92	APR 92 - SEP 92	CUMULATIVE FY 1992	COMMENTS (LOP figures are for FY 1992)
<b>Potable Water and Sewage Systems Built</b>	200	200	400	
CARITAS	27	37	64	
ADRA	46	37	83	Previous figures have been revised.
FHI	127	150	277	
<b>Number of small-scale, street paving projects</b>	422	498	920	Stone paving of streets that range in size from two blocks to three kilometers.
CARITAS	174	286	460	Previous figures have been revised.
ADRA	248	212	460	Previous figures have been revised.
<b>Water tanks constructed</b>	14	17	31	
CARITAS	14	17	31	
<b>Adventist Development and Relief Agency Projects (Only)</b>				
Tree Nurseries	2	0	2	
Retaining Walls Constructed	2	0	2	
<b>Food for the Hungry International Projects (Monetization funds)</b>				
Animal Drinking Ponds/Corrals/Animal Dips/Canals	3	28	31	

PROJECT NAME	PROJECT NUMBER	START/END DATES	PLANNED FUNDING	EXPENDED TO DATE
Private Agricultural Organizations	511-0589	1986-1993	\$6.2 million	\$5.7 million

**PROJECT PURPOSE:** To strengthen and expand the capacity of private agricultural producer organizations to provide services and increase the non-coca incomes and foreign exchange earnings/savings of its members.

**PROJECT DESCRIPTION:** The project provides management assistance, technical assistance, training, feasibility studies, and financial support to strengthen participating private agricultural organizations. The original participating institutions include: Association of Bolivian Flower Producers (ASOBOFLOR), National Association of Oil & Wheat Producers (ANAPO), Federation of Beef Cattle Producers in the Beni and Pando Departments (FEGABENI), and the Cooperative of Integrated Services of Punata (CIS). Three new private agricultural organizations have been included under the project: the Beef Cattle Producers in Santa Cruz (FEGASACRUZ), the Banana Producers of the Chapare (UNABANA), and the small farmers around Lake Titicaca (AIPA).

**GENERAL COMMENTS:** This is the last full reporting period for the PAO project. In most cases the project has been successful in increasing income on farms and ranches through increased yields, expanded production, and exports. In addition the capacity of private agricultural producer organizations to provide services has been strengthened.

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**Private Agricultural Organizations  
(511-0589)**

**BOLIVIA**

INDICATOR	OCT 91 - MAR 92	APR 92 - SEP 92	CUMULATIVE	COMMENTS
<b>STRATEGIC OBJECTIVE INDICATORS</b>				
Foreign Exchange Savings (\$)	237,238	6,642,486	\$29,004,736	
Wheat	8,000,000	\$4,900,000	\$21,711,180	Previous figures have been revised. "Dollar savings" is the result of Bolivia not importing wheat from Argentina or Paraguay and is therefore saving scarce foreign exchange.
Soy	\$182,788	\$1,700,000	\$11,600,000	Previous figures have been revised. Soy (grain, loaf, and oil) was adversely affected by heavy rains.
<b>PURPOSE INDICATORS</b>				
Local Sales (\$)				
Roses and Carnations	\$142,250	\$2,500	\$35,000	Previous figures have been revised.
Hot pepper	\$12,200	\$25,000	\$45,000	Previous figures have been revised.
<b>OUTPUT INDICATORS</b>				
<b>Hectares of New Crops under Cultivation</b>				
Hectares of flowers cultivated			12	
Hectares of wheat cultivated		63,354	N/A	Annual crop
Hectares of corn cultivated		43,000	N/A	Annual crop
Hectares of soy cultivated		60,000	N/A	Annual crop. The 70% decrease from last period was due to poor weather conditions at planting time.

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**Private Agricultural Organizations  
(511-0589)**

**BOLIVIA**

INDICATOR	OCT 91 - MAR 92	APR 92 - SEP 92	CUMULATIVE	COMMENTS
Number of active members	28,301	28,301	28,301	
Increased number of non-traditional crops being farmed by member PAOs	3	1	6	120% of LOP target.
Non-agricultural enterprises for processing or marketing created	3	1	5	125% of LOP target. Previous figures have been revised.
PAO Project Buletins Published	6	6	53	100% of new LOP target.
Institutional Studies Prepared	1	0	6	100% of LOP target. Previous figures have been revised.
Policy Studies Prepared	1	0	7	175% of LOP target. Previous figures have been revised.
Product Studies Prepared	0	0	6	120% of LOP target. Previous figures have been revised.
Individuals Trained	80	60	2,203	1,100% of new LOP target. Previous figures have been revised.

It must be noted that every one of the indicators, both purpose and output, except non-traditional crops, show changes made to previously reported figures. These changes reflect the figures in the implementation contractor's final report.

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PROJECT NAME	PROJECT NUMBER	START/END DATES	PLANNED FUNDING	EXPENDED TO DATE
Administration of Justice	511-0626	1992-1997	\$10 million	New Start

**PROJECT PURPOSE:** To improve the effectiveness of the judicial system in three pilot zones, including the Departments of Santa Cruz and Tarija and the Controlled Substances Courts in La Paz. Actions under the project also will be directed to improving judicial training and supporting alternative dispute resolution outside of the pilot zones at the national level.

**PROJECT DESCRIPTION:** There are three components critical to achieving the Project Purpose: 1) judicial efficiency and accountability; 2) effective criminal prosecution and investigation; and 3) alternative dispute resolution and modern process. The project aims to improve judicial efficiency and accountability through modern administrative infrastructure and transparent, efficient case processing. To create effective criminal prosecution and investigation, the project will improve investigation, preparation, and presentation of criminal cases. Finally, the project will introduce alternative dispute resolution and procedural delay reduction mechanisms.

**GENERAL COMMENTS:** The project agreement was signed on September 30, 1992, and the project has enjoyed a rapid start. The project has already installed a pilot case tracking computer system in the District Court of Santa Cruz. Other sites should start experimenting with the case tracking system shortly. The project has worked out an agreement with the Department of Justice and the International Criminal Investigative Training Assistance Program (ICITAP), which participated in a recent trip to Sucre, Tarija, and Santa Cruz. The Government of Bolivia's (GOB) commitment toward the project has been strong, particularly among the Supreme Court in Sucre. Receptivity in the departments is also very high.

The indicators for this project are still being finalized and will be reported in the next report.

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PROJECT NAME	PROJECT NUMBER	START/END DATES	PLANNED FUNDING	EXPENDED TO DATE
CARE Community Development	511-0618	1991-1995	\$7 million	\$2.6 million

**PROJECT PURPOSE:** To improve infant and child survival through improved nutritional status and immunization coverage and decreased diarrheal incidence. Through enhanced health status and improved quality of life within the project communities, it is hoped that the project will contribute to reduced migration to coca-producing areas.

**PROJECT DESCRIPTION:** The CARE Community Development Project is aimed at improving the health, well-being, and self-development capacity of 48,000 people in 160 rural Bolivian villages in the departments of La Paz, Cochabamba, and Chuquisaca. The project works with four sub-systems. The first is a primary health care delivery system providing preventive and curative health services through a community health worker. The second is a water and sanitation component providing potable water and excreta disposal in these communities. The third is an agricultural development system providing home gardens. The fourth system is to strengthen community organizations. This project is not funded with NSD-18 resources.

**GENERAL COMMENTS:** The Care Community Development Project's objectives support USAID/Bolivia's Alternative Development objectives through improving the health of mothers and children under five years of age. Specifically, the construction of infrastructure within the departments of La Paz, Cochabamba, and Chuquisaca will enhance the quality of life and health benefits available within communities where the project is involved. Through enhancing the available health practices and services within these traditional communities, the community residents are provided an incentive to stay in the communities where they currently reside and not migrate to coca-growing areas.

Construction of water systems and latrines is progressing as scheduled. The first five water systems already have been completed and approximately 20 more will be completed in the next three months.

Vaccination activities are progressing well. However, complementary services with the Ministry of Health (MOH) health centers are lagging. Unfortunately, there is no indication that MOH services in the rural areas may improve significantly in the upcoming months. Therefore, alternative ways of complementing health services are needed in the project.

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INDICATOR	OCT 91 - MAR 92	APR 92 - SEP 92	CUMULATIVE	COMMENTS
<b>OUTPUT INDICATORS</b>				
Number of community water systems installed and operating.	0	5	5	3% of LOP target
Number of latrines installed	338	772	1,110	14% of LOP target
Percentages of 10-24 months olds with complete vaccinations	0%	29%	29%	36% of LOP target
Number of functioning household gardens promoted	100	1,470	1,570	39% of LOP target
Number of functioning community organizations promoted	37	82	112	70% of LOP. Previous figures have been revised.
Number of persons trained	350	105	455	71% of LOP target. Training areas include maintenance of water systems, latrine upkeep, basic health care practices, and community development.

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PROJECT NAME	PROJECT NUMBER	START/END DATES	PLANNED FUNDING	EXPENDED TO DATE
Community and Child Health	511-0594	1988-1995	\$20 million	\$9.9 million

**PROJECT PURPOSE:** To improve community health and to reduce infant, child, and maternal mortality in project districts; increase capability of the Ministry of Health's Department and district-level institutions; and enhance capacity within community organizations to better plan, implement, and sustain child survival interventions. This will produce more favorable living conditions in communities nationwide and thereby help reduce migration to the Chapare.

**PROJECT DESCRIPTION:** The project provides an integrated package of child survival interventions, institutional development, and community participation. Project implementation is composed of four components: National Diarrheal Disease Control, National Immunization Program Support, Integrated Child Survival, and National Chagas' Disease Control. Activities that have the most impact on USAID/Bolivia's Alternative Development program are the construction of community water and sanitation systems and the improvements of houses to control the vinchuca bug vector of Chagas disease in the Departments of Cochabamba and Chuquisaca. This project is not funded with NSD-18 resources.

**GENERAL COMMENTS:** The Community and Child Health Project has undergone many changes during the reporting period. The Project was restructured in Amendment No. 9, signed September 30, 1992 which authorized an additional \$3.5 million to extend the LOP amount to \$20 million, and obligated an additional \$1.288 million, modified the structure of the project, and extended the PACD to September 30, 1995.

Two Oral Rehydration Unit manuals were written and published, and the project coordinated the importation of 2 million packets of oral rehydration salts and 80,000 liters of Ringers lactate from A.I.D./W. The Data for Decision Making training course for 42 Bolivian epidemiologist was inaugurated, and the first of four courses was conducted. The technical evaluation of the Chagas' Disease Control Component was completed with positive recommendations for extended financing. Housing improvements continued although no communities were inaugurated during the reporting period. A contract with HABITAT was signed for educational materials development. A congenital Chagas' disease study was begun with the Centers for Disease Control and the San Simon University in Cochabamba. Eleven communities have completed their water systems, but they were not inaugurated and will be reported during the next period. Two contracts were signed with local non-governmental organizations to construct an additional 45 water and sanitation systems in La Paz, Cochabamba, and Santa Cruz.

