

IA 600  
IA 1700  
~~75-0010~~ IA 2000  
CAT 3031

097109



# REPORT TO THE CONGRESS



## Bolivia—An Assessment Of U.S. Policies And Programs

Multiagency

**BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES**

ID-75-16

JAN 30 1975

~~702251~~

097109



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D. C. 20543

B-133271

To the President of the Senate and the  
Speaker of the House of Representatives

This is our report on U.S. policies and programs in  
Bolivia.

The review was made as a part of our continuing examina-  
tion of foreign assistance programs pursuant to the Budget  
and Accounting Act of 1921 (31 U.S.C. 53), and the Accounting  
and Auditing Act of 1950 (31 U.S.C. 67).

We are sending copies of this report to the Director,  
Office of Management and Budget; Secretaries of State, De-  
fense, Commerce, and Treasury; Administrator, Agency for  
International Development; Director, United States Informa-  
tion Agency; Acting Attorney General, Department of Justice;  
and President, Overseas Private Investment Corporation.

*James B. Aerts*

Comptroller General  
of the United States

BEST DOCUMENT AVAILABLE

## C o n t e n t s

	<u>Page</u>
DIGEST	i
CHAPTER	
1 INTRODUCTION	1
The economy	1
Overall U.S. and other assistance	3
2 DEPARTMENT OF STATE	5
Achievement and implementation of U.S. basic objective	5
Developments favorable to most U.S. major concerns	6
Conclusions	8
3 ECONOMIC ASSISTANCE	9
Ineffective and unrealistic Bolivian development plans	9
Need for greater self-help measures	12
Improvements needed in coordinating assistance programs	15
Limited success of AID program grant and loans	21
Conclusions	24
Recommendations	25
4 U.S. MILITARY PRESENCE AND PROGRAMS IN BOLIVIA	27
Need to reassess U.S. military assistance program levels for Bolivia	28
Improvements needed in the administration of U.S. military assistance	29
Need for reporting Inter-American Geodetic Survey assistance to the Congress	32
Conclusions	33
Recommendations	34

CHAPTER		<u>Page</u>
5	TRADE, COMMERCE AND INVESTMENTS	36
	Efforts to increase U.S. trade	36
	Investment outlook	37
	Conclusions	40
6	OTHER U.S. ACTIVITIES	41
	U.S. Information Service	41
	Narcotics control program	43
	Conclusions	44
7	SCOPE OF REVIEW	46
APPENDIX		
I	U.S. economic assistance: fiscal years 1962-74	47
II	AID and multilateral economic assistance development loans by field of activity, fiscal years 1965 to 1974	48
III	Multilateral and third-country economic assistance to Bolivia: fiscal years 1962-74	52
IV	U.S. military grant-aid assistance: fiscal years 1957-74	53
V	U.S. Embassy budget and personnel costs: fiscal years 1970-74	55
VI	AID program personnel and costs; fiscal years 1965-74	57
VII	Military personnel strengths and related operating and salary costs: fiscal years 1965 through 1974	58

BEST DOCUMENT AVAILABLE

		<u>Page</u>
APPENDIX		
VIII	Chart illustrating gross national product 1965 to 1973	59
IX	Chart illustrating sector contributions to gross domestic product, 1971	60
X	Principal officials having management responsibilities for matters discussed in this report	61

#### ABBREVIATIONS

AID	Agency for International Development
CIAP	Inter-American Committee on the Alliance for Progress
GAO	General Accounting Office
IDB	Inter-American Development Bank
IMF	International Monetary Fund
USIS	United States Information Service

COMPTROLLER GENERAL'S REPORT  
TO THE CONGRESS

BOLIVIA - AN ASSESSMENT OF  
U.S. POLICIES AND PROGRAMS  
Multiagency

D I C E S T

WHY THE REVIEW WAS MADE

The United States has provided about \$650 million to support Bolivia's social, economic, and military advancement in the past 20 years. International agencies, to which the United States contributes financial support, and other countries have provided assistance totaling about \$360 million.

During fiscal years 1972-74 U.S. assistance totaled nearly \$150 million, which is exceptionally high considering that Bolivia has only 5 million inhabitants.

Because of the increased U.S. attention to Bolivia in recent years, GAO wanted to find out how effective U.S. programs and activities there have been, particularly since the Bolivian revolution of August 1971.

FINDINGS AND CONCLUSIONS

Developments within Bolivia, due to its central location in South America, have a great impact on the Latin American community. Political stability has been the overall U.S. objective in Bolivia and since the August 1971 revolution this stability has increased. The Bolivian Government has reached agreement on compensation with all major U.S. firms it had na-

tionalized, and has acted to increase foreign investment.

Bolivia's economic and social development can be accelerated and can derive greater benefits from external assistance if the United States considers the following observations when planning and implementing programs.

Economic assistance

Development plans

The Bolivian Government, since the Alliance for Progress, has tried to formulate development plans and strategies, but for the most part these were either incomplete or unrealistic.

In view of the large amounts of assistance being provided to Bolivia, development plans and strategies are essential if resources are to be used effectively.

The development of the multimillion-dollar international airport at Santa Cruz, according to the Agency for International Development (AID), is an example of uneconomic public investment. This results in part from lack of adequate development plans or lack of adherence to plans and strategies developed to date. (See p. 9.)

BEST DOCUMENT AVAILABLE

### Self-help efforts

The Bolivian Government has been given extensive technical assistance and advice to help it achieve the necessary self-help measures for internal development.

There have been positive self-help accomplishments, but the Bolivian Government has not taken many of the hard measures needed for self-development.

The Bolivian Government needs to expand its revenue base and tax collections, adopt fiscal reforms, reduce unnecessary central government expenditures and provide greater support to agricultural development. (See p. 12.)

### Coordination

AID and various international and bilateral donors in recent years have increased their efforts to integrate their assistance programs, but increased coordination is needed.

Officials of international organizations in Bolivia also expressed concern over the need to improve coordination of external assistance in Bolivia.

Less than full coordination contributes to delays in development and increases the financial burden to the recipient and the donors. (See p. 13.)

AID in fiscal year 1972 authorized \$34 million in grant and loan assistance to Bolivia to help provide temporary

employment and to assist Bolivia in meeting part of its financial share of various types of externally financed projects.

Dollar disbursements also helped Bolivia's foreign exchange position. Temporary employment created by the grant and loans, however, met less than half of AID's goals.

Providing funds to help Bolivia meet part of its contributions for externally financed projects lessens the Bolivian Government's immediate stake in success of the projects. (See p. 21.)

### Military presence and assistance programs

Consideration should be given to reassessing the military grant-aid materiel program for Bolivia since there is a serious question of the need to continue the program at present levels.

While the U.S. is providing grant-aid military equipment to Bolivia of about \$3 million annually to satisfy priority needs of its armed forces for internal security, the Bolivian Government is using scarce funds needed for economic development to acquire large numbers of aircraft from third countries that U.S. officials believe are not needed. Maintenance of these aircraft will result in increased Bolivian defense expenditures. (See p. 28.)

Resumption of the military grant-aid program in 1971 has improved the capabilities of the Bolivian Armed Forces.

however, if U.S. assistance is continued, increased U.S. efforts should be directed toward improving Bolivian maintenance capabilities, and programing and monitoring of U.S.-supplied equipment and U.S.-trained Bolivian personnel to increase the Bolivian Armed Forces' effectiveness. (See p. 29.)

The United States has provided, through the Inter-American Geodetic Survey and other U.S. agencies, considerable technical and materiel assistance to the mapping services of Bolivia and other Latin American countries.

Included are vehicles provided on an informal loan basis which have been valued at about \$285,000. Assistance provided to the foreign mapping services has not been included in the Annual Foreign Assistance Report to the Congress, although similar to other types of foreign assistance. (See p. 32.)

#### Narcotics control assistance

The Government of Bolivia, assisted by the United States, has strengthened its organizational structure and increased measures to control the trafficking of narcotics. It has issued a new drug law providing stiff penalties for drug offenders.

These efforts, while significant, are inadequate to control the manufacture of cocaine from coca.

Improved Bolivian financial support and coordinated efforts between the Bolivian Government and its agencies are needed.

The addition of a Drug Enforcement Administration agent to Bolivia should assist the Bolivian Government in its narcotics control enforcement measure. (See p. 43.)

#### RECOMMENDATIONS

2 The Secretary of State and the Administrator of AID should:

32

--Condition future U.S. assistance levels and fund releases to specific measurable development planning and self-help efforts the Bolivian Government should take to increase growth. (See p. 25.)

--Take positive steps necessary with other external donors to insure that coordination measures for Bolivian development programs are effectively implemented. (See p. 26.)

--Carefully consider any future programs whereby U.S. funds, either directly or indirectly, are used to finance a host government's local contributions in an essentially externally financed project. If such financing is considered in the future, Congress should be provided adequate details and justification before AID incurs obligations. (See p. 25.)

3 The Secretary of Treasury should:

38

--Stress to the U.S. representatives of the international lending agencies the need for greater coordination of all economic assistance programs to Bolivia. (See p. 26.)

The Secretaries of State and Defense should:

- Reassess the need for continuing the U.S. military assistance grant-aid materiel program in view of the (a) Bolivian Armed Forces' ability to purchase unneeded armaments at the apparent expense of economic development and (b) willingness of Bolivia's neighbors to supply military equipment and training for maintaining stability and internal security. (See p. 34.)
- Include assistance furnished by the Inter-American Geodetic Survey to Bolivia and other Latin American countries in the President's Annual Report to the Congress. (See p. 35.)

#### AGENCY ACTIONS AND UNRESOLVED ISSUES

Discussions were held with representatives of State, Defense, AID, Treasury, and the Overseas Private Investment Corporation to obtain their views on the report. In commenting on the findings, conclusions, and recommendations:

- An AID representative stated that the Bolivian Government has outlined measures to improve development planning and coordination and to increase taxes and reduce non-essential expenditures and that external assistance agencies have discussed ways of increasing coordination of assistance to Bolivia.

