

AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON, D. C. 20523

OFFICE OF THE AUDITOR GENERAL  
AREA AUDITOR GENERAL - LATIN AMERICA

AUDIT REPORT  
UNITED STATES A.I.D. MISSION TO BOLIVIA  
SUB-TROPICAL LANDS DEVELOPMENT  
LOAN 511-T-050

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AUDIT REPORT  
UNITED STATES A.I.D. MISSION TO BOLIVIA  
SUB-TROPICAL LANDS DEVELOPMENT  
LOAN 511-T-050

I. INTRODUCTION

THE SUB-TROPICAL LANDS DEVELOPMENT LOAN 511-T-050 WAS GRANTED TO THE GOVERNMENT OF BOLIVIA ON SEPTEMBER 19, 1974. THE PROJECT PURPOSE IS TO INCREASE THE PRODUCTIVITY AND INCOME OF FARM FAMILIES IN CERTAIN LOWLAND AREAS OF BOLIVIA, TO EXPAND PRODUCTION OF FOOD CROPS, AND TO ASSIST THE GOB IN DUPLICATING EFFORTS AT NEW LANDS DEVELOPMENT IN OTHER POTENTIAL AREAS IN THE COUNTRY.

THE AID LOAN, AND ACCOMPANYING GRANT FUNDS, WILL BE UTILIZED IN THE IMPROVEMENT AND CONSTRUCTION OF TWO PENETRATION ROADS IN THE PROJECT AREA AS WELL AS SEVERAL OTHER INTER-RELATED ACTIVITIES DESIGNED TO SUPPORT AGRICULTURAL SETTLEMENT OF THE SUBJECT SUB-TROPICAL LANDS.

THE PRIMARY PURPOSE OF OUR AUDIT WAS TO DETERMINE HOW WELL AID-PROVIDED RESOURCES HAVE BEEN USED IN THE PURSUIT OF PROJECT OBJECTIVES. WE REVIEWED THE FINANCIAL AND MANAGEMENT PRACTICES OF THE COLONIZATION INSTITUTE, AS WELL AS THE MONITORING ACTIONS OF THE USAID.

THROUGHOUT THIS REPORT, LOCAL CURRENCY AMOUNTS ARE EXPRESSED IN UNITED STATES DOLLAR EQUIVALENTS AT THE RATE OF 20.38 BOLIVIAN PESOS TO THE DOLLAR.

II. SUMMARY

THE PROJECT IS ONLY IN ITS INITIAL STAGES OF IMPLEMENTATION AND WE BELIEVE IS HEADED IN THE DIRECTION CONTEMPLATED IN THE LOAN DOCUMENTS. THERE ARE MINOR PROBLEMS WITHIN THE PROJECT WHICH THE USAID IS GIVING ATTENTION TO.

THE TWO PROJECT LOCATIONS HAVE EXPERIENCED PROBLEMS WITH ENGINEERING STUDIES AND SURVEY WORK. MOST PROBLEMS HAVE NOW BEEN FULLY CORRECTED BUT THE COLONIZATION INSTITUTE REQUIRES

THE SERVICES OF A PROJECT MANAGEMENT/EVALUATION ADVISOR. WE RECOMMENDED THAT THE INSTITUTE HIRE THIS ADVISOR AS SOON AS POSSIBLE.

THERE HAVE BEEN DELAYS IN THE PREPARATION OF BID DOCUMENTS FOR PROCUREMENT OF PROJECT EQUIPMENT. ALL DOCUMENTS WERE RECENTLY COMPLETED AND THE USAID DOES NOT BELIEVE THE DELAYS WILL AFFECT THE PROJECT. WE MAKE NO RECOMMENDATION.

THE COLONIZATION INSTITUTE IS CHARGING TO THE PROJECT THE SALARIES OF MANY EMPLOYEES NOT WORKING DIRECTLY ON THE PROJECT. HOWEVER, THE USAID DOES NOT BELIEVE THIS WILL AFFECT THEIR ABILITY TO DETERMINE THE GOB'S DEGREE OF PARTICIPATION IN THE PROJECT. GUIDELINES ON IN-KIND CONTRIBUTIONS ARE BEING DEVELOPED FOR THE GOB'S USE. WE ARE NOT MAKING A RECOMMENDATION IN THE MATTER.

IN AN EXIT CONFERENCE ON JANUARY 30, 1976, USAID PERSONNEL EXPRESSED GENERAL AGREEMENT WITH THE FINDINGS AND RECOMMENDATIONS IN THIS REPORT.