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**Community and Child Health (511-0594)**

**BOLIVIA**

INDICATOR	OCT 91 - MAR 92	APR 92 - SEP 92	CUMULATIVE	COMMENTS
<b>OUTPUT INDICATORS</b>				
Community water systems constructed	5	22	33	24% of LOP target. Previous figures have been revised.
Latrines installed	1,200	NA	1,375	Project was amended on Sep. 30, 1992 establishing new output indicators. This indicator has been dropped and will not appear in the next report.
Number of pilot houses improved	0	0	1,014	52% of LOP target. Previous figures have been revised.

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PROJECT NAME	PROJECT NUMBER	START/END DATES	PLANNED FUNDING	EXPENDED TO DATE
Drug Awareness and Prevention	511-0613	1991-1997	\$9.2 million	\$1.7 million

**PROJECT PURPOSE:** To increase public support for the Government of Bolivia's (GOB) anti-drug programs through enhanced public awareness of the health, social, political, and economic dangers of drug production, consumption, and trafficking in Bolivia.

**PROJECT DESCRIPTION:** The project purpose is to be achieved through nationwide dissemination of mass media anti-drug messages, public education programming, local anti-drug training in urban and rural communities, and a national network of private and public organizations against drug production, trafficking, and use.

The project has two main components: (1) the private sector, implemented by the Educational System Against Drug Addiction and for Social Mobilization (SEAMOS) and the Narcotics Education Center (CESE); and (2) the public sector, implemented by the National Directorate Against Illegal Drug Use and For Treatment, Rehabilitation, and Social Reinsertion (DINAPRE) and the Subsecretary for Alternative Development (SUBDESAL). The project receives additional technical assistance through the contracted services of a private U.S. firm with extensive experience in drug awareness and prevention. Coordination among Bolivian public and private institutions will be managed by a National Coordinating Unit created specifically for this project.

SEAMOS is the leading mass media drug campaign organization in Bolivia. It was supported from 1986 to 1991 by USAID/Bolivia's Narcotics Awareness and Education Project (511-0592). This included sponsorship by the Confederation of Bolivian Private Entrepreneurs (CEPB), evidence of the commitment of Bolivian private sector institutions in the struggle against drugs. CESE is the leading educational program against drugs in Bolivia and has been supported since 1986 by the Narcotics Assistance Section (NAS) of the U.S. Embassy. CESE is now a private voluntary organization, supported by this project. The National Council Against the Illegal Use of Drugs and for Treatment, Rehabilitation, and Social Reinsertion (CONAPRE) and SUBDESAL previously depended on the Bolivian Treasury and occasional PL-480 support to carry out anti-drug activities. The project will regularize and systematize their operations in coordination with the other private and public sector components.

**GENERAL COMMENTS:** Six monthly meetings of the Project Coordinating Unit took place during the reporting period. Persons attending included a UNDCP official and representatives of the neighboring Andean countries of Ecuador and Colombia. These meetings served to improve coordination and collaboration among project activities. A Communication-Education workshop was held for all project elements during the week of 6-10 April in Santa Cruz, Bolivia. Also attending were the UNDCP representative, a UNICEF staff member, and representatives of other Bolivian anti-drug organizations in both the public and private sectors. The GOB provided the first disbursement of counterpart project funds to DINAPRE and SUBDESAL in April and May. All project elements provided anti-drug materials for a major project presentation at a regional agricultural fair in Eterazama. SUBDESAL contracted two additional professional social communicators to serve La Paz, North Yungas, and Cochabamba. The National Communications Unit also began publication of their monthly newsletter that appears as a supplement to *Presencia*, a national daily newspaper. The newsletter provides up-to-date information on Alternative Development and drug prevention activities that affect the rural coca-producing areas. That unit also prepares anti-drug materials for radio broadcasts to rural coca producers. DINAPRE contracted a statistician for the La Paz office and two

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researchers each for the offices in La Paz, Cochabamba, and Santa Cruz. They have also purchased much-needed computers, hardware, and associated software to set up shop as a full-time research unit. The project-supported research element of DINAPRE has been reorganized as a semi-autonomous unit, Proyecto de Investigación y Concientización en Prevención del Uso Indebido de Drogas (PROINCO). The senior staff of DINAPRE and non-PROINCO are proposing to seek legal identity for PROINCO as a non-governmental organization with as yet undefined contractual links to DINAPRE and the GOB.

The National Prevalence Study was completed in March 1992. Data analysis was completed in July, but the data had to be reweighed based on actual census data. Final analysis was completed, and first portions of the study were sent to the printer in September. PROINCO provided all the data analysis working with the private firm that did the design and interview work. This exercise has vastly improved the research capacity of PROINCO. The follow-up studies will be designed, implemented, and published by PROINCO.

PROINCO began design work on the anthropological "Street-Kids" study of substance abuse in that population. Dr. Phillippe Bourgois of San Francisco State University provided technical assistance in training the PROINCO staff in ethnographic research methods. The entire research team has conducted field interviews in preparation for this study.

CESE has expanded the "A Tr" telephone call-in service to Santa Cruz and Cochabamba. They have continued the workshops and seminars for teachers and students. CESE's involvement in youth-oriented anti-drug efforts has resulted in widespread coverage in the national press. They have also maintained the police/armed forces workshops on drug prevention that are sponsored by NAS.

SEAMOS sponsored a radio, soap-opera competition. The winning script will be broadcast nationally in the coming months. SEAMOS also held opinion-leader discussions on Alternative Development and the role of investigative journalism in anti-drug activities.

The attitude-opinion study on Alternative Development in the Chapare was completed and distributed in English/Spanish versions to GOB and U.S. Embassy officials. The study shows support for Alternative Development as well as a widespread suspicion that the GOB cannot deliver on promises made. Drug use is viewed as objectionable behavior. Coca leaf production is seen as an economic necessity, but processing leaf into coca-derivatives is not seen as a positive activity. The results, though mixed, indicate that it is highly likely that a well-managed, focussed, prevention and education program can affect opinions and behavior.

**Drug Awareness and Prevention (511-0613)**

**BOLIVIA**

INDICATOR	OCT 91 - MAR 92	APR 92 - SEP 92	CUMULATIVE	COMMENTS
<b>PURPOSE INDICATORS</b>				
Increased number of people who believe drug production and trafficking constitutes a problem for Bolivia	0	0	0	National Prevalence survey conducted on May 31, 1992. Final results not yet available.
Level of drug abuse in Bolivia	0	0	0	National Prevalence survey conducted on May 31, 1992. Final results not yet available.
Increased popular understanding of Bolivian Law 1008 (the Bolivian anti-drug law)	0	0	0	National Prevalence survey conducted on May 31, 1992. Final results not yet available.
<b>OUTPUT INDICATORS</b>				
<b>SEAMOS</b>				
Number of departmental level anti-drug organizations mobilized and assisted	0	1	1	33% of LOP target
Number of local level anti-drug organizations mobilized and assisted	0	3	3	20% of LOP target
Number of TV and Radio spots produced and broadcast	5	4	7	8% of LOP target
Number of promoters trained	0	0	0	0% of LOP target
<b>CESE</b>				

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**Drug Awareness and Prevention (511-0613)**

**BOLIVIA**

INDICATOR	OCT 91 - MAR 92	APR 92 - SEP 92	CUMULATIVE	COMMENTS
Number of parents, students, and community institutions trained <sup>4</sup>	0	2,655	2,968	30% of LOP target. Previous figures have been revised.
Number of user hot-line calls handled	0	1,321	2,039	15% of LOP target. Previous figures have been revised.
Number of walk-in visits to CESE office	0	683	947	27% of LOP target. Previous figures have been revised.
<b>DINAPRE</b>				
Number of epidemiological studies completed	0	1	1	25% of LOP target
<b>SUBDESAL</b>				
Number of communication workers trained	0	4	4	44% of LOP target
Number of community workers trained	0	10	10	11% of LOP target
Number of radio spots broadcasted in Spanish, Quechua, and Aymara in the Chapare.	0	10	10	0.4% of LOP target

<sup>4</sup> This includes military and police participants funded separately by NAS.

PROJECT NAME	PROJECT NUMBER	START/END DATES	PLANNED FUNDING	EXPENDED TO DATE
Electrification for Alternative Development	511-0614	1991-1996	\$16.7 million	\$1 million

**PROJECT PURPOSE:** To establish comprehensive implementation mechanisms for national rural electrification (RE) planning, construction, and sustainability in support of the Alternative Development strategy of the Government of Bolivia (GOB) and selected USAID Alternative Development projects.

**PROJECT DESCRIPTION:** The project is aimed at: 1) expanding the use of electricity in rural industry activities to provide jobs and economic opportunities; 2) constructing new rural electrification projects to serve approximately 15,000 new customers, serving a beneficiary population of approximately 80,000 (30,000 adults and 50,000 children); 3) improving the operational standards of rural electric distribution entities to provide a level of service quality acceptable to productive use customers; 4) establishing a solid institutional basis for support to the rural electric subsector to develop a sustained flow of investment capital for rural electrification in Bolivia; and 5) achieving RE policy reforms with the GOB to create a positive environment for the successful implementation sustainable RE sector development activities.

**GENERAL COMMENTS:** During this reporting period, project development activities continued. Three additional sites for construction were selected, bringing the total construction sites to five. These include three projects in the Cochabamba Department: a densification project in Vinto, a rehabilitation site in Capinota, and a grid interconnection project in Mizque-Aiquile; development of a mini-grid in Los Valles Cruceños in the Department of Santa Cruz; and a solar photovoltaic project in Caranavi, in the Department of La Paz.

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**Electrification for Alternative  
Development (511-0614)**

**BOLIVIA**

INDICATOR	OCT 91 - MAR 92	APR 92 - SEP 92	CUMULATIVE	COMMENTS
<b>OUTPUT INDICATORS</b>				
Rural electrification (RE) expansion sites evaluated	4	4	8	40% of LOP target
- Cochabamba Department	4	2	6	60% of LOP target
RE pilot projects selected	2	3	5	41% of LOP target
- Cochabamba Department	2	2	4	67% of LOP target
Personnel trained	69	88	143	29% of LOP target
- Men (total)	67	85	137	29% of LOP target
- In Cochabamba Department	41	55	77	77% of LOP target
- Women (total)	3	3	6	30% of LOP target
- In Cochabamba Department	2	2	4	29% of LOP target

PROJECT NAME	PROJECT NUMBER	START/END DATES	PLANNED FUNDING	EXPENDED TO DATE
Justice Sector	511-0609	1988-1993	\$2 million	\$1.4 million

**PROJECT PURPOSE:** To strengthen the administrative and operational capacity of the judicial branch and public prosecution in order to accelerate the judicial process. Achieving these objectives will allow the system to more effectively and efficiently prosecute narcotics crimes.

**PROJECT DESCRIPTION:** The project promotes and supports institutional reform of the courts and the public prosecution of criminals. One component of the project also supports policy reforms intended to streamline and modernize the legal process. A second component of the project uses law reform to create alternative dispute resolution opportunities to reduce court congestion.