--A Treasury representative stated that coordination of economic programs by the lending agencies is important, but there are limits to what can be accomplished through coordination. He also noted that, although formalized coordination has yet to work in Bolivia, there should be some systematic method for the in-country coordination of programs and that the Government of Bolivia should play a greater part in this procedure.

--Military representatives noted that political aspects are considered in providing military assistance and that the military assistance program for Bolivia is being reviewed to make it more effective.

--Inter-American Geodetic Survey representatives stated they had no major problem with including assistance provided by the Survey in the President's Annual Report to the Congress.

#### MATTERS FOR CONSIDERATION BY THE CONGRESS

This report contains no recommendations requiring legislative action by the Congress. It does include information on weaknesses in agency policies and administrations and suggestions for correction or improvement by agencies. This information should be of assistance to committees of the Congress and to individual Members in connection with their legislative responsibilities for foreign assistance programs.

## CHAPTER 1

### INTRODUCTION

Bolivia is a land-locked Republic which lies across the Andes Mountains, at the north-south center of South America. When the Republic was established in 1825 after the war of independence from Spain, its territory was approximately twice its present size and had an outlet to the sea. The country now has an area of 424,000 square miles approximating the combined size of Texas and California. It borders Chile, Peru, Argentina, Paraguay, and Brazil. (See map on p. 4.)

Topographically the land is divided into three major regions--a high plateau (the Altiplano), the eastern slopes of the Andes, and the broad eastern plains. By far its chief topographical feature is the Altiplano which is over 500 miles long and 80 miles wide lying between two mountain ranges at an altitude of over 12,000 feet.

The Bolivian population in 1973 was estimated to be 5 million and was growing at a relatively low annual rate of 2.5 percent. The country has the lowest population density in the Americas--approximately 12 persons per square mile. Approximately 70 percent of the people whose average life expectancy is between 46 and 50 years, are concentrated in the Altiplano area (10 percent of the total land area) which contains the capital and major city of La Paz. The official language of the country is Spanish, but Indian languages of Quechua and Aymara are widely used in the rural areas.

### THE ECONOMY

#### Growth trends

In terms of per capita gross national product Bolivia is the poorest country in South America. In 1965 this per capita gross national product was \$117, and in 1973 it was about \$150, an average annual increase of 2.9 percent in real terms. This compares to the South American highs for 1973 of \$1,205 in Venezuela and \$1,102 in Argentina. Peru and giant Brazil are in the mid-range for the region with each at \$536.

The total gross national product for Bolivia was \$485 million in 1965 and \$755 million in 1973. This was an average annual increase of 5.4 percent, but because approximately 2.5 percent of the increase was due to the increase in population, the United Nations considered the real growth rate unsatisfactory. In a March 1973 report, the United Nations stated that a clear objective of the present Bolivian development plan is to increase the rate of growth of the gross internal product in relation to past years. (See app. VIII.)

#### Employment and production

Bolivia is primarily an agrarian country, with about 67 percent of the labor force engaged in low-productive traditional agriculture. Their efforts, however, contributed only 15.5 percent to the gross domestic product in 1971. Mining on the other hand, while employing about 3 percent of the labor force, contributed about 11.2 percent to the gross domestic product and provided over 80 percent of Bolivia's export earnings. Manufacturing in Bolivia is at an early stage of development and contributes about 12.1 percent to the gross domestic product and employs about 7 percent of the labor force. (See chart in app. IX.)

#### Balance of payments

The present government faced serious economic problems when it came to power in August 1971. However, currency devaluation, other fiscal measures in 1972, and a larger inflow of foreign assistance enabled the government to accumulate a \$20 million foreign exchange reserve in 1972. In spite of this, the projected balance-of-payments prospects for 1973 are less favorable than had been expected. Increased domestic inflation, a lower level of external capital inflows, and shortcomings in fiscal policy resulted in a net reserve decline of over \$14 million for 1973. This decline would have been greater were it not for higher prices for Bolivia's exports.

BEST DOCUMENT AVAILABLE

### Balance of trade

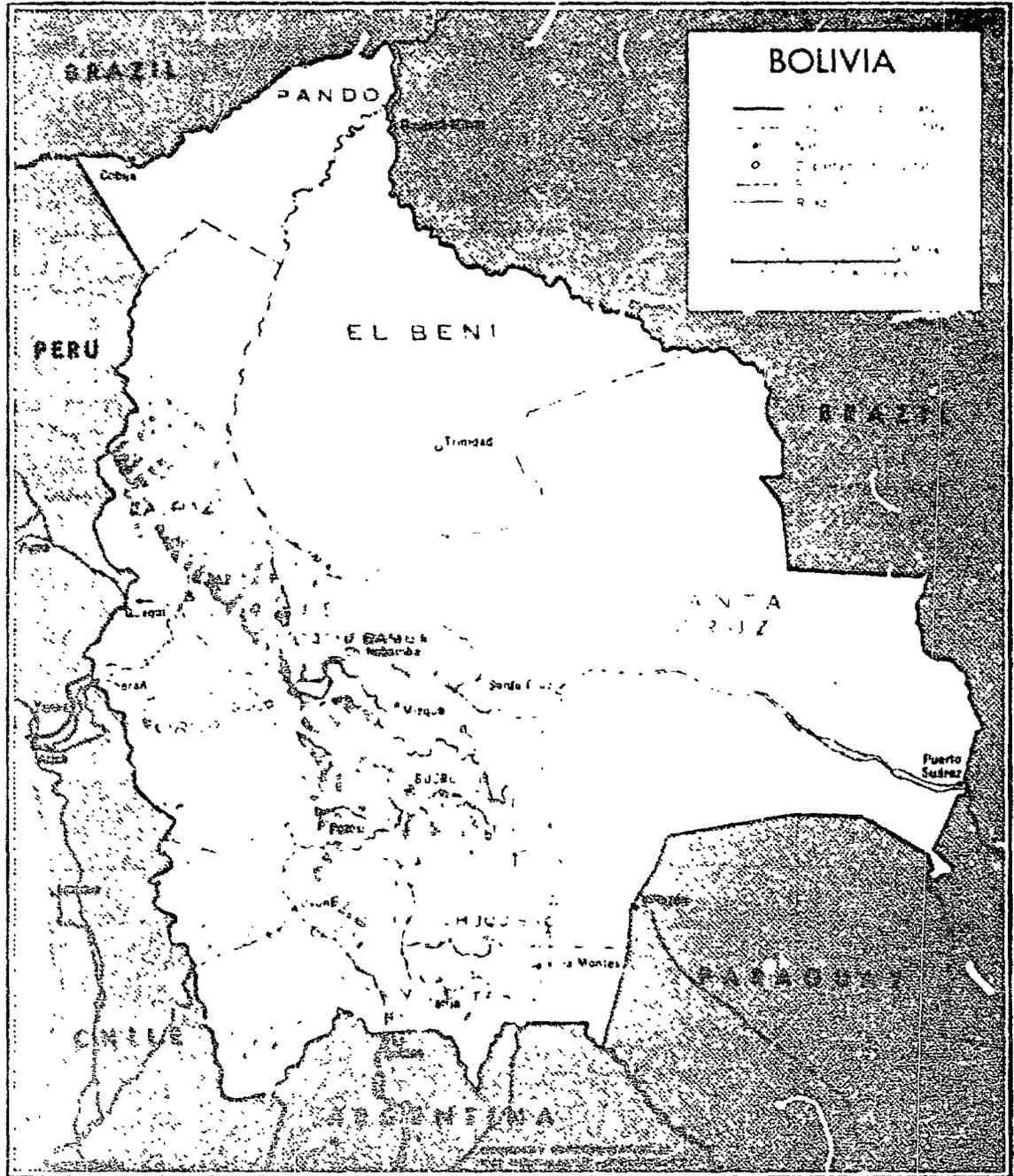
The value of Bolivian exports has expanded rapidly since 1965, with a trade balance ranging from an \$11.5 million deficit in 1965 to a \$25 million surplus projected for 1973. Exports to the United States have steadily declined but have increased to European countries. The greatest volume of imports is from the United States, but imports from Japan and West Germany have registered the largest gain in recent years.

### OVERALL U. S. AND OTHER ASSISTANCE

The United States has provided about \$650 million in economic and military assistance to Bolivia from the inception of most programs in the mid-1950's to the end of fiscal year 1974. In addition, multilateral and third-country economic assistance during approximately the same period has amounted to about \$360 million.

Since the advent of the Banzer government early in fiscal year 1972, U. S. economic and military assistance through fiscal year 1974 totaled nearly \$150 million. (See apps. I and II.) During approximately the same period, international organizations provided about \$124 million of economic aid and third countries at least \$8 million. (See app. III.)

BEST DOCUMENT AVAILABLE



BEST DOCUMENT AVAILABLE

## CHAPTER 2

### DEPARTMENT OF STATE

The Department of State, assisted by the U.S. Ambassador, Embassy personnel, and other U.S. Government agencies, is the principal executive agency responsible for carrying out U.S. foreign policy. It also implements specific country strategy and objectives and represents the United States with the host government.

#### ACHIEVEMENT AND IMPLEMENTATION OF U.S. BASIC OBJECTIVE

The State Department's principal objective in Bolivia is the maintenance of political stability. The State Department has long recognized that because of Bolivia's strategic location, political instability there could cause political unrest in its many neighboring countries.

During the Barrientos-Siles governments, January 1966 to September 1969, the United States gave significant economic and military assistance (see apps. I and IV) to Bolivia to support its political stability. Special military materiel and training assistance provided by the United States helped defeat the leftist revolutionary forces of Che Guevara.

The Ovando-Torres governments, September 1970 to August 1971, threatened to undermine stability in Bolivia and the surrounding area. There was a breakdown in law and order and seizures of private property were virtually constant. From time to time, President Torres made concessions to the extreme left. U.S. firms were nationalized, and in 1971 the Peace Corps was expelled and the U.S. Military Group was pressured to leave. No U.S. development loans were authorized during fiscal years 1970 and 1971 (see app. I) and military assistance was suspended. During this regime, the U.S. basic objective of stability in Bolivia was not operative.