### III. FINDINGS AND RECOMMENDATIONS

#### ENGINEERING STUDIES AND SURVEYS

THERE HAVE BEEN PROBLEMS WITH THE ENGINEERING STUDIES AND SURVEY WORK PERFORMED AT THE PROJECT SITE. OUR REVIEW INDICATED THAT THE TWO PROJECT LOCATIONS HAVE EXPERIENCED THE FOLLOWING PROBLEMS:

#### CHANE-PIRAY AREA

SURVEY WORK FOR THE IMPROVEMENT OF 32 KMS. OF ROADS, OUT OF THE 80 KMS. COMPLETED, WERE ERRONEOUSLY PREPARED BY THE COLONIZATION INSTITUTE. ACCORDING TO THE INSTITUTE'S PROJECT COORDINATOR, THE CAUSE OF THE ERRONEOUS DESIGN CAN BE ATTRIBUTED TO THE TWO ENGINEERS ORIGINALLY RESPONSIBLE FOR THE WORK.

ALL SURVEYING WORK HAS NOW BEEN COMPLETED AND THE FIELD BOOKS HAVE BEEN TURNED OVER TO THE NATIONAL ROADS SERVICE FOR DESIGN WORK. THE DESIGN WORK MAY BE CONTRACTED OUT.

#### SAN JULIAN AREA

THE DESIGN STUDIES ON THE SAN JULIAN PENETRATION ROAD ARE ABOUT FOUR MONTHS BEHIND SCHEDULE. THE CLEARED SURVEY TRAIL WILL REQUIRE SOME REALIGNMENT BECAUSE OF ERRORS IN THE ORIGINAL ALIGNMENT CAUSED BY INACCURATE MAPPING OF THE AREA. A DECISION HAS BEEN MADE TO STRAIGHTEN THE SURVEY TRAIL OUT AND UTILIZE THE ALREADY-CLEARED TRAIL AS AN ACCESS TRAIL FOR SETTLEMENT.

THE MAIN CAUSE OF THE ROUTING PROBLEM WAS A LACK OF ADEQUATE MAPS, AERIAL PHOTOGRAPHY, AND INSUFFICIENT FIELD INVESTIGATION BY THE COLONIZATION INSTITUTE.

IN OUR OPINION THE COLONIZATION INSTITUTE IS NOT ADEQUATELY STAFFED NOR ORGANIZED TO ENSURE EFFECTIVE IMPLEMENTATION OF THE PROJECT. THE SENIOR OFFICIALS ARE LOCATED IN LA PAZ WHILE THE LOWER-LEVEL TECHNICAL AND ADMINISTRATIVE PERSONNEL ARE 1,000 KMS. AWAY AT THE JOB SITE. THE PERSONNEL AT THE JOB SITE DO NOT HAVE AUTHORITY TO MAKE DECISIONS ON CHANGES, CORRECTIONS, OR IMPROVEMENTS WHEN NECESSARY. ALL SUCH ACTIONS HAVE TO BE REFERRED TO SENIOR OFFICIALS IN LA PAZ FOR A DECISION. THIS PROCEDURE, TOGETHER WITH THE LACK OF ADEQUATE COMMUNICATIONS FACILITIES BETWEEN LA PAZ AND THE JOB SITE, MAKE IT VERY DIFFICULT FOR FIELD PERSONNEL TO CARRY OUT THEIR ASSIGNED RE-

SPONSIBILITIES IN A SATISFACTORY MANNER. THE USAID HAS WRITTEN TO THE DIRECTOR OF THE COLONIZATION INSTITUTE SUGGESTING CERTAIN IMPROVEMENTS IN LINES OF PROJECT AUTHORITY AND STAFFING.

THE LOAN PROVIDES FUNDS FOR HIRING A PROJECT MANAGEMENT/EVALUATION ADVISOR. THIS PERSON WOULD DEVELOP THE COLONIZATION INSTITUTE'S ABILITIES TO MANAGE AND EVALUATE DATA FOR MANAGEMENT DECISIONS. HE COULD ALSO ASSIST WITH PROCUREMENT, A TASK THAT HAS BEEN CAUSING THE INSTITUTE MANY PROBLEMS. THE USAID HAS STRESSED THE IMPORTANCE OF STAFFING THIS POSITION TO BOTH THE INSTITUTE OFFICIALS AND THE SUB-SECRETARY OF AGRICULTURE. RECRUITMENT FOR THE POSITION IS IN PROCESS. WE BELIEVE IT IS IMPORTANT TO THE SUCCESS OF THE PROJECT THAT THE INSTITUTE CARRY OUT THIS ACTION IMMEDIATELY.