In the area of counter-narcotics strategy, USAID and the Narcotics Assistance Section (NAS) of the U.S. Embassy carry out complementary actions. NAS pursues a short-term approach by providing assistance exclusively to the controlled substances jurisdictions in Bolivia. USAID's Justice Sector Project takes a broader, long-term approach designed to achieve sustainable institutional improvements in the judicial system as a whole. USAID's long-term approach is expected to enable systemic improvements interrelated to more effective performance of the special narcotics courts which cannot be resolved in the short term. These improvements will promote an evolutionary process of judicial reform for the changing social, economic, and political needs of Bolivian society. Moreover, because the controlled substances courts are linked constitutionally to the entire judicial branch, the ultimate success of the NAS program in the controlled substances jurisdictions is dependent on the development of the judicial branch as a whole.

USAID project assistance in training, technical assistance, and policy dialogue is provided to the Supreme Court, the Attorney General, and a National Council for Judicial Reform through the Instituto Latinoamericano de la Naciones Unidas para la Prevención del Delito y el Tratamiento del Delincuente (ILANUD), ILANUD/San Jose, ILANUD/Bolivia, the National Chamber of Commerce, and direct USAID management via the Democratic Initiatives Division. The activities managed under the project are: (1) the development of a modern system of court management based on an analysis of criminal case flow and the implementation of a pilot case tracking and management system; (2) an institutionalized judicial training program for judges and court personnel based on a training and personnel needs assessment; (3) technical assistance support to streamline criminal and civil procedures and other operational reforms to a National Committee for the Improvement and Modernization of the Administration of Justice; (4) procurement of legal libraries and equipment to produce and disseminate judicial decisions and other legal reference materials; (5) promotion of alternative dispute resolution forums, such as arbitration; and (6) a program to improve financial management of the court system.

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**GENERAL COMMENTS:** Specialized seminars by the Mayo Group were presented in La Paz, Santa Cruz, and Sucre resulting in the training of approximately 400 Bolivian lawyers and judges on the advantages of oral process. The Mayo group is a private U.S. organization, headed by San Francisco lawyer Stephen Mayo, that contracts U.S. state supreme court judges, district judges, and prosecutors to present the U.S. juridical system through mock trial presentations using simultaneous translation. Oral procedures, presentation of evidence, and the rights of the accused according to the Anglo-American juridical tradition are emphasized.

A case tracking and judicial statistics system in the District Court of Santa Cruz was implemented. The system has passed a successful "model" stage, testing the data availability, collection frequency, and acceptance by the judges of the district court. A seminar was held in Santa Cruz in coordination with the justice committee of the Lower House of Congress to review and recommend changes to the draft Public Ministry and judicial organization laws. As a result of this work, written recommendations were presented to Congress.

Technical assistance was provided to the Bolivian Chamber of Commerce to develop and promote institutional commercial arbitration services. Rules of procedure were drafted, and a group of arbitrators began to receive training.

**Justice Sector (511-0609)**

**BOLIVIA**

INDICATOR	OCT 91 - MAR 92	APR 92 - SEP 92	CUMULATIVE	COMMENTS
<b>OUTPUT INDICATORS</b>				
Prosecutor Law Drafted	1	0	1	100% of LOP target
Case Flow Analysis & Pilot Tracking System Completed	1	0	1	50% of new LOP target
Financial Accountability System Designed and Implemented for the Court System.	0	0	0	0% of LOP target
Operational Management Information Systems Functional	0	0	0	0% of LOP target
Training (TOTAL) (persons)	275	410	1,129	182% of LOP target
- In-country (short term)	260	410	1,114	186% of LOP target. Previous figures have been revised.
- Out-of-country (short and medium term)	15	0	15	75% of LOP target

PROJECT NAME	PROJECT NUMBER	START/END DATES	PLANNED FUNDING	EXPENDED TO DATE
National Rural Household Survey	511-0612	1990-1993	\$1 million	\$0.6 million

**PROJECT PURPOSE:** To develop baseline data on the socio-economic characteristics of the rural population, with emphasis on the Cochabamba Department, in order to measure the transformation of the Bolivian economy from coca to non-coca activities.

**PROJECT DESCRIPTION:** To develop a data collection system (sampling survey) that will generate accurate, timely, and objective information on the basic socio-economic characteristics of the rural population. The first survey was implemented by the U.S. Bureau of Census in close cooperation with the PL-480 Title III Executive Secretariat. The survey is designed to analyze detailed agricultural characteristics of rural households, such as farm inputs, income, access to markets, credit, etc. and to compare the socio-economic characteristics of farm and non-farm rural households. The socio-economic characteristics of coca producing and non-coca producing households are also compared, and the data are desegregated by gender where possible. The scope of this project is no longer considered nationwide but rather the Department of Cochabamba.

**GENERAL COMMENTS:** This project has produced a discrete end-product, a one-time survey. However, the sampling frame designed by BUCEN and put into place under this project can be used for additional surveys that will track program impact and furnish data that will permit effective planning of future programs at relatively low cost.

**Overview:** The survey showed a total rural population of Cochabamba of 529,473 (112,148 households of 4.7 persons per household). Approximately 90 percent live in the non-coca producing regions of the highlands and valleys while 10 percent (53,132 in 11,252 households) live in the coca-producing tropical lowlands in the provinces of Chapare and parts of Carrasco and Tiraque. Of the households in the coca-producing areas, only 10,043 are farm households<sup>6</sup>. However, there are households in the highlands that have their agricultural operation in the coca growing region who are not included in the 10,043 figure. Of these households, 7,640 households or 35,908 people (76 percent) produce coca and 2,403 households do not. Some 18,244 (74 percent) adults (18 and older) are from farm households involved in coca production compared with 6,268 adults of farm households in the coca producing areas who are not from coca producing households. In the department as a whole (112,148 rural households), 6.8 percent of the rural households produce coca.

**Income in the coca producing areas:** Farm households earn 2.7 times the amount of non-farm households. The relationship between higher income and larger holdings seems to break down in these areas when the smallest holdings are examined. Farmers with the highest net cash household income, except for those with 10 hectares or more, are those with holdings of less than 0.5 hectare. The average annual net cash farm income of these smallest farmers is 6 times that of those with holdings between .5 and 1 hectare and almost 20 times greater than those with holdings from

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<sup>6</sup>A farm household is defined as having at least 0.1 hectare of land (1,000 square meters) or one cow, one bull, two sheep, two pigs, two goats, five alpacas, or twenty chickens.

1 to 2 hectares. Less than half (42 percent) of these tiny (less than .5 hectare) farmers produce coca, (see below). Further analysis must be done to see what percentage of the increased net cash farm income is accounted for by these coca producers.

**Comparisons between coca and non-coca producing farm households in the coca producing areas:** Some 77 percent of the coca producing farmers have been in the coca producing regions five or more years, compared with 66 percent of those not producing coca. This seems to support the present program of providing long-term agricultural alternatives. The popular wisdom that small farmers have to produce coca was not borne out by the survey. Of those farmers with less than 1 hectare (546), only 28 percent (156) produce coca compared with 72 percent (391) who do not. Of those who produce coca (7,640), only 2 percent have holdings less than 1 hectare, and of those who do not produce coca (2,403), 16 percent have holdings of less than 1 hectare. Of the 7,036 farmers who hold 5 hectares or more, 81 percent (5,713) produce coca compared to the 19 percent (1,322) who do not.

On the correlation of the distance to market and the production of coca, distance does not seem to be a factor. Only 8,786 of the 10,043 farm households are represented in this question. Of the total 8,786 households, 2,344 sell their produce on site, at their farms. This leaves 73 percent (6,442) for whom distance to market is a factor. Of these 6,442, 86 percent (5,513) raise coca. As had been suspected, of those who produce coca for off site sales, over 60 percent (4,517) live 3 or more kilometers away from their market. However, 81 percent (5,195) of the people for whom distance is a factor (6,442) live far away from market, and 87 percent (4,517) of these farmers produce coca. Looking at the other 19 percent (1,247), who live closer to market, 80 percent (996) of these farmers produce coca, only a difference of 7 percent.

On the question of land titles, 9,758 were represented, of whom 7,640 produce coca. Of these, 41 percent of the coca producing households hold title to their land compared with 31 percent of the non-coca producing farmers. Of those who hold title to their land (3,764), 82 percent (3,103) are coca producers compared to 18 percent (661) who do not produce coca. Some 56 percent (4,303) of the coca producers are without title to their land compared with 52 percent (1,094) of the non-coca producers.

Data analysis is on-going, and data are available to others for their own analysis. The reliability of the data at lower levels (below the department level) declines accordingly with the smaller sample size.

## COLOMBIA

PROJECT NAME	PROJECT NUMBER	START/END DATES	PLANNED FUNDING	EXPENDED TO DATE
Economic Stabilization Program	514-9001	FY 1991	\$41 million	\$41 million
Economic Stabilization Program	514-9005	FY 1992	\$36 million	\$36 million

**PROJECT PURPOSE:** To provide support to the Government of Colombia's (GOC) economic revitalization and counter-narcotics programs.

**PROJECT DESCRIPTION:** The amount of \$41 million was obligated in FY 1991 and \$36 million in FY 1992. The cash transfer is being used to finance the servicing of the official GOC debt to the United States and to multilateral financial institutions. The local currency provided by the GOC counterpart is used to finance projects that support the GOC's economic revitalization and counter-narcotics program and is managed by the National Planning Department. The FY 1991 program project supported three investment categories: Apertura (trade expansion); decentralization and regional economic growth; and development of the human resource base. The \$36 million obligated in FY 1992 provided an equivalent amount of local currency counterpart with similar GOC management responsibilities as in FY 1991. However, the use of the funds in FY 1992 was more tightly focused on the counter-narcotics strategy, emphasizing the local currency resources on Alternative Development, particularly on the Departments of Valle (Cali) and Antioquia (Medellin), and economic liberalization.

**GENERAL COMMENTS:** As of April 30, 1992, the GOC had used all of the FY 1991 funds disbursed to pay part of its external debt service: \$12.5 million to pay USG debt, and \$28.5 million to pay World Bank and Inter-American Development Bank debt. As of September 30, 1992, the peso equivalent of \$30.5 million had been spent by the GOC to support projects which strengthened Apertura, decentralization, regional economic growth, and development of the human resource base.

Macroeconomic performance is described in the results-to-date portion of the body of this report and is summarized in a table on the following page. An illustrative sample of the accomplishments for some local currency projects also follows below.

All Conditions Precedent were met in December 1992 for the FY 1992 program, and disbursement occurred shortly thereafter.

**MACROECONOMIC INDICATORS - COLOMBIA**

<b>BASIC MACROECONOMIC INDICATORS</b>	<b>1990</b>	<b>1991</b>	<b>1992 (P)</b>	<b>September 1992</b>
Real GDP Growth Rate	4.1%	2.2%	2.1%	NA
Inflation Rate	32.5%	26.8%	26%	22% (Jan.-Sep.)
Unemployment Rate	10.6%	9.6%	9.5%	9.2%
External Trade Balance (\$m)	1,956	3,086	1,842	761 (Jan.-May.)
Current Account Balance (\$m)	530.9	2,453.1	1,477	NA
Net International Reserves (\$m)	4,597	6,516	8,540	NA
Total External Debt Outstanding (\$m)	17,844	17,442	17,644	NA
Net Debt Outstanding/GDP	28.1%	24.6%	19.9%	NA
Debt Service/Exports of Goods	49.4%	46.2%	49%	NA
Central Government Fiscal Deficit (% of GDP)	-0.13 %	-0.51 %	-0.38%	NA
Interest Rate on 90 CDs ( as of the end of given period)	38.43 %	37 %	NA	21.9% (Jul.)
Growth of Money Supply (M1)	25.8 %	34.1 %	NA	44.7% (Jul.)