The August 1971 revolution which overthrew the Torres government brought about a complete reversal in the leftist political direction Bolivia was taking. A coalition government of the major nonextremist elements under the leadership

of Colonel (now General) Hugo Banzer was formed. In support of the Banzer Government, the United States has provided approximately \$150 million in economic and military assistance (see apps. I and IV). Today, although Bolivia still faces many political problems, its atmosphere is one of relative peace and greater political stability.

DEVELOPMENTS FAVORABLE TO MOST  
U.S. MAJOR CONCERNS

Related to the State Department's objective of political stability are other major concerns. They are the effect of disposal sales of U.S.-stockpiled tin on the Bolivian economy, nationalization of U.S. investments, support of Bolivia's internal security capabilities, and economic stability with growth. These concerns for the most part are being handled and resolved adequately by the United States and the Bolivian Governments. There is, however, some concern about the economic situation, such as the need for the government to initiate certain fiscal reform measures. Needed economic measures the Bolivian Government should take are discussed in chapter 3.

The Banzer government has amicably settled all nationalization cases insured by the Overseas Private Investment Corporation, and foreign investments are being encouraged. Before the August 1971 revolution, Bolivia had nationalized three major U.S. foreign investments, whose cash settlement value amounted to \$93.5 million. (See ch. 5.) Bolivian internal security is being improved through the U.S. military assistance program (see ch. 4) and U.S. tin sales have not affected the Bolivian economy.

U.S. tin sales

Tin, the single most valuable item in the U.S. national stockpile of strategic and critical materials, was valued at over \$1 billion in 1973. It is also Bolivia's most valuable export, accounting for 55 percent of its exports and 17 percent of central government revenues. It is estimated that a one-cent drop in tin prices could cost Bolivia \$750,000 in foreign exchange earnings.

In April 1973, proposed legislation was submitted to the Congress for authorization to sell most U.S. stocks of tin and other metals in the national stockpile. The stockpile was established in 1946 to insure an adequate reserve of vital materials in time of war without imposing undue hardship on the civilian population. The tin to be sold is no longer considered necessary for national security reasons and the sales proceeds would help reduce the Federal budget and combat inflation by stabilizing prices.

The proposed sales legislation, which has not been enacted to date, would provide authorization to sell 159,500 long tons of tin and to continue the stockpiling of 40,500 long tons. In June 1973, the General Services Administration began selling some tin stocks under a previous authorization of 50,000 long tons. These sales were coordinated with the State Department to limit damage to the Bolivian economy and the consequent weakening of the current government.

An uncontrolled U.S. tin sales program could also threaten the success of the Bolivian devaluation and stabilization program launched in October 1972. This program was initially supported by \$24.7 million of financial assistance from the Agency for International Development (AID) and a \$19.7 million standby credit from the International Monetary Fund (IMF). A key element to the success of the program is the taxation of mineral profits to finance government operational and investment budgets. Additionally, the U.S. decision to sell tin could be interpreted by the Bolivian Government as a withdrawal of U.S. support for a friendly and cooperative government whose basic policies have included compensation for predecessor governments' expropriation of U.S. investments.

With the resumption of tin disposals in June 1973, the United States sold 19,270 long tons between June and December 1973. The price has been steadily rising. In June 1973 the price per pound averaged \$2.12 and in December it fluctuated between \$2.75 and \$3.45. Consequently, the U.S. sales of tin have had no serious impact on the Bolivian economy. This may be due, as some people believe, to speculators moving from the money market to the commodities market, including tin. Such movements are helping to support the current price level.

The disposal of most of the excess tin stocks has not yet been authorized by the Congress, and the sales made to date have been made in a rising price market. It is difficult, however, to predict what effect future U.S. sales will have on the price of tin and the Bolivian economy.

#### CONCLUSIONS

The Banzer government, which took office in August 1971, has provided a measure of political stability to the country. The United States, to assist the Bolivian Government in overcoming the chaotic conditions created during the previous administration, provided considerable financial support. Conditions of political stability are important to the United States in view of Bolivia's physical location in the heartland of South America.

The United States appears to be achieving favorable actions with its tin sales, nationalization policies of the Bolivian Government, and Bolivia's internal security requirements. There has, however, been only limited success in achievement of the U.S. major concern of economic growth in Bolivia.

## CHAPTER 3

### ECONOMIC ASSISTANCE

The United States has provided Bolivia with over \$250 million in assistance since 1965 in an effort to help achieve political stability with economic growth. Since the revolution of August 1971 Bolivia has attained some political stability. Economic growth, however, has been limited.

External assistance can never be sufficient to provide for all the development needs of less developed countries. The United States and other external assistance can, however, act as catalysts in satisfying these needs. For external assistance to act as a catalyst, however, Bolivia must improve its own efforts at development plans and self-help measures. Also all external donors and the Bolivian Government must cooperate in the coordination of assistance.

Subsequent to the revolution of August 1971, the United States, in furthering its objectives, authorized a grant and two loans totaling \$34 million to generate short-term employment and disbursed \$24 million of the authorized funds in November 1972 to support a Bolivian stabilization-devaluation program. The funds were authorized and disbursed without a firm requirement for Bolivia to take adequate self-help measures and about \$8 million of the Bolivian pesos generated from the dollar disbursements were used to finance Bolivian contributions to AID and externally financed projects. The short-term objective of employment generation was only partially achieved.

Following are our observations of economic assistance in relation to economic development and growth in Bolivia.

#### INEFFECTIVE AND UNREALISTIC BOLIVIAN DEVELOPMENT PLANS

Bolivia, from the early days of the Alliance for Progress to the present time, has had several development plans and strategies, but they have generally been unrealistic and ineffective. Overall development plans and related sector plans and strategies have long been recognized by donor

agencies as important to effective development. These plans and strategies help set goals and priorities for an efficient allocation of scarce internal and external resources needed for development.

The Congress stated that emphasis should be placed upon helping those countries with long-range plans and programs designed to develop economic resources and increase productive capabilities. Preparing comprehensive effective national development plans, however, is difficult for less-developed countries like Bolivia because of the limited technical and human resources available to them. To help overcome these difficulties, AID and international agencies over the years have provided technical assistance and advice. Currently, the Inter-American Development Bank's (IDB) multi-million dollar technical assistance project with the government's planning ministry is helping the country to further its national development planning capability.

Until these development plans are effectively prepared—and adhered to, there is every likelihood that development resources will not be used in the most effective manner. In this respect the AID Mission in March 1973 expressed concern over the problem of uneconomic public investment by the Bolivian Government in such projects as the multimillion dollar international airport being considered for the Santa Cruz area. As of June 1974 the land for this airport had not yet been acquired from the Bolivian Air Force and the \$16 million project was one of two or three examples of poor investment known by AID. The Mission attempted to dissuade the government from further uneconomic public investments, even to considering them a factor in determining future levels of assistance.

#### Development plans 1962-71

In January 1962, in accordance with the principles of the Alliance for Progress, the Bolivian Government presented a 10-year economic and social development plan to a committee of the Organization of American States. The plan was never considered realistic and effective and was modified in the mid-1960s. In January 1969, the Inter-American Committee on the Alliance for Progress (CIAP) Subcommittee review stated

that the existing mix of development activities was unbalanced in favor of long-term infrastructure projects with payoffs well into the future.

When General Ovando took over the reins of government from President Siles in September 1969, the AID Mission reported there was no operative development plan. In January 1971, the government under President Torres presented to the CIAP review a long-range development plan and a program for short-term public investment. The plan stressed import substitution and generally neglected agriculture. The CIAP Subcommittee used the program to determine the requirements for external assistance for 1971 but noted that projections for 1972 and 1973 would have to be preliminary, subject to the government further defining its program of investments.

#### Development plans 1971-73

In August 1971, when the Banzer government came into power, the previous plans and programs were shelved. The country's economic straits at that time necessitated emergency measures, and long-range planning was deferred until stabilization measures could be achieved. An emergency public works program financed by the United States was initiated and directed toward buying breathing space to enable Bolivia to begin formulating its own longer range plans.

At the time of the CIAP Subcommittee meeting in Bolivia in June 1972, the government had been unable to prepare an operational or tactical plan with clear developmental priorities.

Efforts at development plans and sector planning continued, and by October 1973 the government had completed a "Plan Quinquenal de Desarrollo" or 5-year development plan for the years 1973-77. The plan contains macroeconomic goals for the future rather than specific development assistance goals and priorities. Specific investment requirements are not defined within the plan's sectors.

Present Bolivian planning efforts, however, are emphasizing sector plans or strategies, particularly in

agriculture, education, and health. These plans are to be completed by the end of 1974 and will be used as a basis for AID development loans.

#### NEED FOR GREATER SELF-HELP MEASURES

To achieve greater economic independence and an accelerated rate of growth, greater self-help measures and efforts are needed on Bolivia's part, particularly in the administrative and fiscal reform areas. In development assistance, self-help measures are those which a country undertakes to increase its own contributions to its development and self-sufficiency through greater use of internal resources in the form of administrative, institutional and economic inputs. A problem inherent in foreign assistance occurs when development loans and grants act as a substitute for mobilizing internal savings for development that would have occurred in the country had foreign aid not been available.

When the Congress provides development assistance, it requires a clear determination by the recipient to take self-help measures. AID has stated that United States policy is, wherever possible, to relate the degree of development assistance to the effectiveness of the recipient in mobilizing its domestic resources and applying them to priority investment. AID policy provides that, in general, less-developed countries themselves must finance 80 percent or more of their own investment. A congressional subcommittee report in January 1973 recommended that U.S. foreign assistance projects be designed for and weighted in favor of those nations and individuals demonstrating a willingness and ability to help themselves. In 1973 an estimated 54 percent of Bolivia's investment projects were financed from external sources.