SEVERAL PROBLEMS ENCOUNTERED IN THE PROJECT WERE PREVIOUSLY POINTED OUT BY THE USAID'S ENGINEERING OFFICE. IT WAS REPEATEDLY REPORTED THAT THE COLONIZATION INSTITUTE IS POORLY ORGANIZED AND LACKS THE CAPABILITY TO PERFORM THE SURVEY WORK. RECOMMENDATIONS WERE MADE FOR THE USAID TO ENCOURAGE THE INSTITUTE TO HIRE A PRIVATE ENGINEERING CONSULTANT TO COMPLETE THE ROAD DESIGN. RESPONSIBILITY HAS NOW BEEN GIVEN TO THE NATIONAL ROADS SERVICE TO CONTRACT FOR THE CONSULTANT.

THE USAID PROJECT MANAGER HAS NOT BEEN ABLE TO DEVOTE THE DESIRED TIME TO MONITORING THE PROJECT. HE HAS MANY OTHER DUTIES TO PERFORM IN THE AGRICULTURAL DIVISION AND THUS HAS HAD TO NEGLECT THIS PROJECT AT TIMES. HOWEVER, MEMBERS OF THE ENGINEERING AND CAPITAL DEVELOPMENT OFFICES HAVE DEVOTED CONSIDERABLE TIME TO IDENTIFYING AND SEEKING SOLUTIONS TO INITIAL PROBLEMS ENCOUNTERED UNDER THE LOAN. PROBLEM AREAS HAVE BEEN PARTICULARLY DIFFICULT TO SOLVE QUICKLY, BUT IMPROVEMENTS ARE OCCURRING DUE TO INCREASED MONITORING BY THE USAID STAFF AND EXCHANGES OF CORRESPONDENCE WITH THE COLONIZATION INSTITUTE AND THE MINISTRY OF AGRICULTURE.

#### RECOMMENDATION No. 1

THE USAID SHOULD REQUIRE THE COLONIZATION INSTITUTE TO PROMPTLY HIRE A QUALIFIED PROJECT MANAGEMENT/EVALUATION ADVISOR TO ESTABLISH EFFECTIVE AND RESPONSIVE MANAGEMENT CONTROLS WITHIN THE INSTITUTE OVER ALL PHASES OF THE PROJECT IMPLEMENTATION.

## PROCUREMENT

THERE HAVE BEEN NUMEROUS DELAYS IN THE PREPARATION OF BID DOCUMENTS FOR THE PROCUREMENT OF HEAVY EQUIPMENT FOR THE PROJECT.

ORIGINAL PLANS CALLED FOR THE NECESSARY DOCUMENTS TO BE COMPLETED IN MAY 1975, OR AT THE LATEST JANUARY 1976. AS THE COLONIZATION INSTITUTE HAD LITTLE CAPABILITY IN PREPARING SPECIFICATIONS AND BID DOCUMENTS, THE USAID ASSUMED THE RESPONSIBILITY. THE INSTITUTE WAS NOT ABLE TO PROVIDE THE USAID WITH A COMPLETED EQUIPMENT LIST UNTIL MID-1975. EVEN THEN NUMEROUS MODIFICATIONS WERE MADE.

THE DOCUMENTS HAVE NOW BEEN COMPLETED AND FORWARDED TO AID/W. ALTHOUGH THE DOCUMENTS WERE NOT COMPLETED IN THE MOST TIMELY MANNER, THE USAID DOES NOT BELIEVE THE PROJECT WILL BE AFFECTED BY THE DELAYS.

## PROJECT EMPLOYEES

THE COLONIZATION INSTITUTE IS CHARGING TO THE PROJECT THE SALARIES OF MANY EMPLOYEES NOT WORKING DIRECTLY ON THE PROJECT. SALARIES ARE PAID WITH GOB-PROVIDED FUNDS, AS REQUIRED BY THE LOAN AGREEMENT.

OUR REVIEW OF THE INSTITUTE'S PROJECT ACCOUNTING RECORDS DISCLOSED THAT SALARIES OF 118 EMPLOYEES ARE BEING CHARGED TO THE PROJECT. THIS IS A MAJORITY OF THE TOTAL EMPLOYEES OF THE INSTITUTE. FOR EXAMPLE, FOUR OF THE CENTRAL OFFICE EMPLOYEES CHARGED TO THE PROJECT ARE ACTUALLY WORKING ON THE WORLD FOOD PROGRAM. FOUR OTHERS ARE WORKING ON THE PROJECT ONLY 50 PERCENT OF THE TIME. EIGHT EMPLOYEES WORK IN THE MEDICAL DEPARTMENT.