(P) Preliminary  
 NA: Not Available

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## **LOCAL CURRENCY PROJECTS:**

The following is illustrative of the types of activities carried out by the GOC using the local currency budgetary support provided by the cash transfer agreement and other GOC funding.

### **1. THE MAGDALENA HIGHWAY:**

**OBJECTIVE:** To improve the Magdalena Highway to lower transportation costs for agro-industrial producers who supply both domestic and foreign markets.

#### **ACCOMPLISHMENTS:**

- Of the 271 kilometers segment between the towns of La Lizana and San Alberto, 35 kilometers were graded; 65 kilometers were graveled; 9 kilometers were paved; and a 650 meter bridge was built.

### **2. THE PASTO-TUMACO ROAD**

**OBJECTIVE:** To improve the Pasto-Tumaco highway that connects Colombia's second largest port on the Pacific Ocean (Tumaco) with the fertile sierra region.

#### **ACCOMPLISHMENTS:**

- Of the 93.2 kilometers between the towns of La Verbena and El Diviso, 68 percent was graded, 5 percent was paved, and 0.26 kilometers were completely built. The 109 kilometers between the towns of El Diviso and Tumaco were paved.

### **3. THE MEDELLIN ADVISORY COUNCIL**

**OBJECTIVE:** To combat narcotics activities through the creation of licit employment and socio-economic activities.

#### **ACCOMPLISHMENTS:**

- Training and Technical Assistance to Improve and Increase Employment
  - The first Shop-Keepers Association was created, and the members were given training in business administration and marketing. This is a key group as a source of future employment.
- Assistance to Create and Strengthen Small Businesses

- Studies were undertaken to develop a Production Development Center to support small business development.

- **Rehabilitation of Secondary School Buildings**

- Nine secondary school buildings located in troubled areas were restored and furnished. The objective is to increase school attendance.

- **Enhancement of Urban Areas**

- A large urban community, La Esperanza, was completely rebuilt. This activity included restoration of school buildings, construction of a drainage channel, improvement of athletic fields, and the building of a theater. The objective is to increase community activities which provide the youth with safe activities.

- **Community Television**

- Support for the production of social and community television programs designed to increase community involvement in resolution of their problems.

- **Drug Treatment**

- Non-governmental organization programs provide medical assistance and rehabilitation for addicts.
- A comprehensive study on drug addiction, including alcoholism, was financed. This was used to focus strategies in this field.

#### **4. THE QUALITY FOUNDATION**

**OBJECTIVE:** To introduce the concept of total quality management to the private and public sectors in order to increase competitiveness in the production of goods and services. This should have the positive impact of contributing to increased exports, rationalized imports, and positive environmental impacts.

**ACCOMPLISHMENTS:**

- The first entrepreneurial leadership seminar for executives and top managers of the main Colombian companies was provided. More than 45 of the top Colombian executives learned modern managerial techniques designed to enhance quality control mechanisms in their corporations. The first program to train professionals in designing, installing, and monitoring quality mechanisms within private organizations was developed and implemented. The program trained 120 professionals from 70 companies.
- Seminars on the subject of quality control were conducted in major Colombian cities for 87 middle managers.

PROJECT NAME	PROJECT NUMBER	START/END DATES	PROJECT FUNDING	EXPENDED TO DATE
Justice Sector Reform	514-9002	1992-1997	\$36 million	\$2.3 million

**PROJECT PURPOSE:** Support the reform of the justice sector in Colombia by improving its administration, operation, and effectiveness, especially in the criminal branch, which will be accomplished by providing training, technical assistance, and commodities. In pursuing the project purpose, A.I.D. assistance will strengthen courts and prosecutorial units in both Regional (Special) and ordinary jurisdictions through use of pilot projects.

**PROJECT DESCRIPTION:** There is a general consensus in Colombia that the judicial system is in crisis and requires reform. This crisis has become more acute in recent years due to the power of criminal organizations associated with drug trafficking and associated increases in violence. The Government of Colombia's (GOC) judicial reform efforts are a response to this crisis. This A.I.D.-funded activity has been designed to support this reform by addressing a host of interrelated problems that characterize the sector, including the lack of administrative and operational independence of the court system; congestion of the court system; lack of protection for justice sector personnel and participants; and an incapacity to perform the prosecutorial and investigative functions effectively. Several entities, including the components of the GOC, the U.S. Mission to Colombia, the Fundación para la Educación Superior (FES), the International Criminal Investigative Training Assistance Program (ICITAP), and the Office of Professional Development and Training (OPDAT), the latter two from the U.S. Justice Department, implement and monitor sub-projects in support of the Justice Sector Reform (JSR) Project.

The failure to prosecute drug traffickers in Colombia is the most notorious example of a generalized failure to bring criminals to justice. Priority is given wherever possible to improving the functioning of the regional courts and prosecutors, thereby enhancing prosecution of narcotics cases. Reassertion of the rule of law in these cases requires the systematic treatment of fundamental problems inherent in the overall justice system.

Thus, the objectives of the administration of justice program and those of NSD-18 converge. To have an effective counter-drug capability in Colombia, the Colombian justice system must develop a stronger institutional capacity to confront criminals and powerful criminal organizations. To impart justice in drug cases, judges must be able to draw support from the justice sector institutions. Until the initiation of the GOC's justice sector reform program, Colombian judges lacked modern devices to enforce the law. However, the GOC program, being implemented with U.S. Mission support, principally A.I.D., recognizes that the Colombian justice system seeks to build such a modern system and demonstrate the GOC's commitment to reform.

A.I.D. assistance will support an overall reform of the criminal justice system by focusing on the Regional and selected Ordinary jurisdictions through pilot sub-projects that can be replicated throughout the system. This assistance will also provide support for organizational activities with the Ministry of Justice, Prosecutor General, Attorney General, and relevant agencies that carry out criminal investigations.

Each component of the project focuses on a different institution of the justice system to be strengthened. Although some of these components may be more important than others, they are interrelated. To ignore any one of the components, could have serious negative consequences and jeopardize the project's purpose. To reach its purpose, the project will:

- Improve the effectiveness and support the administration of the Judicial Branch, especially the Regional and selected Ordinary courts.
- Improve the effectiveness and support the administration of the Prosecutor General's Office (Fiscalía General de la Nación).
- Improve the effectiveness and support the administration of those organizations that perform criminal investigations, supporting the office of the Prosecutor General (Fiscal General).
- Improve the effectiveness and support the administration of the Attorney's General Office (Procuraduría General de la Nación).
- Improve the effectiveness and support the administration of the Ministry of Justice.

#### **GENERAL COMMENTS:**

The Colombian Justice Sector presently faces a great challenge: to counteract the high level of violence that presently affects the country. According to the latest information issued by the National Statistics Department, the main cause of death in Colombia is homicide. In 1991, a total number of 29,413 homicides was reported. This is a 22 percent increase over the number of killings registered in 1990. Some 83 percent of homicides affected persons in the 15 to 44 years-old range, the most productive segment of the population. At the same time, the capacity of the criminal courts to decide cases remains extremely low. According to the latest information available on criminal courts's performance in 1990, only 10 percent of the total number of cases received by a criminal judge were resolved.

The JSR Project in Colombia began implementation on September 1, 1986. Since then, implementation has been carried out in three stages:

1. First Grant: September 1, 1986 - September 30, 1991
2. Bridge Grant: October 1, 1991 - September 30, 1992
3. Second Grant: May 7, 1992 - May 7, 1997.

This report covers results obtained between January 1st and September 30th, 1992, which includes the latter part of the bridge grant and the initiation of the second grant. Both the bridge and the second grant are financed with NSD-18 funds.

#### **Bridge Grant Accomplishments (January 1, 1992 - September 30, 1992)**

**Prosecutor General's Office:** The project financed the studies that played a critical role in establishing the Prosecutor General's Office. These studies defined the organizational structure, staffing requirements, and identification of available resources and needs. This work helped guide the Prosecutor

**General's Office** with its reorganization of the Criminal Instruction Directorate, the Criminal Instruction Judges, the Technical Corps of the Judicial Police, and the Forensic Medicine Institute--with a total of 10,000 employees--as mandated by the New Constitution.

**Attorney General's Office:** In order to strengthen this Office's capacity to act as a human rights watchdog and to disclose corruption, the following specific actions were taken: a personnel management information system was designed and is being implemented; ICITAP provided four training seminars in modern investigation methodologies, procedures, and in personnel resources management; the project provided photography, personnel identification, security, and data processing equipment; and a detailed report on human rights violations was published. The report became the basis for a national advertising campaign against corruption in the government.

**Public Defender's Office:** The project helped finance the studies to create and set up the Public Defender's Office. It also funded research to assist in the drafting of the legislation to define the specific responsibilities of the Public Defender's Office. This Office seeks to protect and guarantee human rights throughout the country and provide legal assistance to indigent defendants.

**Criminal Appeal Courts:** The physical infrastructure of Bogotá's Superior Court was improved. Experts were hired to develop a sophisticated case management software that was initially tried in these courts to then be installed in other ones. Currently, this software is being upgraded and tested to be used in the Regional Prosecutorial Units.

**Reduction of the judicial case backlog:** Technical assistance was provided to draft the bill to decrease the judicial case backlog. This bill was submitted to a Special Legislation Committee.

**Alternative dispute mechanisms:** Technical assistance was given to create 40 new conciliation centers in the major Colombian cities: Bogotá, Medellín, Cali, Barranquilla, Bucaramanga, Pasto, Valledupar, Santa Marta, Ibagué, Florencia, Neiva, Manizales, and Pereira. Financial support to the Judicial Advisory Centers provided legal assistance for low-income people.

#### **Second Grant Accomplishments (May 7, 1992 - September 30, 1992)**

A two-day workshop, supported by A.I.D./Colombia and led by the Prosecutor General, was held to guide the Office's top management, including the Deputy Prosecutor General and the Directors of the five Regional Prosecutorial Units, toward understanding the Office's mission, organization, and operation. Additionally, the workshop allowed top management to set immediate priorities for the institution.

A contract was signed to construct a comprehensive judicial information system (legislation, jurisprudence, and doctrine) with funds from A.I.D./Colombia. This system will become a fundamental tool for the prosecutors's work throughout the country allowing them to have immediate access to key judicial information.

A specialist in administrative development and information systems was contracted with funds provided by A.I.D./Colombia to strengthen the administrative procedures and operation of selected prosecutorial units. This specialist, who worked in the Itagui integrated courts--one of the most successful pilot experiences of A.I.D.'s first JSR grant--will replicate that successful experience in the selected units of Bogotá and Cundinamarca.

