

PD-AAA-136-D1

727011201

5110727-5



Auditor General

AGRICULTURAL DEVELOPMENT IN THE COCA ZONES

BOLIVIA

Audit Report Number 79-42

Issue Date February 12, 1979

Area Auditor General, Washington
Agency for International Development
Washington, D.C. 20523

PROJECT NO. 511-7271
AGRICULTURAL DEVELOPMENT IN THE COCA ZONES
BOLIVIA

Audit Report No. 79-42

Issue Date: February 12, 1979

AGRICULTURAL DEVELOPMENT IN THE COCA ZONES
BOLIVIA

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
SCOPE OF AUDIT	2
SUMMARY	2
STATEMENT OF FINDINGS AND RECOMMENDATIONS	3
The Government of Bolivia's Commitment to Project Success	3
Project Progress	4
Community Service Projects	5
The University of Florida Contract	5
Project Advances	6

AGENCY FOR INTERNATIONAL DEVELOPMENT

Washington, D. C. 20523

PROJECT NO. 511-7271

AGRICULTURAL DEVELOPMENT IN THE COCA ZONES

BOLIVIA

INTRODUCTION

Bolivia is a major producer of coca leaves. Although the production of coca leaves for certain personal uses such as chewing and as an ingredient for tea is legal in Bolivia, the use of coca leaves for the production of cocaine is not. Nevertheless, it is estimated that more than 90 percent of the more than 30,000 metric tons of coca leaves produced annually in Bolivia is destined for processing into cocaine. Available evidence indicates that coca leaf production for the cocaine market is a major growth industry.

This project, Agricultural Development in the Coca Zones, began in February 1975 with the title, Coca Crop Substitution Pilot Project. The initial project objectives for which AID provided approximately \$800,000 were to finance the collection and analyses of data to serve as a basis for a reasonable determination at the end of the project of whether further effort and money should be allocated to initiate a national coca crop substitution project. When in 1976, the Government of Bolivia announced that it was going to crack down on illicit coca production and trafficking, the U.S. responded by increasing project funds by \$3.0 million and by indicating its willingness to support a major effort for a coca substitution plan should the studies indicate its soundness.

The objectives of this project are now to develop profitable, practical alternative crops to substitute for coca in the Chapare and Yungas Regions of Bolivia, the principal growing areas for coca leaf. The Government of Bolivia has established an office (PRODES) to cooperate in the attainment of project objectives.

This project was financed with International Narcotics Control funds allocated by State to AID under Section 482 of the Foreign Assistance Act of

1961, as amended. As of May 31, 1978, obligations totaled \$3,928,500 and disbursements were \$770,018. Through the time of our audit, the project was an AID managed and implemented project. U.S. narcotics control efforts in Bolivia consist not only of the Agricultural Development in the Coca Zones Project, but also of Project No. 511-7270, the Narcotics Control Project, which is the subject of a separate audit report.

SCOPE OF AUDIT

We made an examination of Project No. 511-7271, Agricultural Development in the Coca Zones, to determine the propriety of costs incurred thereunder, compliance with project agreements and to evaluate progress towards project goals. Our examination included a study of records and documents, and inspection of operations, and discussions with U.S. and GOB officials. The audit covered operations through May 31, 1978.

SUMMARY

While the project goals were commendable, as of June 1978, we found little reason for confidence in their achievement. The following paragraphs summarize the three most significant findings developed during the audit.

- Although the U.S. and the GOB agreed in 1976 that a precondition to project success was aggressive action by the GOB to immediately prevent new plantings of coca, as of June 1978 coca plantings had been expanding for two years without GOB interference. We recommend that continued U.S. support for this project be contingent on the GOB's actually enforcing its prohibition against new coca plantings.
- More than three years after project inception, the achievement of project objectives within a foreseeable timeframe appeared highly speculative, the project was far behind schedule, and a planned for and needed project evaluation had not been performed. We recommend that an immediate evaluation in depth be performed of Project No. 511-7271 and, based thereon, revised project documentation should be developed.
- When and if practical alternative crops can be found to substitute for coca has not been determined. Nevertheless, it is planned that the U.S. will finance projects whose payoff is dependent upon such alternative crops. We recommend that these planned investments be reconsidered.

In addition, we found that (1) there had been major shortfalls in both the planned levels of manpower and the planned work schedules under the University of Florida contract, and (2) cash advances made under this project were not being properly monitored and cleared.

The findings and recommendations in this report were made available to S/NM officials for comment prior to the issuance of this report. Their comments are attached to this report. Inasmuch as our audit responsibility for the narcotics program was formally concluded on September 30, 1978, we have closed our files as regards any action on the recommendations included in this report. Any follow-up and action as regards these recommendations is for State Department determination.

STATEMENT OF FINDINGS AND RECOMMENDATIONS

The Government of Bolivia's Commitment to Project Success

The expanded 1976 financing for this project was dependent, among other things, upon the GOB's immediately intensifying its efforts to prevent new plantings of coca throughout Bolivia. Nevertheless, as of mid-1978, there was no indication that the GOB had taken effective actions to halt this expansion.