#### AID assistance

To help Bolivia effect needed self-help measures and lessen the need for external assistance, the United States has provided both advice and technical assistance over the years to the government. From about 1965 to 1973, AID provided over \$3.8 million of technical assistance of which nearly \$2.9 million was for government management, fiscal

reform and tax administration. AID assistance currently is limited to fiscal reform, tax administration and local government assistance. Fiscal reform is being phased out and the continuance of tax administration is being considered.

Overall, AID technical assistance apparently has helped the government but, as discussed later, much more needs to be done by Bolivia itself. The Mission noted that U.S. technical assistance helped Bolivia to establish a central accounting system to train auditors and to begin a serious review of their shortcomings in the budget area. Tax collection, according to the Mission, increased an average of 14 percent over the past 8 years. This increase, however, is probably based on gross tax collections. An AID audit report of U.S. assistance given Bolivia in tax administration from 1964 to 1971 stated that only an average 4-percent increase was in real terms, with an additional 15-percent increase in tax collections attributable to the increase in gross domestic product.

In addition, AID has provided, through contracts with Utah State University, over \$4.5 million of technical assistance in the agricultural areas of wheat and cereal development and sheep production and marketing. How effective this assistance has been is questionable. For instance, for many years Bolivia has imported considerable amounts of wheat from the United States while making only limited progress in increasing its own wheat acreage. The importation of wheat from the United States and its sale by the Bolivian Government has provided the central government with funds which, in some instances, have been used as budget support. Since the worldwide wheat shortage, however, Bolivia has embarked on an aggressive program of increasing its acreage. Nevertheless, a Utah State University report of September 1973 stated that there was an obvious lack of intent and financial support by the Bolivian Government in agricultural development.

Observations on effectiveness  
of Bolivian self-help actions

During the years 1966-70, Bolivia initiated some self-help measures, but according to the AID and CIAP reviews they were inadequate. An AID evaluation noted that Bolivia

had not adopted or supported many of the important self-help measures in the areas of fiscal reform, agriculture, mining, and transportation. AID concluded that the failure of the government to fully implement self-help measures was attributable, at least in part, to the lack of resources and to political or administrative expediency. Consequently, social and economic progress in Bolivia has been limited.

AID and several other international agencies have been concerned that so little progress has been made and that so little of the advice and technical assistance made available were incorporated as changes in the Bolivian Government's administration and tax policy. The fiscal problem continues to be one of the most serious confronting the government.

Under the stabilization and development program of October 1972, the Bolivian peso was devalued and a number of major taxes were created to capture the windfall gains accruing to various sectors from the exchange rate modifications. The program also set a limit of 6 months for a reform of the tax structure involving both internal taxes and taxes on foreign trade. The Embassy, however, noted that erosion of the program began almost immediately after it was announced, as numerous exemptions and postponements were granted by the government to the private sector on the collection of export and import taxes, and a tax amnesty was agreed to.

In July 1973 the IMF and U.S. officials expressed concern over the fiscal situation in Bolivia. The IMF noted, that prompt and adequate action was required if a new major fiscal and balance-of-payments crisis was to be avoided later in 1973, and especially in 1974. The U.S. Ambassador to Bolivia, in a letter to the Bolivian President, stated that the major cause of the fiscal problem appeared to result principally from the lack of full application of the revenue measures prescribed by the IMF standby program, particularly taxes on exports and imports, together with expenditure increases.

A similar view was expressed a few months later in September 1973 by an AID official. He noted that the rapidly increasing fiscal problems in Bolivia due to shortcomings in its efforts to increase taxes and cut spending may hinder the continued success of the overall U.S. policy. The AID official

pointed out that the U.S. objective instituted in 1971 when the Banzer government came to power was to assist the new government in its efforts to control inflation and get development moving.

In October 1973 the government adopted some minor fiscal measures, but these were not extensive and not necessarily geared to fiscal needs. Consequently, these measures may lead to a possible loss in revenues. In November 1973 the government's deficit for 1973 was estimated at \$50 million, with approximately \$25 million being unfinanced.

#### IMPROVEMENTS NEEDED IN COORDINATING ASSISTANCE PROGRAMS

Our review of in-country efforts to coordinate economic assistance programs from approximately 1967 to the present shows that progress has been made in exchanging information and coordinating programs, but much more needs to be done in these areas. Most external agency representatives stated that the current coordinating practices of informal meetings or exchanging ideas or plans are insufficient to prevent duplication or to address problem areas.

U.S. policy calls for increased aid by international organizations and other free world countries and for improved coordination of their programs and those of the United States. To use assistance in the most effective manner, there must be a complete, frank exchange of information between all external donors and the Bolivian Government and its agencies. Failure to do so will result in duplication of efforts, priority areas not being properly addressed, a prolonged need for external assistance, and increased Bolivian debt service with little to show in the way of development progress.

#### Early coordination efforts

In Bolivia, coordination between the United States and other donors was based on informal working relationships rather than formal mechanisms. In June 1967, AID noted that it had a close working relationship with the IMF on matters of development strategy, and a good working relationship with IDB and the United Nations for effecting better program

coordination. Efforts to coordinate bilateral programs had been difficult because project selection by these donors was often based on commercial gain or political impact rather than on development priority.

To improve coordination, AID, by mid-1967, considered creating a formal mechanism of external assistance to Bolivia by establishing a consultative group made up of the principal donors. AID noted that to be successful, however, such a group requires creative, positive leadership and the lack of this had been the major stumbling block to forming such a group.

Three years later, in 1970, the U.S. Mission in Bolivia again emphasized the need for better coordination through a formal donor-coordinating mechanism. They noted that contact with the various resident and visiting missions had been excellent but that coordination on overall lending policy, sector strategy, and economic and financial policy was still insufficient. For instance, the AID Mission reported that:

"Due to the excessive emphasis placed by the Agricultural Bank on development of cattle production in the Beni and the Santa Cruz areas and the counterpart requirements associated with the IDA<sup>1</sup> and IDE credits, the Agricultural Bank is presently unable to provide sufficient credit to traditional agricultural needs. The experience with the IDA and IDB credits for cattle production indicates the need for much closer coordination in the agricultural sectors."

In 1970, AID noted that the most important vehicle for coordination had been an informal meeting of agency heads and resident representatives of the donor agencies providing assistance to Bolivia. The coordination meetings were not considered too effective. In some instances, plans were only exchanged rather than the various agencies coordinating and dovetailing plans into an integrated whole.

---

<sup>1</sup>International Development Association (World Bank)

### Recent efforts at coordination

AID assistance to Bolivia increased substantially since the present government came to power in August 1971. In line with this increased assistance, coordination efforts have taken on added significance.

On January 13, 1972, partially as an outgrowth of previous informal meetings and at the instigation of the U.N. representative, the Bolivian Ministry of Planning and Coordination called a meeting of all national and international donors. The meeting was attended by representatives of the United Nations, AID, Organization of American States, IMF, IDB, and ambassadors or economic officers from virtually all countries having diplomatic relations with Bolivia. As a result of the meeting, a permanent coordinating committee was formed, composed of the Ambassadors of Argentina, Japan, and the Federal Republic of Germany and representatives of the United Nations, IDB, AID, and the Bolivian Foreign and Planning Ministries.

The new committee met for the first time on January 27, 1972, and was expected to meet on a monthly basis. It was decided to establish subcommittees for functional fields, such as agriculture, infrastructure, education, etc. These subcommittees, to be composed of technical personnel in the various areas, would engage not only in detailed project coordination but also in joint sectoral studies. Special attention was to be given also to the most accessible sources of funding.

AID, commenting on the establishment of the new committee in April 1972, noted that because of the absence of a concrete development plan, several donors often had similar projects in the same sector of activity without being aware of each others' activities. AID expressed the hope that the newly established permanent committee would solve the problem.

### Effectiveness of coordinating committee

Despite the original intent that the permanent coordinating committee meet monthly, only two formal meetings have been held. At the February 1973 meeting, held essentially to discuss technical assistance to Bolivia, one conclusion was to

continue and strengthen the ongoing committee on coordination by more purposeful liaison with the Ministry of Planning.

Much coordination of donor program planning appears to take place outside the formal structure established for coordination. AID officials in La Paz meet bilaterally to discuss assistance programs with representatives of the IDB, the International Bank for Reconstruction and Development, and the United Nations Development Program. AID Washington officials, in preparing for the March 1973 Bolivia Program Review, included among many talking points one regarding the effectiveness of multilateral coordination. At this Program Review, officials concluded that substantial progress had been made on coordination but that more remained to be done in examining ways to hold joint discussions with the Government of Bolivia on key policy matters.

International agency views  
on efforts at coordination

In discussing the effectiveness of coordination with representatives of United Nations Development Program, Organization of American States, IMF, and the IDB, only the IDB representative felt that coordination efforts were wholly effective and without any major problems. The IDB representative at the time of our discussion was recently appointed as acting representative in Bolivia.

The Organization of American States representative expressed the opinion that most coordination efforts were informal and essentially consisted of exchanging information on plans. He sees the need for an integrated donor effort and an effective Bolivian development plan in order to avoid duplication of efforts. To illustrate the problem, he noted that the government requested an expert from both the Organization of American States and the United Nations Development Program to assist the Ministry of Commerce and Industry in export-import matters. Both experts arrived in Bolivia before the agencies were aware of the duplication, but fortunately these organizations and the Bolivian Government were able to work out a program of activity that, according to them, effectively used both experts.

The IMF representative stated that informal, unstructured coordination efforts are not sufficient, as some things are always overlooked. He feels that a formalized, monthly or bi-monthly meeting of donor representatives is necessary to avoid duplication and to insure that the various donors stay current on all programs. Such meetings would provide an opportunity for discussing problem areas.

The United Nations Development Program representative in La Paz also expressed the opinion that there is too much dependence upon unofficial, informal good will for effective coordination. He feels that an official commitment from the head of each agency is needed, with specific official guidelines establishing mandates and obligations for coordination efforts. Also, individuals within each agency should be assigned the full-time task of providing information to other agencies and looking for ways to better integrate programs. When these efforts are on a part-time basis, there seems to be insufficient time to carry out effective programs of coordination. The United Nations Development Program representative cited several examples when effective coordination had not been achieved. He noted that the IDB livestock credits program and livestock efforts of other donors (United Nations health efforts and AID production and marketing activities in the Utah State University sheep program, for example) are not yet meshed into an effectively coordinated effort. There are many aspects to be coordinated: pasturage, breeding and production, animal health, packing, and distribution and marketing.