### **ICITAP Main Activities**

An instructor development course was given to the staff of the Prosecutor General's training academy. The group of fifteen students is among the senior staff who teach subject matters such as law, forensics, crime scene processing, investigations, and other areas across the investigative spectrum. This highly enthusiastic group expressed that, until this course, they had operated only in an empirical fashion in the classroom. The Director of the Academy was one of the graduates of the course and indicated his interest in institutionalizing many of the techniques from the course. This same group will be given an additional course in case management for instructors. In addition forensic experts will be provided additional training in the overview of investigative techniques so that they may in turn provide such courses.

A manual for investigative and administrative policies and procedures was completed during this quarter from technical assistance to the Office of Special Investigations. A working group from this elite investigative corps was assigned to work with ICITAP's technical expert in the development of this initiative. The result of this collaborative effort is a manual which fulfills the specific requirements of this inspector-general-like office which handles the most sensitive public corruption cases, as well as allegations of human rights violations. The manual will enable the office to conduct investigations on a more systematic fashion while providing the necessary administrative oversight of a heavy case load. This technical assistance complements training in the investigation of human rights violations and financial crimes investigative training which is ongoing.

Office equipment was donated to the Office of Special Investigations. This equipment included a large photocopy machine, fax machine, executive telephones, calculators, typewriters, and miscellaneous supplies. This equipment was necessary to increase the efficiency of the office in areas of public corruption investigations and human rights violations. Also donated were twelve hand held radios for members of the protective detail of the Colombian Attorney General. This equipment, donated after a special request by the Attorney General, complements protection techniques of which was provided to these bodyguards in May of 1992.

Arrangements were finalized for the shipping of 30 transportable crime scene kits to be used in conjunction with a specialized crime scene course.

Next to the president, the Prosecutor General is the most threatened man in Colombia. In the face of increased violence to judicial sector personnel, ICITAP was able to respond promptly to the Prosecutor General's need for protection since he is responsible for the prosecution of Pablo Escobar and other top drug traffickers. A protection techniques course was given to 25 bodyguards of the Prosecutor General. These bodyguards were given a pre-test on the subject which resulted in an average score of 69. A post-test was given as well, and the average test score was 92.

The September 1992 murder of a judge and her three bodyguards in Medellín brought judicial protection to the forefront again. The judge was about to issue a verdict against Pablo Escobar for the murder of newspaper publisher Guillermo Cano. The GOC responded with a call for more effective protection for its judges. ICITAP provided one person-month of technical assistance to a judicial protection working group which is headed by the

**Minister of Justice.** A preliminary study was conducted to examine the current protection situation as it pertains to judicial personnel. This study was coordinated with various sections of the U.S. Embassy and with respective Colombian authorities.

An overview of investigative techniques course was provided to 56 judges, prosecutors, and investigators in Paipa, Boyacá. These judicial officers serve in various cities of this rural state which is approximately three hours north of the Colombian capital of Bogotá. The course was particularly beneficial to this group since they do not always have access to forensic specialists in crime scene matters. During question and answer sessions, it was apparent that many of the participants were not up to par in evidence recognition and significance. A lack of knowledge in this area could be potentially damaging to case prosecution since valuable evidence could be either overlooked or rejected.

Indicators for measuring the impact of this project are still being developed.

**USAID/Colombia Alternative Development Projects in Design**

<b>PROJECT NAME/NUMBER</b>	<b>PRELIMINARY DESIGN DOCUMENT APPROVED</b>	<b>DESIGN DOCUMENT APPROVED</b>	<b>GRANT EXECUTED</b>	<b>RFP ANNOUNCED</b>	<b>CONTRACTOR SELECTED</b>	<b>TECHNICAL ASSISTANCE TEAM IN THE FIELD</b>
Training and Technical Assistance (514-9003)	■	■				
Drug Awareness and Education (514-9004)	■					

## PERU

PROJECT NAME	PROJECT NUMBER	START/END DATES	PROJECT FUNDING	EXPENDED TO DATE
Economic Stabilization and Recovery	527-0344	1991-1994	\$330 million	\$20 million

**PROJECT PURPOSE:** To strengthen Peru's commitment and efforts to establish a sound economic policy framework that serve as the foundation for economic stability and sustained economic growth. The program also addresses the problem of a macroeconomic framework that facilitates the creation of alternate sources of income to advance counter-narcotics objectives.

**PROJECT DESCRIPTION:** The 1991 Program provided \$50 million in balance of payments assistance in direct support of the Government of Peru's (GOP) economic reform program. The U.S. dollars financed servicing of GOP debt to the IMF, the World Bank, and the Inter-American Development Bank. The U.S. dollars are deposited into a separate Central Reserve Bank (BCR) account in three disbursements; the BCR will be the custodian for the separate dollar account transactions. The local currency counterpart generated (\$20 million planned) is deposited into a special account in the BCR, prior to release of dollars to pay debt; this account is managed by the Ministry of Economy and Finance, according to normal practices and controls. Local currency will be programmed to finance general budget support with a preference for budget programs that support counter-narcotics activities.

**GENERAL COMMENTS:** The GOP met the Conditions Precedents for the first disbursement in December 1991. The two remaining disbursements have been blocked following the events of April 5. There were significant delays in disbursement of the first tranche because the GOP did not provide the counterpart contribution originally planned (equivalent to the 100 percent of the dollar transfer). The program was amended to reduce the requirements for counterpart contributions, based on instructions from A.I.D.'s LAC Bureau. The program agreement was renegotiated to provide for generation of counterpart funds at a lower level, to cover A.I.D. trust fund requirements, grantee management costs, and (in final two tranches, not yet disbursed) financing of high priority projects. Suspension of USG direct assistance to the GOP until democracy is restored includes this program. The remaining \$30 million is expected to be disbursed in the next few months. However, the final decision depends on Washington's review of conditionality, which was added to the program after the PAAD was written.

The following is a list of indicators to monitor the results of the project. All of them correspond to the economic targets, benchmarks, and limits established with the IMF. Most indicators are available quarterly, though some are available only yearly.

**Economic Stabilization and Recovery Project (527-0344)**

**PERU**

INDICATORS	OCT 91- MAR 92	APR 92- SEP 92	CUMULATIVE 1992	COMMENTS
<b>PURPOSE INDICATORS</b>				
GDP Growth Rate	-2.7%	-5.3%	-3.2%	2.4% in 1991
Inflation Rate	30.6%	20.7%	40.6%	139.2% in 1991
Changes in Net International Reserves (\$m)	471	431	542	773 in 1991
External Debt Disbursements (\$m) (Gross payments)	154	0	125	800 in 1991
Central Government Fiscal Deficit (% of GDP)	1.2%	1.6%	1.1%	2.6% in 1991
Non-financial Public Sector Deficit (% of GDP)			NA	2.7% in 1991
Tax Collection (% GDP)	8.8%	8.5%	8.5%	7.8% in 1991
Internal Financing of Fiscal Deficit (% GDP)	0.6%	-0.2%	-0.5%	-0.4% in 1991 (Non Financial Public Sector - NFPS). Data through July 1992.
External Financing of Fiscal Deficit (% GDP)	2.7%	1.5%	1.3%	3.1% in 1991 (NFPS). Data through July 1992.
Public Investment (% GDP)	1.3%	1.5%	1.3%	1.6% in 1991
Private Investment (% GDP)	20%	19.3%	19.9 %	12.4% in 1991. Preliminary data.
Primary Emission Growth Rate (Nominal)	4.5%	27.4%	37.7%	95.9% in 1991
Primary Emission Growth Rate (Real)	-4.7%	5.3%	-2.3%	-21.0% in 1991
Central Bank Net Domestic Credit (Million Soles)	-30.1	-27.7	-29.2	52.7 in 1991
Net Domestic Credit to the Public Sector (Thousand Soles)	479	-1,779	-1,827	63 in 1991

Source: Central Reserve Bank.

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PROJECT NAME	PROJECT NUMBER	START/END DATES	PROJECT FUNDING	EXPENDED TO DATE
Export Promotion	527-0349	1991-1997	\$ 19.5 million	\$0.36 million

**PROJECT PURPOSE:** To strengthen Peru's non-traditional export sector to replace coca exports with non-coca foreign exchange.

**PROJECT DESCRIPTION:** The project provides technical assistance through an Institutional Contractor to non-traditional exporters in agriculture and industry and export promotion services capability to the Association of Exporters (ADEX) and other export promotion organizations to provide export services after the project ends.

**GENERAL COMMENTS:** Although the project was started in September of 1991, it has not yet made substantial progress because of contracting delays. Contracting of the Institutional Contractor was first postponed as a consequence of April 5th events, leaving project activities at a minimum maintenance level. Recently, the contracting process has been postponed again awaiting A.I.D./W guidance on the implications of FAA Section 599. As a result of travel restrictions of U.S. technicians to Peru, ADEX and International Executive Services Corps (IESC) have severely limited their activities since August 1992. Both institutions are currently working on alternative plans to allow implementation despite current difficulties. ADEX has made significant advances in implementing their approved annual work plan. A total of fourteen experts in fields, such as dry bean production, jewelry, pattern making and quality control systems for fish processing plants have participated in workshops/seminars on the latest developments in their fields. They have provided technical advisory services to various companies in Lima and the provinces, including one seminar in the Upper Huallaga Valley. IESC has also provided selected companies with technical advisory services through retired executives who have spent one to two months solving production/marketing problems. Once A.I.D./W's guidance on the implications of the new legislation is received, USAID/Peru will modify the request for proposal (RFP) as required and will continue with the process for contracting the Institutional Contractor.

The following outputs represent only the initial activities performed by the project. Both outputs and indicators will be revised upon the arrival of the institutional contractor.

**Export Promotion Project (527-0349)**

**PERU**

<b>OUTPUT INDICATORS</b>	<b>OCT 91- MAR 92</b>	<b>APR 91- SEP 92</b>	<b>CUMULATIVE</b>	<b>COMMENTS</b>
<b>Improved export promotion services capability</b>				ADEX is receiving support
<b>Market leads developed</b>				
<b>Increased production, management and marketing capability of export sector</b>				
<b>Number of Workshops/Seminars and Technical Advisory Services provided on:</b>				
<b>Coffee</b>		1	1	Assistance in marketing
<b>Garlic</b>		1	1	Assistance in production
<b>Fruits and Vegetables</b>		1	1	Assistance in marketing
<b>Beans</b>		2	2	Assistance in marketing and production
<b>Jojoba</b>		1	1	Assistance in production
<b>Seafood for human consumption</b>		1	1	Assistance in production
<b>Apparel</b>		1	1	Assistance in production
<b>Jewelry</b>		1	1	Assistance in production
<b>Improved quality and competitiveness</b>				
<b>Technical Assistance interventions</b>				
<b>Metal mechanics</b>		1	1	Assistance in technology
<b>Textiles</b>		2	2	Assistance in management, technology and product development

**Export Promotion Project (527-0349)****PERU**

<b>OUTPUT INDICATORS</b>	<b>OCT 91- MAR 92</b>	<b>APR 91- SEP 92</b>	<b>CUMULATIVE</b>	<b>COMMENTS</b>
Chemicals		2	2	Assistance in technology and product development
Packaging products		1	1	Assistance in product development
Food processing		1	1	Assistance in management
Fisheries		1	1	Assistance in technology
Trading services		2	2	Assistance in technology

PROJECT NAME	PROJECT NUMBER	START/END DATES	PROJECT FUNDING	EXPENDED TO DATE
Upper Huallaga Area Development	527-0244	1981-1992	\$27.9 million	\$25.6 million

**PROJECT PURPOSE:** To support the Government of Peru (GOP) development and narcotics control activities in the Upper Huallaga Valley (UHV) by strengthening public sector agricultural support services and expanding rural and community development activities.