THE EFFECT OF THIS CONDITION IS THAT IT COULD POSSIBLY BE DIFFICULT TO DETERMINE THE GOB'S DEGREE OF PARTICIPATION IN THE PROJECT. HOWEVER THE USAID IS DEVELOPING A SET OF DEFINITIONS AND GUIDELINES ON "IN-KIND" CONTRIBUTIONS FOR USE IN CALCULATING THE HOST COUNTRY INPUTS. THESE GUIDELINES WILL BE SUBMITTED TO THE INSTITUTE AND TO THE MINISTRY OF AGRICULTURE FOR THEIR USE. THEREFORE WE ARE NOT MAKING A RECOMMENDATION IN THE MATTER.

## GRANT-FUNDED CONTRACT

GRANT No. 511-11-190-451 PROVIDES FUNDS FOR A TECHNICAL ASSISTANCE ADVISOR TO THE MINISTRY OF RURAL AFFAIRS AND

AGRICULTURE (MINISTRY). CONTRACT No. GOB/AID-511-93 WAS ENTERED INTO BETWEEN THE MINISTRY AND MR. HARRY PEACOCK (CONTRACTOR). THE CONTRACT PERIOD IS FROM JUNE 1, 1975 THROUGH MAY 31, 1976, AND THE ESTIMATED COST IS \$42,000.

THE CONTRACTOR IS TO SERVE AS THE COUNTERPART TO THE COLONIZATION INSTITUTE'S PROJECT COORDINATOR. HIS SPECIFIC DUTIES ARE TO PROVIDE ASSISTANCE TO THE INSTITUTE IN FIELD PROJECT MANAGEMENT AND IN VARIOUS TECHNICAL ASPECTS OF THE LANDS DEVELOPMENT PROGRAM.

IN OUR OPINION THE SERVICES PROVIDED BY THE CONTRACTOR HAVE BEEN SATISFACTORY. WE BELIEVE THE CONTRACTOR IS ONE OF THE BEST INFORMED PERSONS ASSOCIATED WITH THE PROJECT. HE IS AWARE OF MOST OF THE PROBLEMS AFFECTING THE ORDERLY PROGRESS OF THE PROJECT, AND HAS REPORTED THESE PROBLEMS TO THE PROJECT COORDINATOR. CORRECTIVE ACTION HAS BEEN SLOW HOWEVER.

THE CONTRACTOR HAS SUBMITTED TO THE COLONIZATION INSTITUTE A WORK PLAN CONTAINING THE ACTIVITIES WHICH HE WILL ATTEMPT TO SUPERVISE. MANY OF THE ACTIVITIES ARE OF A TECHNICAL AND ENGINEERING NATURE HOWEVER, AND THE CONTRACTOR WILL REQUIRE THE ASSISTANCE OF AN ENGINEER TO DETERMINE IMPLEMENTATION PROGRESS. WE BELIEVE THE INSTITUTE'S NEWLY-PROVIDED ENGINEER WILL PROVIDE THE NEEDED SUPPORT TO THE CONTRACTOR TO ENABLE HIM TO FULFILL HIS RESPONSIBILITIES.

#### IV. BACKGROUND AND SCOPE

##### BACKGROUND

DURING THE PAST 20 YEARS, APPROXIMATELY 50,000 FARM FAMILIES HAVE MIGRATED FROM THE OVER-POPULATED HIGHLANDS TO THE SUBTROPICAL LOWLANDS OF BOLIVIA. THIS MIGRATION CONTINUES AT AN ESTIMATED RATE OF 6,000 FAMILIES PER YEAR. THE GOB RECOGNIZES ITS RESPONSIBILITY TO RESPOND TO THIS POPULATION MOVEMENT AND IS COMMITTED TO COLONIZATION EFFORTS EMPHASIZING DEVELOPMENT OF THE LOWLAND AREAS WITH THE FARMER'S PARTICIPATION. EMPHASIS IS ON MOVING THE MIGRANTS TO ECONOMICALLY PRODUCTIVE AREAS CONTAINING SERVICES NECESSARY FOR THE FARMERS.

WITH THIS INTEREST OF THE GOB IN MIND, THE USAID BEGAN DISCUSSIONS WITH GOB OFFICIALS TOWARD THE DEVELOPMENT OF NEW LANDS AS A METHOD OF INCREASING AGRICULTURAL PRODUCTION AND INCREASING THE STANDARD OF LIVING OF THE FARMERS MOVING TO THE LOWLANDS. AS A RESULT THE SUB-TROPICAL LANDS DEVELOPMENT LOAN No. 511-T-050 WAS SIGNED BETWEEN AID AND THE GOB ON SEPTEMBER 19, 1974. THE AID LOAN IS FOR \$9.7 MILLION AND AN ACCOMPANYING GRANT IS FOR \$150,000.