#### AID Mission views on coordination

The AID Mission agreed that coordination could be improved. It noted, however, that the donors are not duplicating each other's efforts or currently having similar projects in the same sector of activity without being aware of each other's activity. It doubts that the mechanism created in January 1972 for coordinating efforts is the best way to increase coordination and believes that the United Nations Development Program representative's statement on an official commitment to coordination does not apply to AID because coordination of programs and efforts is already an AID official policy. We do not completely share AID's views for the following reasons.

In our discussions with officials of external assistance agencies, as indicated above, and in our review of U.S. programs, we did find some rather recent examples where better coordination could have prevented certain problems. For instance, some communications equipment purchased under the AID loan for the airports improvements program was recently transferred to other sites because a subsequent United Nations grant for improving aeronautical communications had made the AID equipment excess to the needs of the Bolivian airport authority for the purpose originally intended.

We reviewed several AID documents cited to us as evidence of AID's commitment to coordination. A guidance airgram (A-55) of January 1972 and the Mission's reply to it, indicate that the guidance circular (a) suggested some approaches to strengthening coordination of technical assistance among donors, (b) called for continuing AID Mission support for them, and (c) elicited additional suggestions from the Missions for improving coordination. The Mission reply went into detail about the recently established formal coordinating committee and clearly noted that informal coordination efforts of the previous 3 years, while helping to provide information exchange on projects, did not provide for serious project or even sector planning.

The mission cited other AID guidance of February 22, 1973, which called specifically for Mission reporting on future plans of coordination with the United Nations Development Program. In its reply to the message, the Mission cited the establishment of the permanent coordinating committee and its mid-February 1973 meeting to firm up sector planning as providing "a suitable framework for achieving the goals set forth [in the guidance]."

A review of AID guidance on coordination indicated that AID is concerned about improving the mechanism for coordinating assistance programs. However, the guidance does not formalize coordination procedures--periodic meetings of all donors, etc.,--which several donor agency representatives have told us were needed.

### Treasury views on coordination

The Department of Treasury representatives concerned with U.S. participation in international organizations stated that coordination of economic programs by the lending agencies is important, but there are limits to what can be accomplished through coordination. The Treasury representatives stated that while formalized coordination has yet to work in Bolivia there should be some systematic method for the in-country coordination of programs there, and that the Government of Bolivia should play a greater part in this procedure.

### Washington-level coordination

During our field review, U.S. Mission officials noted that much coordination of international agencies' programs occurs in Washington. The Mission added that the views of AID and other U.S. Government agencies on proposed projects and programs are given to the International Bank for Reconstruction and Development, IDB, IMF, Organization of American States, and United Nations Development Program by the U.S. Government representatives to these organizations, and that the Mission supplies its views to AID in Washington. The Mission also noted that CIAP subcommittee reviews of the Alliance for Progress and International Bank for Reconstruction and Development and IMF economic studies assist in the coordination of efforts. AID Washington also noted that in December 1972 arrangements to foster coordination between AID and other donors already existed and were generally satisfactory.

Although efforts are made to coordinate assistance programs at the Washington level, we did not find that these activities decreased the need for coordination in-country.

### LIMITED SUCCESS OF AID PROGRAM GRANT AND LOANS

The United States during fiscal year 1972 provided a \$2 million grant and authorized \$32 million in loans as emergency assistance to stimulate economic growth by creating employment opportunities. Employment goals, however, were only partially achieved. The total highest employment attributable

to the emergency assistance funds was 9,629 jobs which contrasts with the goal of creating 20,000 jobs.

The employment opportunities were to be accomplished by public works projects and the financing of Bolivian Government local-currency costs associated with AID, international agencies, and third-country development projects. As of November 1973 approximately \$17.1-million-peso equivalent was disbursed which included approximately \$7.9 million to support Bolivian government local contributions required by external donors for various development loan projects. These local contributions tend to lessen the government's immediate stake in these development projects since they increase the percentage of project funds Bolivia derives from external loan sources with a corresponding decrease in the percentage of funds provided from the government internal resources. The dollars provided under the grant and loan were converted into Bolivian pesos, of which approximately \$24 million was provided in November 1972 in direct support of the Bolivian devaluation of the peso.

#### Emergency grant and initial program loan

In September and October 1971, the United States provided a \$2 million grant and a \$12 million program loan of emergency assistance. The stated purpose of the grant was to fund the local currency costs of the public works program which would help alleviate a critical unemployment problem. The stated purpose of the loan was to provide budgetary support for financing a major portion of the public works program, investments, and investment-related activities to stimulate economic growth, create employment opportunities, and provide needed short-term support to finance expected increases in imports.

The assistance was provided without any major preconditions or required self-help measures. However, in notifying the Bolivian President of the loan in October 1971, the U.S. Ambassador noted the short-term extent of the emergency program and urged the President to begin seeking long-term solutions to the problem of internal and external financing.

### Second program loan

On June 29, 1972, AID authorized a second program loan of \$20 million. The stated purposes of this loan were to sustain the growth and employment of the previous program loan and to increase the development impact of Bolivia's public investment. Activities to be financed under the program were public works and the government's contribution to externally financed development projects. The loan was signed in September 1972 and disbursed to the government, along with the \$4 million balance remaining undisbursed from the first loan, in November 1972 in support of the peso devaluation of the previous month. The pesos purchased by the dollar disbursements are being used or are committed for the stated purpose of the loan.

The \$20 million of economic assistance was authorized without major preconditions.

### Employment generation

Mission officials noted that peak employment under the program was less than originally projected but that duration of project implementation was longer than originally planned. Total man-months of employment generated by AID assistance will be about the same as originally projected. On the other hand, the intent of the loan was not to keep the same number of people employed in the same job for a long period of time, but to employ as many people as possible on a temporary or interim basis. In this respect an AID official noted that the program loan projects were not intended to have a long-term employment period. The projects were intended to provide temporary employment until the private sector caught hold and could absorb the labor force.

### Externally financed projects

The peso funds available from the grant and program loans are used not only to finance new projects but also to meet the Bolivian Government's required local contributions for externally financed projects by AID, international agencies, and third countries.

The grant funds have helped meet the government's contributions in the equivalent of \$357,000 for three externally financed projects. The funds from the first program loan in the equivalent of \$3.8 million for 13 externally financed projects, and the funds from the second program loan in the equivalent of \$3.9 million for 19 projects were used in a similar manner.

#### CONCLUSIONS

For external assistance to properly act as a catalyst, Bolivia must improve its efforts at development plans and self-help measures, and must cooperate in the coordination of assistance with all external donors. Specifically we believe that the government, since the start of the Alliance for Progress, has attempted to formulate development plans and strategies but, for the most part, they were either incomplete or unrealistic. The changing political situation and the lack of an adequate planning capacity are probably the main reasons for the failure to develop adequate and realistic development plans. In view of the large amounts of external assistance being provided, we believe that development plans and strategies and related sector studies are essential if development resources are to be used in the most effective manner. These plans, however, can only be effective if they are adhered to.

Bolivia has been provided extensive technical assistance and advice to help it achieve the self-help measures needed for internal development. This assistance has probably helped Bolivia to achieve some measure of economic progress, but for the most part, government has not taken or implemented the hard measures needed for self-development. There still exists the need to expand the revenue base and tax collections, and to adopt fiscal reforms, such as reduction of unnecessary central government expenditures in order to assist in financing development needs. Also greater support to agricultural development by the Bolivian Government is needed.

Increased efforts of coordination and integration of assistance programs by AID and the various international and bilateral donors seem to be needed. Most external agency representatives agree that the informal meetings or exchange of ideas or plans are insufficient to address problem areas.

The formal coordination committee has not been effective, because the Bolivians have been remiss in calling meetings.

The temporary employment created by AID's assistance in fiscal year 1972 fell considerably below AID goals. This, we believe, indicates that one of the objectives of the emergency assistance program was only partially accomplished. This may have been due to the lack of absorptive capacity of the Bolivian economy, which probably could not be adequately determined when the assistance was provided.

Also, providing the \$34 million emergency assistance funds without requiring specific self-help measures on the part of the government did not appear to give sufficient incentive to the government to take economic and fiscal measures needed for development. Providing funds in such a manner may have been justified based on prior existing conditions and political reasons. However, one wonders why it was necessary for the United States to provide counterpart funds for other external assistance projects financed by external lenders and third countries. As an alternative, these international agencies and third countries could have increased their contributions or waived the counterpart requirements.

#### RECOMMENDATIONS

We recommend that the Secretary of State and the Administrator, AID, in conjunction with other donors, continue to emphasize to the Bolivian Government the need for, and adherence to, development plans, strategies, and related sector studies and adequate self-help measures to increase economic growth and reduce reliance on external assistance. Future U.S. assistance levels should be related to specific positive steps that the Bolivian Government should take to increase economic growth. Also, U.S. assistance funds should be released in increments based on Bolivian performance in taking needed development measures.

The Secretary of State and the Administrator, AID, should carefully consider any future programs whereby U.S. funds are to be used either directly or indirectly to finance a host government's local contributions to an externally financed project. If such financing is to be used in the future, the

Congress should be notified before AID incurs such obligations with supporting justification showing that the international agencies and third countries were requested to increase their contribution or waive the host country counterpart fund requirements, but were unable to do so for the included stated reasons.

We further recommend that the Secretary of State and the Administrator, AID, along with the other external donors, should make certain that the coordination measures for the Bolivian program contemplated at the donor's meeting in January 1972, and reaffirmed in February 1973, are effectively implemented. We also recommend that the Secretary of Treasury stress to the U.S. representatives of the international lending agencies the need for greater coordination of all economic assistance programs to Bolivia. We do not advocate any precise coordination mechanism, but we believe that the good will and commitment regarding coordination should be formalized or systematized, made official policy, and instituted by all concerned agencies.