**PROJECT DESCRIPTION:** The Upper Huallaga Area Development (UHAD) Project develops and transfers appropriate agricultural technologies to strengthen agricultural support services in the UHV. Project activities have concentrated on reestablishing GOP agricultural development services in the Valley. These activities include: 1) adaptive research to determine the agronomic, economic, and socio-cultural feasibility of agricultural technologies packages; 2) expanding and upgrading existing extension services; 3) upgrading the capacity of the local University of the High Jungle (UNAS) to train agricultural scientists and conduct farm-level, agricultural seminars for extension workers and small-scale farmers; 4) providing short- and long-term agricultural credit; 5) strengthening farm production activities (e.g. land registration, grain storage facilities, agricultural and resource information); 6) improving road maintenance; and 7) providing potable water systems and related community development facilities.

**GENERAL COMMENTS:** In July 1991, \$2,500,000 from PL-480 generated local currency was disbursed for the construction of the Picota bridge over the Huallaga River and for the Ponaza Integrated Development Program. The UHAD Project pilot activities in the Picota and Ponaza areas are beginning to show results. The Picota bridge will be completed by April 15, 1993 and will provide access to the Ponaza and Biabo Valleys with a combined crop production area estimated to be 14,000 hectares, with great potential as major agricultural production centers. Because law enforcement activities from the Santa Lucia Base have reduced coca production in the area near the base, these other valleys are expanding coca cultivation. The bridge will be a major accomplishment for the Alternative Development project and will provide a major psychological boost in convincing the local population that the USG is serious in providing farmers with viable alternatives to coca. The opening of the bridge will benefit approximately 11,000 people. The pilot activities in the Ponaza Valley began in late August 1992 and resulted in the completion of eight kilometers of road rehabilitation, construction of a health center, six community nurseries, one eight-classroom school building, one potable water distribution system, and eight separate classrooms at different locations.

These activities are part of an agreement to provide development packages to communities in return for a voluntary reduction of the area planted to coca. An agreement has already been signed with the community of Shamboyacu, a new coca growing and processing area. As of September 1992 approximately eight kilometers of road between Huañipo and Alfonso Ugarte had been rehabilitated. It is now working on the five kilometers between Alfonso Ugarte and Shamboyacu. This portion of the road is critical in convincing farmers to abandon coca production for licit crops because it is located near areas where coca is produced. According to local sources in the Ponaza Valley, farmers are not earning much from coca. Terrorism and health risk factors are other factors encouraging them to change to licit crops. At the present time, because of the lack of roads and trucks, there is no viable alternative to coca.

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In the province of Tocache, the pilot activity Democratic Community Development (DCD) began in May 1992 and has already completed 28 out of 30 community projects during the first phase. The DCD activity is focused on local democratic decision making and the setting of development priorities with special self-help budgets. The response to new pilot activities by all levels of government (local, regional, national) and by the citizens, has been overwhelming. The purpose of DCD is to promote greater community involvement in government activities and provide small-scale, community development projects. During the first stage of this activity, 30 communities participated in the program. The DCD program has already finished the programmed works: eighteen classrooms; seven health centers, three potable water systems, and two small hanging bridges for transportation across the river. The Municipality of Tocache has already signed an additional clause to program a series of additional community works for the next months. An in-house evaluation of the DCD project showed that the provincial government has done a good job in developing community participation and has responded positively to suggestions from USAID on how to improve the project.

**Upper Huallaga Area Project (527-0244)**

**PERU**

<b>INDICATORS</b>	<b>OCT 91- MAR 92</b>	<b>APR 91- SEP 92</b>	<b>CUMULATIVE</b>	<b>COMMENTS</b>
<b>PURPOSE INDICATORS</b>	Year 1990		Year 1991	(Baseline = 1980). Problems of weather, marketing, and credit constrained 1991 levels.
<b>Agricultural Production</b>				
Rice (hectares)	9,114		2,618	19% above 1980 level
Maize (hectares)	8,104		5,650	-19% below 1980 level
Banana (hectares)	9,662		9,782	88% above 1980 level
Yucca (hectares)	6,896		6,399	191% above 1980 level
Rice (metric tons)	32,800		8,261	150% above 1980 level
Maize (metric tons)	14,700		11,211	33% above 1980 level
Banana (metric tons)	74,700		75,949	143% above 1980 level
Yucca (metric tons)	61,700		57,730	110% above 1980 level
<b>OUTPUT INDICATORS</b>				
<b>Agricultural Support Services Developed and Provided</b>				
Number of Persons who Received Long-term Agricultural Training			19	100% of LOP target
Number of Demonstration Plots Planted	312	258	2,127	71% of LOP target
Number of Farmers who Received Technical Assistance	1,818	2,366	17,589	97% of LOP target
Production of Seeds of Alternative Crops (rice, maize, beans) (kilograms)	22,024	55,068	218,791	51% of LOP target

**Upper Huallaga Area Project (527-0244)**

**PERU**

<b>INDICATORS</b>	<b>OCT 91- MAR 92</b>	<b>APR 91- SEP 92</b>	<b>CUMULATIVE</b>	<b>COMMENTS</b>
Production of Seedlings of Alternative Crops (cacao, coffee, banana, yucca, citric) (units)	327,886	452,623	1,833,010	222% of LOP target
Number of Statistical Reports Published	3	3	16	178% of LOP target
Number of Land Titles Registered	123	460	5,159	93% of LOP target. These titles cover approximately 103,000 hectares of land.
Amount of Credit Provided	\$1,222,000	\$1,391,184	\$5,619,007	125% of LOP target
Number of Loans Provided	151	607	2,999	
Construction of a rice mill	23%	42%	65%	65% completed
Construction of a pineapple processing plant	40%	52%	92%	92% completed
Construction of a banana processing plant	20%	65%	85%	85% completed
<b>Roads Rehabilitated</b>				
Kilometers of Road repaired	57.5	114.7	1,396.7	91% LOP target
<b>Community Projects Developed</b>				
Community Vegetable Gardens installed	18	183	239	5,281 families benefitted
Community Small Animal Farms installed	19	49	108	2,274 families benefitted
Number of Fish Farms Installed	2	3	13	217% LOP target 1,300 families benefitted
Classrooms constructed/rehabilitated	18	46	575	28,750 students benefitted
Number of Rural Potable Water Systems Installed	5	1	40	6,600 families benefitted

**Upper Huallaga Area Project (527-0244)****PERU**

<b>INDICATORS</b>	<b>OCT 91- MAR 92</b>	<b>APR 91- SEP 92</b>	<b>CUMULATIVE</b>	<b>COMMENTS</b>
Number of Persons Trained in Health Promotion	329	115	3,524	
Health Centers constructed/rehabilitated	5	10	99	3,920 families benefitted

PROJECT NAME	PROJECT NUMBER	START/END DATES	PROJECT FUNDING	EXPENDED TO DATE
Administration of Justice	527-0303	1986-1993	\$4.1 million	\$2.15 million

**PROJECT PURPOSE:** To support the Government of Peru (GOP) in developing programs to improve administrative, technical, and legal performance of the principal institutions within Peru's judicial sector with emphasis on the area of criminal justice.

**PROJECT DESCRIPTION:** The project will identify and foster local efforts to prosecute cases, particularly those related to narcotics trafficking and terrorism, justly and speedily; raise professional standards for judges and prosecutors; organize and manage judicial personnel; improve administrative planning and budgeting skills and system capacity; and more generally, to inspire trust in judicial institutions and the rule of law.

**GENERAL COMMENTS:** The Administrative Office of the Judicial Branch is making use of its new computerized information system for payrolls, personnel register, and financial support. Through the case tracking system that will be established, statistical reports will show the addresses of the users and social status, thereby determining the type of access that various socio-economic groups have to the judicial system. The project has also supported the development of the National Registry of Detainees within the Public Ministry using data collected by the Armed Forces and National Police.

Following the GOP's suspension of constitutional rule on April 5, 1992, all Administration of Justice Project activities were suspended until August, when a number of U.S. Mission-imposed conditions had been met. During this period a major effort in project reprogramming was undertaken, which culminated in the signing of Grant Agreement Amendment Number 4 on September 30. As a result, 1) the project's authorized completion date has been extended an additional year, to December 31, 1993, 2) \$660,000 in additional grant funds have been obligated, 3) Project design has been simplified, being reduced from 23 sub-projects to 4 activities, and 4) Project implementation responsibilities, previously held by the three GOP institutions cited above, were transferred to A.I.D. On October 30 A.I.D signed a contract with a post-graduate school of business administration to completely reorganize the Public Ministry. USAID/Peru anticipates signing another major contract in the near future to assist in the development of Peru's prosecutorial system.

**Administration of Justice Project (527-0303)**

**PERU**

<b>INDICATORS</b>	<b>OCT 91- MAR 92</b>	<b>APR 91- SEP 92</b>	<b>CUMULATIVE</b>	<b>COMMENTS</b>
<b>STRATEGIC OBJECTIVE INDICATORS</b>				
Percentage of Public with No Confidence in the Judicial System			79%	Public opinion poll (1991)
Percentage of Lower Socio-economic Groups with Access to the Judicial System				Data not yet available
Number of Accusations of Disappearances Reported to the Public Defender's Office	130	277		
<b>PURPOSE INDICATORS</b>				
Percentage of Persons in Penitentiaries Awaiting Trial			75%	Judicial Statistics (1991)
Average Time for Judicial Process			2 years and 2 months	Judicial Statistics (1991)
Ratio of Number of Trials Processed and Number of Trials Pending			24%	Judicial Statistics (1991)
<b>OUTPUT INDICATORS</b>				
<b>Ministry of Justice</b>				
Number of Legal Aid Offices Functioning	31		31	172% of LOP target
Number of Legal Consultations	17,500	12,500	105,500	1,055% of LOP target
Number of Users at Enhanced Legal Library	1,000	500	1,500	
Number of Volumes at Enhanced Legal Library	500	50	550	Purchased this period with PL-480 funds

**Administration of Justice Project (527-0303)**

**PERU**

<b>INDICATORS</b>	<b>OCT 91- MAR 92</b>	<b>APR 91- SEP 92</b>	<b>CUMULATIVE</b>	<b>COMMENTS</b>
<b>Public Ministry</b>				
Development of manuals for application of new Criminal Procedure Code (percent completed)	20%	0	20%	New Criminal Procedural Code had been postponed again. It will be operating in January 1994. ICITAP is providing assistance.
Establishment of National Registry of Detainees	30%	20%	50%	Cooperative Agreement Signed January 1992.
Cases Resolved by the Special Prosecutor's Office	54	108		Estimates
Number of Prosecutors Trained	225	60	965	102% of LOP target
Number of Courses developed	7	3	68	Funded this period with PL-480 funds
Percentage of Prosecutor's Offices with Manual Case Tracking System	20%	20%	80%	Funded this period with PL-480 funds
<b>Judicial Branch</b>				
Development of manuals for application of new Criminal Procedure Code (percent completed)	20%	0	20%	New Criminal Procedural Code had been postponed again. It will be operating in January 1994. ICITAP assistance.
Number of Judges Trained in Academy Courses	135	30	405	68% of LOP target
Number of Courses developed	4	1	19	Funded this period with PL-480 funds
Number of Courts Implementing Manual Case Tracking System	10	10	10	25% of LOP target
Financial and Personnel System Designed and Implemented	1	0	1	100% of LOP target. Designed and implemented in 1991.