THE PROJECT PURPOSE IS TO INCREASE THE PRODUCTIVITY AND INCOME OF APPROXIMATELY 11,000 NEW FARM FAMILIES IN THE LOWLAND AREA, TO EXPAND PRODUCTION OF FOOD CROPS, AND TO DEVELOP A PROCESS WITHIN THE GOB FOR DUPLICATING THIS EFFORT IN OTHER AREAS OF THE BOLIVIAN LOWLANDS. TO ACHIEVE THIS PURPOSE THE AID LOAN AND GRANT WILL FINANCE THE FOLLOWING ACTIVITIES IN THE PROJECT AREA:

IMPROVEMENT AND CONSTRUCTION OF TWO PENETRATION ROADS.

DEVELOPMENT OF TWO AGRICULTURAL SERVICE CENTERS, TO SERVE THE SMALL FARMERS.

DEVELOPMENT OF POTABLE WATER FACILITIES.

DEVELOPMENT OF SMALL HEALTH POSTS AND THE EQUIPPING OF A MOBILE HEALTH UNIT.

AN ORIENTATION PROGRAM FOR NEW SETTLERS.

PROVISION OF ADMINISTRATIVE SUPPORT AND TECHNICAL ASSISTANCE.

EXECUTION OF A LAND RESOURCE STUDY OF OTHER SITES IN THE AREA.

FINANCING OF THE ENTIRE PROJECT WILL CONSIST OF THE FOLLOWING COMPONENTS:

AID LOAN 050	\$ 9,700,000
AID GRANT	150,000
GOB LAND CONTRIBUTION	3,000,000
GOB SALARY AND OPERATIONAL COSTS	2,104,000
LOCAL COMMUNITY AND OTHER SUPPORT	<u>350,000</u>
Total	<u>\$15,304,000</u>

THE PROJECT EXECUTING AGENCY WILL BE THE BOLIVIAN NATIONAL COLONIZATION INSTITUTE. OTHER BOLIVIAN PUBLIC AND PRIVATE ENTITIES WILL ALSO PARTICIPATE IN THE PROJECT EXECUTION.

THE USAID'S CONTROLLER'S RECORDS SHOW THE FOLLOWING FUNDING INFORMATION AT OCTOBER 31, 1975:

	<u>OBLIGATED</u>	<u>EXPENDED</u>
LOAN 511-T-050	\$9,700,000	\$93,000
GRANT 511-11-190-451	<u>42,000</u>	<u>8,000</u>
TOTAL COVERED BY THIS AUDIT	<u>\$9,742,000</u>	<u>\$101,000</u>

THE CONTENTS OF THIS REPORT WERE DISCUSSED WITH USAID OFFICIALS. THEIR COMMENTS WERE CONSIDERED IN THE PREPARATION OF THIS FINAL REPORT.

#### SCOPE

THIS WAS A REGULARLY-SCHEDULED INITIAL AUDIT OF THE PROJECT, AND COVERED THE PERIOD FROM LOAN INCEPTION THROUGH OCTOBER 31, 1975. THE AUDIT WORK WAS PERFORMED ON A SELECTIVE BASIS AND INCLUDED REVIEWS OF THE ACCOUNTING RECORDS, REPORTS, AND ACTIVITIES CARRIED OUT UNDER THE PROJECT.

WE VISITED THE COLONIZATION INSTITUTE'S OFFICE IN SANTA CRUZ AND THE HEAD OFFICE IN LA PAZ. WE ALSO REVIEWED ACTIVITIES CARRIED OUT BY THE CONTRACTOR UNDER THE TECHNICAL ASSISTANCE CONTRACT FUNDED BY THE AID GRANT.

USAID/BOLIVIA  
SUB-TROPICAL LANDS DEVELOPMENT

LISTING OF RECOMMENDATIONS

RECOMMENDATION No. 1

THE USAID SHOULD REQUIRE THE COLONIZATION INSTITUTE TO PROMPTLY HIRE A QUALIFIED PROJECT MANAGEMENT/EVALUATION ADVISOR TO ESTABLISH EFFECTIVE AND RESPONSIVE MANAGEMENT CONTROLS WITHIN THE INSTITUTE OVER ALL PHASES OF THE PROJECT IMPLEMENTATION.

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