When this project was expanded in 1976, it was stated by S/NM that GOB action to stop the expansion of coca production was absolutely necessary to overall program success. The outline of U.S. and GOB commitments to the project which the GOB accepted in 1976, emphasized that the GOB would, among other things, immediately intensify efforts to prevent new plantings of coca. The 1977 project paper's logical framework also listed this same commitment as an important assumption for achieving the goal targets.

Although the GOB did mount a large registration program for coca producers in late 1977, the GOB's prohibition against the planting of additional areas in coca had not been enforced through June 30, 1978, when we completed the field work on this audit. In fact, numerous field observations made in the first half of 1978 indicated that coca production was rapidly expanding. Up to 30 percent expansion was noted in some areas. We concluded that estimates of coca production prior to 1977 were not reliable. However, farmers reported during the 1977 GOB registration program that they were currently producing 25,203 metric tons of coca annually, and the GOB estimated that unreported production was 30 percent of that reported. Thus, the GOB estimated that total production was about 32,800 metric tons, which we considered conservative. U.S. officials in Bolivia cognizant of the Bolivian narcotics program have estimated that only about 2,000 metric tons of coca leaf are needed for legal uses and that the remaining production is destined for cocaine.

We concluded from the foregoing that over 30,000 metric tons of coca was produced in 1977 for illicit purposes, and that coca production destined for illicit purposes in 1978 would be significantly higher. We believe that this situation raises serious questions about the GOB's ability and/or willingness to meet its required commitments for this project.

Recommendation No. 1

Special Assistant to the Secretary for Narcotics Matters (S/NM) should inform the Government of Bolivia (GOB) that continued U.S. support for this program is dependent upon the GOB's meeting its commitments as regards enforcing the prohibition against new coca plantings.

Project Progress

More than three years after project inception, the attainment of project objectives within a foreseeable timeframe appeared highly speculative, the project was far behind schedule, and a planned for and needed project evaluation has not been performed.

Although current thinking in May 1978 was that the project would be completed in 1983 rather than the originally planned 1981, we had little confidence in even this revised estimate. To develop, test and prove that alternative crops on land such as that currently used for coca production can produce returns competitive with returns available for coca leaves appears a truly long range unprecipitable objective.

As of May 1978, the majority of planned research activities were either substantially behind original projections or not yet started. The USAID had recognized that its original time estimates were unrealistic and had initiated a revision of project planning documentation to provide a new time-phased implementation plan and to extend the project completion date from 1981 to 1983.

In spite of specific provisions in both the project paper and the project agreement, an evaluation of this project had not been performed. It was originally stipulated that an initial evaluation of this project would be carried out in October 1977 to measure progress toward meeting objectives; identify problems; assess measures to overcome these problems; and evaluate the overall impact of the project. We believe that such an evaluation is critical due to the unusual and extraordinarily complex nature of this project.

Recommendation No. 2

The Embassy Narcotics Unit should perform an immediate evaluation in depth of Project No. 511-7271 and, based thereon, develop revised project documentation.

Community Service Projects

It was originally planned that U.S. funding for other than essential project related costs would not be incurred until and unless this project was successful in achieving its goal. The goal of this project is to develop profitable, practical alternative crops to substitute for coca in the Chapare and Yungas Regions of Bolivia. There are no firm indications that this goal can and will be achieved within the foreseeable future. Nevertheless, it was planned that, under the Agricultural Development in the Coca Zones Project, a list of community service projects would be developed in FY-1979 for priority financing. We believe that this action is probably premature.

Recommendation No. 3

Special Assistant to the Secretary for Narcotics Matters (S/NM) should reconsider the advisability of financing other than essential project costs in connection with Project No. 511-7271 until there is evidence that the project will achieve its goal.

The University of Florida Contract

Although there had been major shortfalls in both the planned levels of manpower and the planned work schedules under the University of Florida Contract, the USAID/Bolivia had not revised these plans to reflect current realities.

On February 6, 1976, the USAID/Bolivia entered into a contract with the University of Florida to obtain technical assistance for the GOB in determining the crops, methods and costs involved in implementing a national coca crop substitution program. The contract, as amended, stated that the University would provide seven technicians for 204 man-months of services during the first three year period of the contract. As of May 1978 only three technicians were working under the contract in Bolivia, and we estimate that less than 60 percent of the planned 204 man-months would be provided during the first three years of the contract.

The principal contract objectives were to determine (1) which crops could be grown in substitution for coca at little or no appreciable loss of income to the farmer, and (2) what improvements in processing and marketing

systems were necessary to support a national coca crop substitution program. We learned during our review that the University contract team had concentrated its efforts on the first objective and done virtually nothing on the second. This was not consistent with the contractual scope of work for the team.

Although the USAID/Bolivia indicated that they planned to amend the contractual manpower requirements and scope of work to reflect the lessons learned over the past two and one-third years, no action had been initiated in this regard.