**Administration of Justice Project (527-0303)**

**PERU**

INDICATORS	OCT 91- MAR 92	APR 91- SEP 92	CUMULATIVE	COMMENTS
<b>National Police</b>				
Development of manuals for application of new Criminal Procedure Code (percent completed)	20%	0	20%	New Criminal Procedural Code had been postponed again. It will be operating in January 1994. ICITAP assistance.
Establishment of National Registry of Detainees	30%	20%	50%	Cooperative Agreement signed in January 1992.
National Organization to Support Judicial Reform Established				Sector Assessment reproduced and distributed. Technical assistance from National Center for State Courts in early May.

PROJECT NAME	PROJECT NUMBER	START/END DATES	PROJECT FUNDING	EXPENDED TO DATE
Drug Education and Public Awareness	527-0288	1985-1992	\$6 million	\$5.53 million

**PROJECT PURPOSE:** To increase public awareness of problems in Peru related to the production, trafficking, and abuse of illicit drugs and the social, political, economic, and health consequences of these activities.

**PROJECT DESCRIPTION:** The project met its objectives through two interrelated components. The primary focus was directed to the creation and operation of a Peruvian private, non-profit Drug Education and Information Center (CEDRO) under the guidance of the U.S. contractor Development Associates Inc. The secondary focus was the strengthening of public sector programs that complemented the work of the Center. To this end the project granted \$368,874 to the Ministry of Education and \$80,950 to the Ministry of Health through the National Institute for Mental Health.

**GENERAL COMMENTS:** After seven years the Drug Education and Public Awareness (DEPA) Project reached its completion date on September 30, 1992. During this final reporting period, CEDRO completed the field work of its third epidemiological and public opinion studies, the results of which will be available in early 1993. CEDRO anticipates that around 80% of the Peruvian population now thinks that drugs constitute a major problem for their country. CEDRO completed the construction of the three facilities for the Street Children Program (partially financed by the U.S. Congress "Displaced Children Program), " which are already used by an average of 60 kids at any given time. On September 29, 1992 USAID/Peru authorized the Narcotics Education and Community Initiatives Project, the follow-on project to the DEPA Project. The new project will be implemented by CEDRO over five years.

**Drug Education and Public Awareness Project (527-0288)**

**PERU**

INDICATORS	OCT 91- MAR 92	APR 91- SEP 92	CUMULATIVE	COMMENTS
<b>PURPOSE INDICATORS</b>				
Percentage of Public Who Think Drugs Are a Problem for Peru			71.5%	Refers to "one of the three major problems", 30% think it "is <i>the</i> major problem." Figures are preliminary. Definite results of the third public opinion survey will be available by early 1993.
<b>OUTPUT INDICATORS</b>				
Private Drug Education and Information Center Established	0	0	1	100% of LOP target
Sustainability of Information Center (% of non-A.I.D. funding)			10%	10% of LOP target. Despite severe economic conditions CEDRO was able to raise a \$150,000 endowment fund.
<b>Increased Dissemination of Drug Awareness Information</b>				
Number of Publications	104	162	1,898	112% of LOP target
Number of Radio/TV Spots	1	2	35	100% of LOP target
Number of Conferences	12	9	181	93% of LOP target
Number of Information Requests Attended to by CEDRO	2,535		32,318	98% of LOP target
Number of People Trained and Informed	9,156	18,500	480,000	96% of LOP target
<b>Increase Awareness of Adverse Effects of Drug Production on Peru</b>				
Number of Public Debates and Seminars	2	0	5	100% of LOP target
Number of Press Articles, TV/Radio Presentations	524	420	4,190	95% of LOP target

**Drug Education and Public Awareness Project (527-0288)**

**PERU**

<b>INDICATORS</b>	<b>OCT 91- MAR 92</b>	<b>APR 91- SEP 92</b>	<b>CUMULATIVE</b>	<b>COMMENTS</b>
Number of Briefings to Opinion Leaders	21	23	64	73% of LOP target
<b>Increased Network of Organizations/Programs in Awareness and Prevention</b>				
Number of Local, Proactive Prevention Programs	5	3	20	100% of LOP target
Number of Organizations Incorporated into Network	1	0	1,985	99% of LOP target
Incidence, Prevalence, and other Drug Related Studies Completed	0	0	5	71% of LOP target. Most recent survey has been conducted but the analysis is not yet completed.
<b>High School Drug Prevention Curriculum</b>				Activities for these outputs started in November 1991.
Number of Schools with Curriculum	35	79	114	97% of LOP target
Number of School Teachers Trained in Curriculum	3,240	5,560	8,800	81% of LOP target
Number of Students Benefitting from Curriculum	30,000	65,500	95,500	96% of LOP target

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PROJECT NAME	PROJECT NUMBER	START/END DATES	PROJECT FUNDING	EXPENDED TO DATE
Policy Analysis, Planning and Implementation	527-0343	1990-1995	\$7.2 million	\$0.629 million

**PROJECT PURPOSE:** To assist the Government of Peru (GOP) and the private sector in developing sound economic policies and strengthening the policy dialogue and decision-making process.

**PROJECT DESCRIPTION:** The project provides high-level technical expertise to meet the needs of the GOP for planning, developing, implementing, and monitoring economic policies, programs, and projects. Macroeconomic analyses and information dissemination related to policy analysis and the decision-making process will benefit both the public and the private sectors. High-level participation through the Inter-agency Committee for Financial and Economic Affairs and the Office of Secretary of the Presidency ensures that the project addresses priority policy areas in the public sector. Private sector policy analysis is organized by the National Confederation of Private Enterprise Institutions (CONFIEP).

**GENERAL COMMENTS:** Shortly after the selection of the Institutional Contractor (Development Economics Group), the political events of April 5th resulted in a temporary suspension of the project's support to the public sector, and as a consequence, the initiation of the Institutional Contractor work plan was halted until approval from Washington. The Project continued supporting private sector initiatives channeled through CONFIEP. Several study/research projects resulted in a significant number of new decrees and norms, all with direct impact on macroeconomic performance (see attached list. Two additional study/research projects will be conducted in the near future: an exchange rate policy study and a project on structural reforms for the tourism sector. Approval for a partial initiation of the work by the Institutional Contractor was granted recently and a partial team will start their activities in December 1992.

INDICATORS	OCT 91- MAR 92	APR 91- SEP 92	CUMULATIVE 1992	COMMENTS
<b>PURPOSE INDICATORS</b>				
GDP Growth Rate	-2.7%	-5.3%	-3.2%	2.4% in 1991. Average percentage increase over the same period of the previous year.
Inflation Rate	30.6%	20.7%	40.6%	139.2% in 1991
Export Growth Rate	0.5%	1.4%	4.2%	0.1% in 1991. Average quarterly growth rate.
Net International Reserves (\$ million)	471	431	542	\$773 million in 1991
Fiscal Deficit as % of GDP		2%	1.5%	Non-Financial Public Sector Deficit. Preliminary July 1992 data. Total in 1991 was 2.7%
Fiscal Deficit as % of GDP (Central Government)	1.2%	1.6%	1.1%	Percentage in 1991 was 2.6%.
Foreign Direct Investment (\$ million)	9	43	80	Preliminary June 1992 data. Total in 1991 was \$10 million.
Private Investment as % of GDP	20%	19.3%	19.9%	Estimates. Percentage in 1992 was 12.4%.
Improved Economic Policy Climate (Represents Progress Toward Achieving Target Score, i.e. Economic Policy Framework as Good as Chile's)				Economic Policy Score Index from the Futures Group is Currently Used. See attached.
<b>OUTPUT INDICATORS</b>				
<b>Mid-level GDP and Private Sector Training</b>				
Short-term Training (Person Months)	1		1	Person from Vice-Ministry of Industry. Course in restructuring industrial enterprises.

1991

**Policy Analysis, Planning and Implementation Project (527-0343)**

**PERU**

INDICATORS	OCT 91- MAR 92	APR 91- SEP 92	CUMULATIVE 1992	COMMENTS
Long-term Training (Masters Degrees)				To be preformed by institutional contractor
In-country Training (Person Months)				To be preformed by institutional contractor
Policy/Regulatory/Institutional Constraints Resolved				
Policy/ Regulatory Studies (See tables attached)				

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**POLICY ANALYSIS, PLANNING AND IMPLEMENTATION PROJECT**  
**ECONOMIC POLICY SCORE INDEX**  
 (Actuals and targets)  
 October 1992

PERU

Category Weights	Policy Areas	Policy Criteria	Policy Weights "The Ideal"	1980-1988 Baseline 1 Index		1989 Baseline 2 Index		1990-1991 Actual Index		1992 Current Index		1992-1993 Target Index	
				Rating	Score	Rating	Score	Rating	Score	Rating	Score	Rating	Score
19	Trade policy	Low and uniform non-tariff barriers	9	60%	5.4	20%	1.8	80%	7.2	90%	8.1	85%	7.65
		Low and uniform tariff barriers	6	60%	3.6	30%	1.8	70%	4.2	85%	5.1	80%	4.8
		No local content regulations	4	50%	2.0	30%	1.2	90%	3.6	90%	3.6	90%	3.6
14	Exchange rate policy	Market determined exchange rate	9	50%	4.5	20%	1.8	90%	8.1	90%	8.1	95%	8.55
		Minimal exchange controls	5	70%	3.5	10%	0.5	100%	5	100%	5.0	100%	5
11	Credit policy	Market-driven real interest rates	7	70%	4.9	20%	1.4	90%	6.3	100%	7.0	90%	6.3
		Minimal preferential interest rates	1	60%	0.6	30%	0.3	80%	0.8	90%	0.9	85%	0.85
		Equal access to capital	3	60%	1.8	30%	0.9	70%	2.1	80%	2.4	80%	2.4
11	Wage/price policies	Limited wage and price controls	7	70%	4.9	20%	1.4	90%	5.3	95%	6.7	95%	6.65
		Minimal subsidies	4	70%	2.8	20%	0.8	90%	3.6	100%	4.0	90%	3.6
10	Tax and expenditure policies	Balanced budget/slight surplus	6	60%	3.6	40%	2.4	90%	5.4	95%	5.7	90%	5.4
		Reduced marginal tax rate	2	50%	1.0	50%	1.0	40%	0.8	60%	1.2	45%	0.9
		Equitable/uniform tax collection	2	50%	1.0	50%	1.0	50%	1	70%	1.4	55%	1.1
10	Role of State	Divest non-strategic SOE's	5	40%	2.0	20%	1.0	40%	2	70%	3.5	50%	2.5
		Franchise out state services	2	40%	0.8	40%	0.8	50%	1	80%	1.6	55%	1.1
		Simulated privatization	3	60%	1.8	40%	1.2	60%	1.8	80%	2.4	65%	1.95
7	Investment policy	Non-discriminatory treatment	6	60%	3.6	40%	2.4	100%	6	90%	5.4	100%	6
		Proactive promotion	1	60%	0.6	40%	0.4	80%	0.8	90%	0.9	85%	0.85