## CHAPTER 4

### U.S. MILITARY PRESENCE AND PROGRAMS IN BOLIVIA

The United States maintains five military groups or activities in Bolivia, namely, the U.S. Military Group (hereafter referred to as the Group), the Inter-American Geodetic Survey, the Defense Attache Office, the Marine Guards, and the Air Force Postal and Courier Service. The first two groups administer grant-aid materiel and training programs which, from the programs' inception to fiscal year 1974, have amounted to approximately \$39.2 million (see app. IV) and \$5.7 million (see p. 33) respectively.

The U.S. Military Group in Bolivia is the principal representative of the Secretary of Defense with the Bolivian Government and its Minister of Defense. The specific responsibilities of the Group include controlling and coordinating military security assistance plans and objectives and advising the chief of the U.S. diplomatic mission on military matters.

Our review of U.S. military programs revealed that:

- The Departments of State and Defense should consider making substantial reductions in the program because of (1) Bolivia's purchase of unneeded military equipment at the apparent expense of economic development and (2) the interest and military support being provided by its neighbors for stability and security in the area.
- The effectiveness of the program has increased in recent years, but if military assistance is to be continued, further in-country management improvements are needed in its administration to make it more responsible to a major U.S. concern of stability and security.
- Considerable materiel and technical assistance funded by the Department of Defense for the Defense Mapping Agency is provided by the Inter-American Geodetic Survey and other countries in Latin America.

This latter assistance is similar to military grant-aid provided under the Foreign Assistance Act. Military assistance furnished under the Act is reported annually to the Congress by the executive branch. The Survey's mapping assistance is not included in the report to the Congress as assistance because it is funded through the regular Department of Defense appropriation. Because of the similarities in this assistance it would seem that the Defense Mapping Agency's assistance should also be included in the annual assistance report to the Congress.

NEED TO REASSESS U.S. MILITARY  
ASSISTANCE PROGRAM LEVELS FOR BOLIVIA

In 1973 the Bolivian Armed Forces had a total of 18,000 personnel with a budget of about \$20 million representing about 15 percent of the federal budget. A number of Bolivia's military expenditures are financed from sources outside the defense budget which includes funds transferred from national petroleum and mining companies.

In recent years the U.S. military grant-aid to Bolivia has averaged about \$4 million, most of which was for equipment and materiel. Consideration should be given to reducing future programs since Bolivia is purchasing a considerable amount of unneeded military equipment at the apparent expense of economic development, and is the recipient of large amounts of equipment and training on a grant-aid or concessional basis from neighboring countries.

Third-country materiel assistance  
and training

Bolivia in the last several years has received a variety of military equipment from Canada and countries in South America and Europe. Most of the equipment received from countries in Latin America has been on a grant-aid or concessional basis, while equipment from Europe and Canada has been on a cash or credit basis. It is also expected that the more affluent countries in South America will continue to support Bolivia with training and equipment. The details of these assistance efforts are classified.

Bolivian military expenditures  
may inhibit economic development

In December 1973, U.S. Embassy officials stated that they believe funds outside the Bolivian defense budget which came from the national petroleum company were used to finance part of the Bolivian jet aircraft purchased from Canada. They noted that using funds in this manner cannot be related to the loss of funds for economic development since they are earmarked for military use. We believe, however, using any funds under the control of the Bolivian Government for military purchases necessarily makes a corresponding amount unavailable for economic development.

IMPROVEMENTS NEEDED IN THE ADMINIS-  
TRATION OF U.S. MILITARY ASSISTANCE

Since the formulation of the current Bolivian Government in August 1971, the objective of U.S. military assistance has been to provide stability and security. To assist in the objective, the U.S. provides materiel and training to develop adequate counter-insurgent forces.

A review of the Group records and our visits to Bolivian military units disclosed that some U.S. furnished equipment was not at the designated units; that maintenance centers were not operating in the most efficient manner; and that improvements are needed in the programing of training, monitoring, and control of personnel already trained.

Control and monitoring of  
U.S. supplied equipment

Department of Defense officials informed us that even though Military Assistance Program-provided equipment was not in the designated units (the details are classified), it was being utilized by the Bolivian military for the purposes intended. They also informed us that the newly assigned Military Group Commander is making a concerted effort to correct these unit assignment discrepancies.

Maintenance of Military Assistance  
Program supplied Army equipment

We reviewed available records in the Group Army's maintenance section and visited the Bolivian Army's maintenance centers located in Cochabamba and Santa Cruz. We found that the Group had corrected maintenance problems in Cochabamba, but that maintenance problems still existed in Santa Cruz. This latter situation probably resulted from the chaotic years of the Ovando-Torres administrations, and Group effort in recent years has been directed toward correcting the situation.

During the U.S. Military Group maintenance advisor's trip to Cochabamba in May 1973, there were several 2-1/2 ton trucks in repair for over 3 years, but as a result of his requesting the needed parts, the vehicles were repaired by August 1973. At the time of our visit one month later no particular maintenance problems were noted.

A review of Santa Cruz Maintenance Center records disclosed that during June 1973, 13 vehicles from the 2nd Tipo were in the repair center for as long as 2 years. In addition, there were two vehicles in repair for 6 months from another unit and these vehicles were the only ones that were assigned to the unit. During our visit to the Center in September 1973, we noted a vehicle that had been there since November 1970 for repair, and that 11 vehicles were deadlined in the repair facilities for lack of spare parts.

Programing and monitoring of Military  
Assistance Program-provided training

A review of the Army and Air Force Military Assistance training programs for Bolivia showed that improvements are needed in the programing of training, monitoring, and control of personnel trained. The Group stated they are instituting procedures to improve the situation.

Army training

In 1972, 18 Bolivian Army officers and non-commissioned officers--from each of the first three Tipos--completed training in the Canal Zone on the use of 4.2 mortars. At the time

of our fieldwork only one 4.2 mortar was in-country. Also only three of the trained personnel were assigned to Tipos. During April 1973 the Group initiated action to have the mortar-trained personnel reassigned to the Tipos, but at the time of our fieldwork no action had been taken by the Bolivian Army. One of the mortar-trained personnel is chief of security of the Command and General Staff. The Group commander noted that delays in mortar production and shipping times caused personnel to be shifted to other needed areas, but this is the prerogative of the host country commander.

As part of our review we intended to ascertain the effectiveness of the Military Assistance Program training program in providing qualified individuals to support the Bolivian Army requirements. We were informed, however, by Group personnel that this could not be done. Although the Army section maintained a card file on which this information should be available, the file had not been updated since 1971 and there was no formal followup to see if the individual was working in the assignment for which he was trained.

#### Air Force training

During fiscal year 1972 a substantial part of the Air Force training programed and agreed to by the United States and Bolivia was cancelled. The cancellation resulted from the unwillingness of the Bolivian Air Force to pay per diem costs associated with out-of-country training and its annual repetitiveness. In order to use the funds allocated, mobile training teams were sent to Bolivia. A Military Group Air Force officer informed us that to avoid losing space allocations when they become available to pilots training in the United States, selection is often based on the ability of the Bolivian officer to speak English rather than the intended use of his training. The Group commander noted that this type of selection is not in accordance with his policies. We also noted the Group had encountered problems in following up on Bolivian Air Force personnel trained at Military Assistance Program expense.

During 1972, the U.S. Air Force Command in the Canal Zone, in accordance with a congressional inquiry, requested the Military Group to provide an analysis of Bolivian Air Force Military Assistance Program trained personnel and their

current assignments. The Group was told by the Bolivian Air Force that this was privileged information and could not be provided. Since then the Group Air Force section has developed a followup form (6 months and 1 year) to monitor assignments of Military Assistance Program trained personnel. The procedures, however, had not been completely implemented. There had been no followup on non-commissioned officers, and as of our review only one section of a Bolivian Air Force unit had provided information on Military Assistance Program trained personnel.

The Group Commander stated that training followup depends upon the cooperation of the host country Armed Forces. Scheduled and timely training followup inquiries are made by the Group but responses to these requests vary. In the case of the Bolivian Army, the responses to the Group requests for assignment information are fair to good; the Air Force poor to fair; and the Navy generally excellent.

NEED FOR REPORTING INTER-AMERICAN GEODETIC  
SURVEY ASSISTANCE TO THE CONGRESS

The Foreign Assistance Act, section 657, provides that the President report annually by December 31, the aggregate dollar value of all foreign assistance provided by the United States Government by any means to all foreign countries and international organizations. Assistance provided to Bolivia and other Latin American countries by the Survey has not been included in the Annual Foreign Assistance Report to the Congress. Inter-American Geodetic Survey 1973 costs, including salaries and expenses of its headquarters staff in Panama, amounted to \$3.4 million.

The lack of reporting probably resulted from different interpretations of what is considered foreign assistance, and the Survey's being funded from Department of Defense appropriations instead of Foreign Assistance Act appropriations. We believe, however, the type of assistance provided by the Inter-American Geodetic Survey to Bolivia and other Latin American countries is similar to types of assistance provided under the Foreign Assistance Act, and therefore consideration should be given to reporting this assistance annually to Congress.

Inter-American Geodetic Survey Bolivia  
assistance and support costs

In 1948, an Inter-American Geodetic Survey project was established in Bolivia. The primary collaborating agency in Bolivia is the Instituto Geografico Militar which was established in 1936 and is responsible for all cartographic and geodetic projects related to the national mapping program. Support for the Instituto Geografico has been provided by AID, the U.S. Army and Air Force, and more recently the Defense Mapping Agency.

U.S. assistance support costs from inception in fiscal year 1948 to that estimated for fiscal year 1974 total approximately \$8.5 million of which approximately \$5.7 million is considered program costs and \$2.8 million salary costs. For fiscal year 1973 total costs amounted to about \$269,000 (\$203,000 funded by the Defense Mapping Agency and \$66,000 by the Air Force) of which approximately \$123,000 was considered program costs and \$146,000 salary costs.