Recommendation No. 4

Embassy Narcotics Unit, in cooperation with the University of Florida, should promptly revise the planned staffing, scope of work and period of performance expected from the University.

Project Advances

As of May 31, 1978, a total of \$390,494 in advances were outstanding under Project No. 511-7271. We noted the following cases where advances were not being properly cleared:

- Although a \$50,000 advance to the University of Florida was to be cleared by deducting \$16,670 per month from March, April and May 1978 payments, the March 1978 payment was made in full without the required \$16,670 deduction.
- An advance of \$50,000 was made to the Bolivian Institute of Agricultural Technology (BIAT) on October 14, 1977, with the condition that no other advance would be made to BIAT until the \$50,000 was accounted for. Nevertheless, before any of the original \$50,000 was accounted for, a second advance of \$23,258.10 was made on February 8, 1978.

We also noted in our review of Project No. 511-7270 that advances were not being properly accounted for.

Recommendation No. 5

The Embassy Narcotics Unit should establish revised procedures and controls to properly account for and clear all narcotic program advances in an expeditious manner.

LIST OF RECOMMENDATIONS

Recommendation No. 1

Special Assistant to the Secretary for Narcotics Matters (S/NM) should inform the Government of Bolivia (GOB) that continued U.S. support for this program is dependent upon the GOB's meeting its commitments as regards enforcing the prohibition against new coca plantings.

Recommendation No. 2

The Embassy Narcotics Unit should perform an immediate evaluation in depth of Project No. 511-7271 and, based thereon, develop revised project documentation.

Recommendation No. 3

Special Assistant to the Secretary for Narcotics Matters (S/NM) should reconsider the advisability of financing other than essential project costs in connection with Project No. 511-7271 until there is evidence that the project will achieve its goal.

Recommendation No. 4

Embassy Narcotics Unit, in cooperation with the University of Florida, should promptly revise the planned staffing, scope of work and period of performance expected from the University.

Recommendation No. 5

The Embassy Narcotics Unit should establish revised procedures and controls to properly account for and clear all narcotic program advances in an expeditious manner.



DEPARTMENT OF STATE

Washington, D.C. 20520

ATTACHMENT

Page 1 of 2

December 12, 1978

MEMORANDUM

TO: AID/AG - Mr. Gallivan

FROM: S/NM - Joseph H. Linnemann 

SUBJECT: Draft Audit Report on Bolivian
Agricultural Development in Coca Zones

S/NM appreciates the opportunity to review and comment on the subject draft dated November 8, 1978. The observations and recommendations contained in the report are very helpful in reviewing our program in Bolivia. However, it is our view that all of the recommendations made by the audit staff have been dealt with in a comprehensive nature and, thus overtaken by time. More specifically:

Recommendation 1

Special Assistant to the Secretary for Narcotics Matters (S/NM) should inform the Government of Bolivia (GOB) that continued U.S. support for this program is dependent upon the GOB's meeting its commitments as regards to enforcing prohibition against new coca plantings.

The U.S. Ambassador to Bolivia has addressed the concerns expressed in this recommendation to the Government of Bolivia and will continue to do so.

Recommendation 2

The USAID/Bolivia should perform an immediate evaluation in depth of Project No. 511-7271 and based thereon develop revised project documentation.

The evaluation report recommended was completed in August 1978. Proposed new Bolivian coca control strategies take cognisance of the evaluation.

Recommendation 3

Special Assistant to the Secretary for Narcotics Matters (S/NM) should reconsider the advisability of financing other than essential project costs in connection with Project No. 511-7271 until there is evidence that the project will achieve its goal.

Bolivia is in the process of formulating an entirely new coca strategy. The proposed strategy submitted by the Mission takes into consideration recommendation #3.

Recommendation 4

USAID/Bolivia, in cooperation with the University of Florida, should promptly revise the planned staffing, scope of work and period of performance expected from the University.

A contract amendment will be concluded in December 1978 which complies with this recommendation.

Recommendation 5

The USAID/Bolivia should establish revised procedures and controls and properly account for and clear all narcotic program advances in an expeditious manner.

This recommendation has been complied with in conjunction with the transfer of responsibilities from AID to the Department of State in October 1978.

Again, thank you for the opportunity to comment on the report, and I hope that these comments meet your needs.

PROJECT NO. 511-7271

AGRICULTURAL DEVELOPMENT IN THE COCA ZONES
BOLIVIA

REPORT RECIPIENTS

Narcotics Unit, American Embassy, LaPaz	5
Senior Advisor to the Secretary and Coordinator for International Narcotics Matters (S/NM)	5
Office of International Narcotics Control (SER/INC)	1
Assistant Administrator, Bureau for Program and Management Services (AA/SER)	1
Director, USAID/LaPaz	2
Area Auditor General/LA	2
Auditor General	2
AG/EMS	14
AG/IIS	1
AG/PPP	2
DS/DIU	4