Category Weights	Policy Areas	Policy Criteria	Policy Weights "The Ideal"	1980-1988 Baseline 1 Index		1989 Baseline 2 Index		1990-1991 Actual Index		1992 Current Index		1992-1993 Target Index	
				Rating	Score	Rating	Score	Rating	Score	Rating	Score	Rating	Score
18	Legal, regulatory and judicial environment	Free flow of market information	2	70%	1.4	70%	1.4	80%	1.6	70%	1.4	80%	1.6
		Private property rights	9	70%	6.3	50%	4.5	70%	6.3	70%	6.3	70%	6.3
		Efficient gov. administration	2	50%	1.0	50%	1.0	50%	1	60%	1.2	55%	1.1
		Legal and accounting system	2	60%	1.2	60%	1.2	60%	1.2	60%	1.2	60%	1.2
		Infrastructure	3	50%	1.5	30%	0.9	20%	0.6	50%	1.5	20%	0.6
100	TOTAL REFORM SCORE		100		59.8		31.1		76.7		84.6		80

Source: Center for International Private Enterprise; APOYO. Current index reflects estimates of the USAID/Peru Economics Office.

## MAJOR POLICY REFORMS STUDIES OF THE PAPI PROJECT

PAPI ACTIVITY FOR PUBLIC SECTOR	REQUESTED BY	ANTICIPATED OBJECTIVES/ COMPLETION DATE	RESULTS TO DATE
Finance Export Sector Technical Assistance	Ministry of Economy and Finance (MEF)	Strategy to evaluate barriers and options for export financing. 5/92	Activities Report received in May 1992.
Re-entry into International Financial Systems Study	Secretary of the Presidency (SEP)	Formulate strategy for re-entry into International Financial System. Support structural adjustment. 4/92	Final Activities Report received April 20, 1992. Identification of role of three economic powers led by USA, Europe, and Japan. Redefine role of foreign investment in Peruvian development. Designed new approach to international financial system in which economic, commercial and financial variables predominate over political strategic variables.
Executive Branch Legal Framework Study	SEP	Develop legal framework for efficiency of Executive Branch functions. 5/92	Final Activities Report received in May 1992.
Public Investment Promotion Study	SEP	Design efficient long-range investment promotion policy for 1992-1995. 10/92	Project suspended at request of SEP.
Foreign Trade Legal Advisor. Technical Assistance	MEF	Design legal framework for liberalization and reform of foreign trade regulations. 7/91	Activity Report received August 14, 1991. Developed strategy for negotiation with Andean Group. Deactivated Institute of Foreign Commerce (ICE). Restructured SUNAD (customs). Legal decrees governing tariff reductions led to sweeping liberalization of trade structure.

<b>PAPI ACTIVITY FOR PUBLIC SECTOR</b>	<b>REQUESTED BY</b>	<b>ANTICIPATED OBJECTIVES/ COMPLETION DATE</b>	<b>RESULTS TO DATE</b>
Alternative Energy Policy Report	MEF	Evaluate economic and budgetary impact of energy policies; recommended options and alternatives in policy to promote efficiency of resources. Compile information base related to legal framework for the hydrocarbons sector. 8/91	Report received August 26, 1991. Contractor recommendations and information base provided input to Legislative Decree 655 which eliminated PetroPeru monopoly and created a basis for privatization.
Evaluate Public Enterprises for Reduction of State Participation Report	MEF	Evaluate state-owned enterprises. Prioritized privatization of enterprises. Coordinate actions of institutions involved in privatization. 8/91	Report received August 14, 1991. Developed guidelines for State to reduce its participation in the economy. Coordinated three seminars and other programs among state institutions to "sell" privatization, then met with investors and multilaterals to coordinate support.
Evaluate State-owned Banks Report	MEF	Recommendations for fusion of state banks. Evaluate ties with Central Bank (BCR). 8/91	Report received August 1, 1991. Recommended fusion of State-owned banks into one, and to break ties with BCR; resulted in decision to unify four state-owned banks into one.
Tariff Policy Reform Technical Assistance	MEF	Recommend actions to eliminate restrictive tariff policies. Monitor and analyze economic impact of March 1991 tariff reforms.	Activities Report received July 26, 1991. Supervised dismantling of quantitative and administrative tariff restrictions. Developed strategy of negotiation with Grupo Andino for tariffs.
External Debt Negotiation Technical Assistance	MEF	Strategies to negotiate Peru's external debt rescheduling. 8/91	Paris Club Debt Rescheduling Accord signed September 17, 1992.
Public Investment Policy Report	MEF	Prioritize public sector investment policy to promote efficiency in resource allocation. 2/92	Report received February 21, 1992. Recommendations have provided input into privatization process.

PAPI ACTIVITY FOR PUBLIC SECTOR	REQUESTED BY	ANTICIPATED OBJECTIVES/ COMPLETION DATE	RESULTS TO DATE
Bilateral and Multilateral Debt Technical Assistance	MEF	Coordinate Support Group resources and negotiate bilateral and multilateral agreements. Attempt to negotiate the timing and amount of disbursements in coordination with external payments due to the IDB and World Bank. 3/92	Activities Report received April 29, 1992. As a follow-up to the Paris Club Debt Accord, ten bilaterals agreements negotiated and signed, represent 65% total funds. Support Group's disbursements were reduced substantially. Multilateral loans in various stages of approval: IDB Financial Sector, IDB Infrastructure and Trade Loans, World Bank Trade Loan, World Bank Structural Adjustment Loan.

<b>PAPI ACTIVITY FOR PRIVATE SECTOR</b>	<b>REQUESTED BY</b>	<b>ANTICIPATED OBJECTIVES/ COMPLETION DATE</b>	<b>RESULTS TO DATE</b>
Mining Sector Investment Study	CONFIEP	Use analysis of current and past treatment of foreign capital investment in certain mining countries to develop recommendation to re-attract foreign investment in the Peruvian mining sector. 4/92	Edited version of final activities report appeared in book form in May 1992.
Tariff Policy Study	CONFIEP (MEF)	Law to establish system of deferred payments of tariffs on imports of capital goods. 4/92	Decree 25702 on taxation; Decree 097-92EF on fractioning and deferece of payments of tariffs on imports of capital goods.
Debt for Investment Study	CONFIEP	Design law to permit debt conversion for new investment. 4/92	Final activities report received in April 1992. Two fora were held to review the draft law which would permit Peru's commercial debt to pay for privatization.
Conference by Professor Stanley Fisher	CONFIEP, University of the Pacific	Conference on Stabilization and Economic Growth	Conference was given as planned. Publication of conference results is under way.
Surveys and Research for Proposed Laws to Consolidate Structural Reforms	CONFIEP	Prepare proposed laws for consolidating structural reforms to establish the legal framework needed to promote investment, attract foreign capital, and result in sustained economic growth for the private sector.	Final activities report received on August 30, 1992. Contains 25 proposed laws, regulations, decrees and other normative documents. Some of these have already been issued as new laws (Decree 25629 which modifies anti-dumping regulations, Decree 25587 on approval of the TUPA system, Decree 25683 on non-performing debt, Decree 014-92EM on mining regulations.

PAPI ACTIVITY FOR PRIVATE SECTOR	REQUESTED BY	ANTICIPATED OBJECTIVES/ COMPLETION DATE	RESULTS TO DATE
Draft Law for Private Investment Growth Study	CONFIEP	Design legal framework for elimination of impediments to private investment growth. Preparation of draft laws.	Resulted in Legal Decree 757, Private Investment Growth, and 758, Privatization of Public Services, both are key to national and foreign investment reform. Research also led to 701 Anti-monopoly law and Decree 662 Law for Promotion of Private Investment, which refers to legal protection of investments, Decree on consumers' protection (716), Decree on regulations of guarantee regimes for private investment (162-92EF). With project funds seven other regulations and Decrees also passed through a revision process (Decrees 668 on foreign trade, 674 on privatization, 704 on free zones for trade and investment, 708 on promotion of mining, 750 on promotion of fishing industry, 724 on the private pension system, 718 on private health services). Two more norms prepared by the project are under consideration of the Executive Branch.
Principles for Constitutional Reform	CONFIEP	Guidelines to consolidate structural reforms in the forthcoming Constitutional Congress	First draft report received. Final report due on November 23, 1992.

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## USAID/Peru Alternative Development Projects in Design

PROJECT NAME/NUMBER	PRELIMINARY DESIGN DOCUMENT APPROVED	MAJOR DESIGN DOCUMENT APPROVED	RFP ANNOUNCED	CONTRACTOR SELECTED	TECHNICAL ASSISTANCE TEAM IN THE FIELD	FIRST OUTPUT REPORTING
	Planned/ Actual dates	Planned/ Actual dates	Planned/ Actual dates	Planned/ Actual dates	Planned/ Actual dates	Planned/ Actual dates
Democratic Initiatives (527-0356)	FY 1994	FY 1994	Not Anticipated (N/A)			
Economic Stabilization and Recovery Program (527-0344)	February 1993	March 1993	N/A	N/A	N/A	March 1992
Judicial Strengthening (527-0352)	March 1993	July 1993	Not Anticipated			January 1994
Narcotics Education and Community Initiatives (527-0347)	April 1992	September 1992	Not Anticipated		October 1992	January 1993
Selva Economic Revitalization (527-0348)	February 1992	To Be Determined	Not Anticipated			June 1993

## **Glossary of Terms for Alternative Development Projects**

**Strategic Objective** - A strategic objective is the highest level accomplishment for which an Alternative Development project can take credit. Strategic objective indicators for direct-impact Alternative Development projects measure non-coca jobs, income, and foreign exchange generated from A.I.D. activities.

**Purpose** - The purpose of a project is what it is supposed to achieve, which, in turn produces results at the strategic objective level. For example, the purpose of a project could be to increase non-coca agricultural production, which, in turn, creates non-coca jobs, income, and foreign exchange.

**Output** - Outputs are the means by which project purposes and objectives are achieved. Examples of typical outputs would be roads built, institutions strengthened, training courses conducted, etc.

**Indicator** - Measures the progress in completing an objective, whether at the output, purpose, or strategic objective level.