During our review we noted that the United States has provided a fleet of 62 vehicles to support the Instituto Geografico Militar operations in addition to providing spare parts, mapping materials and equipment, and technical advice. The vehicles are valued at approximately \$285,000 and are provided at no cost to the Bolivian Mapping Service or the Inter-American Geodetic Survey Bolivia program budget. Although the repair parts for the vehicles are included in the Survey's Bolivia program budget, replacement vehicles are not. The vehicles are officially listed as Survey property but are maintained and used by the Bolivian Mapping Service. The Survey exercises control over the vehicles by issuing an authorization form for Bolivian personnel using the vehicles, which is sometimes done for an 8-month period.

CONCLUSIONS

The Departments of State and Defense should reassess the military grant-aid materiel program to Bolivia.

--The Bolivian Air Force has acquired large numbers of aircraft from third countries that U.S. officials believe are not needed for internal defense and stability. Maintenance of these aircraft will contribute

to Bolivia's defense expenditures. The funds used for the purchase and maintenance of unneeded equipment could more properly have been used for needed economic development purposes, or priority military purchases of equipment that has been provided as grant-aid by the United States.

--Neighboring countries have a significant stake in the stability of Bolivia and have shown through their military assistance efforts that they are willing and capable of aiding the military efforts of Bolivia to maintain internal security and stability.

U.S. assistance programs have become more effective under the present Bolivian Government, but there is still a need for management improvements, increasing Bolivian maintenance capabilities, and improving the programing and monitoring by Group personnel of Military Assistance Program trained personnel. The Group Commander agrees that more has to be accomplished in this area.

The United States has provided considerable technical and materiel assistance to the Bolivian mapping service, an agency of the Bolivian Armed Forces, as part of a joint effort of obtaining maps and geodetic data for both Bolivian and United States use. The assistance is funded by Department of Defense appropriations, and is not reported annually to the Congress, as is assistance provided under the Foreign Assistance Act.

#### RECOMMENDATIONS

We recommend that the Secretaries of State and Defense reassess the U.S. grant-aid materiel program to Bolivia since there is a serious question of the need to continue the program at present levels.

We further recommend that the Secretary of Defense take measures to insure that the monitoring and control of U.S. supplied equipment and personnel trained under the Military Assistance Program be made more effective. If Bolivia refuses to cooperate, we recommend reducing Group personnel and postponing delivery of further equipment for the Tupo regiments.

We also recommend that the Secretaries of State and Defense consider including in the President's Annual Report to the Congress that assistance provided by Inter-American Geodetic Survey to Bolivia as well as other Latin American countries.

## CHAPTER 5

### TRADE, COMMERCE AND INVESTMENTS

Trade opportunities are available to aggressive American suppliers of mining and petroleum machinery, agricultural and television equipment, pharmaceuticals, luxury food and other consumer goods, aircraft and spare parts, and communications equipment. The Embassy estimates U.S. exports for fiscal year 1974 will be \$75 million. The commercial attache in La Paz provides useful services for the benefit of U.S. businessmen interested in doing business in Bolivia, and is making U.S. products known to Bolivian businessmen. U.S. investments were valued at about \$26 million in late 1973, and probably will increase when the present favorable investment climate has become well established.

#### EFFORTS TO INCREASE U.S. TRADE

To increase opportunities on trade or sales, the commercial attache cables information to Washington for distribution to interested U.S. businessmen, and publishes a commercial newsletter in Bolivia which informs Bolivian businessmen about U.S. products.

In September 1973, the Department of Commerce computerized this information. With respect to Bolivia it appears, however, that there has been some conflict between U.S. Department of Commerce guidelines on foreign government tenders and the realities of the Bolivian market. The guidelines say a foreign government tender should be cabled if there are at least 60 days between the date received and the date by which the buyer wants offers, and if the sale will amount to at least \$100,000. Bolivian public corporations in the mining and oil areas will often make tenders involving less than 60 days--as little as 30 days--for purchases significant in the context of the Bolivian market. They also make purchases of well under \$100,000, but which are of a recurring nature and could be of interest to U.S. suppliers. The commercial attache sends such information to Washington when he deems it interesting and important for the Bolivian market. It is then up to the Commerce Department, based on time consideration and availability of products, whether such tenders outside the regular guidelines are forwarded to suppliers.

After our discussion with Embassy officials concerning the Commerce Department guidelines problem, the commercial attache in Bolivia in late December 1973, requested the Departments of State and Commerce to treat certain types of foreign government tenders as private trade opportunities. This would enable them to go through the new computerized system and avoid some of the problems cited by the attache.

Commerce officials in Washington informed us in mid-January 1974, that the new system has been expanded to include government tenders, and that the purchase amount has been reduced to \$50,000 and the time limit to 45 days. Guidelines outlining the new procedures will be sent to all posts.

In order to keep Bolivian businessmen informed about U.S. products, the post mails a Spanish-language commercial newsletter, the Boletin Comercial, to about 1,500 local businessmen and firms. The newsletter provides information on international trade, documentation, international commercial exhibitions, and new U.S. products and commercial opportunities. Beginning with the November-December 1973 issue, the newsletter contained a tear-out form on which a reader could request additional information from the commercial office. This will provide the post with trade opportunity leads and with feedback on readership and interest in the newsletter's contents.

#### INVESTMENT OUTLOOK

The present government has encouraged foreign investment since it assumed power in August 1971 through the passage of two new laws favorable to foreign investments and the government's amicable settlement of all major nationalization cases with U.S. investors. Three small cases not insured by the Overseas Private Investment Corporation are still pending. Bolivia's current efforts to improve the foreign investment situation have been clouded, however, because of the prior takeover of U.S. firms, ambiguities, and possible contradictions of the Bolivian Investment Code and the Foreign Investment Code of the Andean Pact of which Bolivia is a member. For these reasons the Overseas Private Investment Corporation has been proceeding cautiously in re-establishing its insurance program in Bolivia.

The first article of the Bolivian Investment Law of December 1971, and its general tone make it clear that private foreign investors are to be treated the same as domestic investors. The law grants considerable concessions to new investments and guarantees the repatriation of capital and profits. The new Hydrocarbon Law of March 1972, also makes clear the government's intent to attract foreign risk capital and provides guarantees similar to those of the Investment law. U.S. private investment in Bolivia is expected to increase from \$26 million to about \$65 million during fiscal year 1974. It appears that most of the projected new U.S. private investment will be in petroleum activity.

Union Oil Company of California has recently taken advantage of the new Hydrocarbon law and will be investing some \$6.6 million in exploration for oil in northwestern Bolivia under contract with the Bolivian State Petroleum Company. Occidental Oil Company, a U.S. firm, has a similar contract for exploration in Southeastern Bolivia, and will invest about \$4 million. In addition to the \$10-plus million the Union and Occidental groups are investing, a French-led group with two-thirds U.S. participation is expected to invest about \$4 million, and about 10 other companies, mostly U.S., are expected to sign similar oil exploration contracts with the Bolivian State Petroleum Company. This oil investment will not, however, greatly increase U.S. holdings of capital assets in Bolivia; the increase will be in the form of equipment and cash balances held in-country.

#### Nationalization and the Overseas Private Investment Corporation Insurance Program

The Bolivian Gulf Oil Company, a subsidiary of Gulf Oil, was nationalized in October, 1969. Settlement was reached in September 1970 providing for the payment of \$78.6 million over a 20-year period. In 1971, the Overseas Private Investment Corporation insurance program was suspended following the Torres government nationalization of Mina Matilde and International Metals Processing Corporation. The Corporation's liability for insurance issued before the suspension was \$8.7 million as of June 30, 1974. In addition, since the suspension the Corporation has incurred an \$8 million contingent liability in the settlement of the Mina Matilde case.

Overseas Private Investment Corporation did not suffer losses in the nationalization cases because they were settled amicably with the Banzer Government. In the Mina Matilde case the U.S. investors received compensation amounting to \$13.4 million. The Overseas Private Investment Corporation guaranteed repayment of \$8 million of the \$13.4 million borrowed by Bolivia to finance the cash settlement, and thus remains liable for up to that amount if Bolivia fails to make the required repayments. In the International Metals Processing Corporation case the U.S. investors received \$1.5 million cash at the time of settlement and thereafter was to have a 45 percent interest in a mixed company to be managed by International Metals Processing Corporation.

The Bolivian nationalization of private investment (both foreign and domestic) is not just a recent phenomena, as major nationalizations also took place in 1935 and 1952. The Embassy, however, believes that a recognizable difference exists between the attitude of the incumbent government and the long tradition of nationalization. However, the vagaries of Bolivian politics are such that renewed official respectability for nationalization could change particularly if there is a change in government.

In June 1973, U.S. officials expressed the belief that private foreign investment to complement other resources is necessary to obtain economic growth objectives in Bolivia. In order to limit U.S. exposure in any possible future expropriations, the U.S. country team in Bolivia recommended that Corporation guarantees and insurance be less than 100 percent. The country team expressed the view that Overseas Private Investment Corporation guarantees should be granted on a highly selective and limited basis until such time as the present favorable investment climate has become well established. The team added that the sensitive investment areas, such as extractive industries, should be subject to the closest scrutiny to avoid recurrence of problems. In June 1974 there were eight firms registered with Overseas Private Investment Corporation involving investments of between \$50,000 for a small tin mining operation and \$30 million for an oil exploration project. No new insurance policies, however, have been issued.

## CONCLUSIONS

The Bolivian market is small and thus has a limited impact on U.S. international trade activity and policy, both private and public. Nevertheless, there are sales opportunities available for aggressive U.S. producers and exporters. The commercial office in La Paz appears to be providing timely and useful services to the benefit of U.S. businessmen interested in doing business in Bolivia.

Investments by private U.S. firms in Bolivia are important to complement other resources in accelerating economic growth. Prior experiences of nationalizations and the provisions of the Foreign Investment Code of the Andean Pact to which Bolivia is a signator are causing Overseas Private Investment Corporation to move cautiously before issuing any investment insurance for U.S. firms wishing to establish themselves in Bolivia.

## CHAPTER 6

### OTHER U.S. ACTIVITIES

Two of the smaller U.S. organizations operating in Bolivia are the United States Information Service (USIS) and the Drug Enforcement Administration.

In reviewing these activities we noted that:

--USIS objectives and target groups over the years have been responsive to the changing political situation in Bolivia, and the world in general, but no satisfactory means has been devised to measure the effectiveness of their programs.

--The narcotics control program in Bolivia, which is assisted by a resident Drug Enforcement Administration agent, appears to be improving, but more needs to be done by the Bolivian government in areas such as increased financial support and increased coordination of narcotics control efforts by concerned Bolivian agencies.

### U.S. INFORMATION SERVICE

USIS is the overseas operating arm of the United States Information Agency. The mission of the Agency is to support the foreign policy of the United States by explaining it to people in other countries, to build overseas understanding of United States institutions and culture, and to advise the U.S. Government on public opinion abroad and its implications for U.S. policy.

To carry out the Agency's mission and the specific objectives established for Bolivia, USIS Bolivia maintains an office in La Paz, and supports cultural and educational institutions (binational centers) in the cities of La Paz, Cochabamba and Santa Cruz. In fiscal year 1973, the USIS in Bolivia was staffed by five Americans and 26 local employees, and salaries and operating costs were approximately \$475,000.

Responsive objectives and  
target groups

Annually USIS, in conjunction with the U.S. Information Agency, establishes objectives and target groups to guide it in its mission. An examination of USIS objectives from fiscal year 1969 to 1974 shows certain similarities but also a fairly significant change in direction. In early years, the anti-communist theme was stressed, whereas today this theme has been replaced by the promotion of a greater knowledge and broader understanding of U.S. initiatives directed toward maintaining world peace through rapprochement with the Soviet Union and the Peoples Republic of China. In fiscal year 1969, continued cooperation with the United States and other western hemisphere nations in the Alliance for Progress was considered an important objective, whereas in fiscal year 1974, the stress is on greater understanding of U.S. economic and trade policies and the role of foreign private investment in the development of Bolivia. In fiscal year 1973, the objective of soliciting Bolivian cooperation in the control of narcotics was added.

To accomplish the stated objective USIS established certain target groups or audiences that they directly attempted to influence. An examination of the target audiences from 1969 to 1972 showed two major changes that occurred--(1) the movement of the agricultural community from the seventh place of importance (last) in fiscal year 1969 to the first place of importance in fiscal year 1971, and finally to its noninclusion in fiscal year 1972, and (2) the movement of labor officials and leaders from the third place of importance in fiscal year 1969 to the sixth place (last) in fiscal year 1972.

Starting in fiscal year 1973 the target audiences were divided into primary (inner circle) and secondary groups. The primary groups receive personalized attention and the secondary groups receive publications and occasional invitations to USIS-sponsored events. For fiscal year 1973 the primary target audience consisted of 545 persons: leading government officials, top military leaders, leading communicators, intelligentsia, and professional and business leaders. The secondary audience was composed of 1,225 persons: labor leaders, senior and middle military officers, and academic and student leaders.

Difficulty of measuring  
effectiveness of programs

USIS uses several methods of communicating with and influencing the Bolivian people to achieve USIS objectives and goals. They include personal contact, invitations to parties, receptions and other affairs, radio, films, television, press, publications, exhibitions and libraries and gifts of books.

In Bolivia there have been some surveys to determine media usage, but none which would show the extent to which attitudes have been changed or audiences influenced. The Public Affairs Officer in Bolivia pointed out that it is almost impossible to measure changes in opinion; exposure to USIS material can be measured but not the degree of USIS influence. He further stated that persons are influenced from many sources and the part USIS plays in this cannot be measured. The problems of measuring the effectiveness of worldwide USIS programs are covered in a GAO report, "Telling America's Story to the World--Problems and Issues," (B-118654, March 25, 1974.)

NARCOTICS CONTROL PROGRAM

Bolivia is one of the major growers of the coca leaf, the raw material for the narcotic cocaine. The cocaine produced is not widely used in Bolivia, but reportedly is finding its way into the United States. To assist in the control of cocaine the United States in fiscal year 1973, gave Bolivia about \$224,000 which includes the salary and expense of a Drug Enforcement Agency agent assigned to Bolivia; a second agent was assigned during fiscal year 1974.

Bolivian efforts at narcotics control

Our review disclosed that in recent years Bolivia has become aware of the dangers of illicit narcotics and has taken increased action to cope with the problem, but that greater financial and administrative efforts are still needed.

Bolivian efforts to control narcotics are centered in the National Office of Narcotics and Dangerous Drugs, which was initially established in 1971. In March 1972, the National Office was given full jurisdiction over all police agencies with respect to narcotic enforcement. The government provides funds only for the salaries of personnel of the National Office and as a result the Office did not become operational until June 1972, when it received U.S. assistance. In September 1973, the National Office had a staff of 17 people, but future plans include increasing the staff to 28.

At the time of our fieldwork in late 1973, the Bolivian National Office of Narcotics and Dangerous Drugs, had made 92 arrests for narcotics violations, seized about 51 kilograms of cocaine sulphate and about 5 kilograms of refined cocaine, and had closed 54 clandestine laboratories. Other divisions of the National Police have also been active in narcotics enforcement. However, there are no records available on the extent of their activity. Although the National Office was given full jurisdiction with regard to narcotics enforcement, there is little coordination with other police agencies. They develop their own intelligence and conduct their own raids without informing the National Office.

The National Office does not maintain records on the disposition of individuals arrested for narcotics violations. Once an arrested person is turned over to the courts the case is closed. Bond is posted to obtain release after which there is very little chance of a person being brought to trial. However, in an effort to strengthen narcotics enforcement Bolivia issued a new drug law in December 1973, which provides stiff penalties for drug offenders.

#### CONCLUSIONS

USIS objectives and target groups have been responsive to conditions in Bolivia and the world in general, but USIS in Bolivia and its parent agency, the United States Information Agency, have not found a satisfactory method to measure the effectiveness of their program.

The Government of Bolivia in the last few years has strengthened its organizational structure and increased enforcement measures to control the manufacture of narcotics.

A new drug law provides stiff penalties for drug offenders. These increased actions, even though assisted by U.S. financial aid, fall short of what is needed to control the manufacture of cocaine from coca.

We believe that increased coordination and financial support are needed in this area by the Bolivian Government and its agencies. Currently most of the operational expenses of narcotics control and enforcement are supported by U.S. assistance; coordination and exchange of intelligence between Bolivian agencies is lacking; and inadequate records are maintained. The recent assignment of an additional Drug Enforcement Administration agent to Bolivia should assist the government in its narcotics control enforcement measures.

## CHAPTER 7

### SCOPE OF REVIEW

We reviewed the administration and management of major programs of U.S. agencies operating in Bolivia. The examination was directed toward evaluating the effectiveness and need of U.S. programs in the light of U.S. objectives, the relationship of U.S. assistance to international agencies and third countries, and Bolivian efforts to help themselves. Our review covered the fiscal year period 1965 to 1974, but was more specifically directed to the period following the Bolivian revolution of August 1971. The work was performed in Washington and in Bolivia during 1973 and 1974.

We also reviewed U.S. policy papers, strategy statements, program documents, correspondence, and other pertinent data available, and discussed relevant topics with U.S. officials in Bolivia and Washington in the Departments of State, Defense, Commerce, and Treasury; the Agency for International Development, Drug Enforcement Administration, United States Information Agency, and the Defense Mapping Agency (Inter-American Geodetic Survey). Statistical data was generally obtained from reports published by AID and the IMF.

## APPENDIX I

U.S. ECONOMIC ASSISTANCE  
FISCAL YEARS 1962-1974  
(Net authorizations and obligations)

Fiscal year	Develop- ment loans	Technical assistance grants	Supporting assistance grant loans	Food for Peace		Total assistance
				Title I	Title II	
(millions)						
1962-64	\$ 69.1	\$10.7	\$48.7	\$21.8	\$11.1	\$161.4
1965	.6	4.1	4.8	2.9	1.0	13.4
1966	18.7	3.2	3.2	5.5	0.8	31.4
1967	11.0	4.1	0.4	0.6	0.9	17.0
1968	-	3.5	5.0	7.4	0.9	16.8
1969	6.3	3.4	-	8.2	1.2	19.1
1970	-	2.0	-	-	3.6	6.6
1971	-	3.7	-	5.1	1.8	10.6
1972	50.0	3.6	2.0	-	4.4	60.0
1973	13.1	3.9	-	9.4 <sup>a</sup>	0.9	27.3
1974 (est.)	<u>29.8</u>	<u>3.2</u>	<u>-</u>	<u>13.0<sup>a</sup></u>	<u>2.1</u>	<u>48.1</u>
Total	<u>\$198.6</u>	<u>\$46.4</u>	<u>\$64.1</u>	<u>\$73.9</u>	<u>\$73.9</u>	<u>\$411.7<sup>b</sup></u>

<sup>a</sup> Value of shipments authorized against prior year agreement.

<sup>b</sup> In addition, Export-Import Bank loans of \$18.3 million were made (\$10.1 million in 1967 and \$8.2 million in 1969).

NOTE: The above data does not include regional funded programs, which are generally in the nature of technical or training assistance.

APPENDIX II

AID AND MULTILATERAL ECONOMIC ASSISTANCE  
DEVELOPMENT LOANS BY FIELD OF ACTIVITY  
FISCAL YEARS 1965 TO 1974

Activity	Date		AID	IDB	a IDA	b IBRD
	Author- ized (AID)	Approved (others)				
Agricultural and Community Development:						
Agricultural bank	1-66		\$ 2.1			
Community development	7-69		0.9			
Production - marketing	11-71		8.0			
Rural community development	6-72		3.0			
Rural electrification	2-73		4.1			
New lands development	6-74		9.7			
Beni livestock development		5-67			\$ 2.0	
Second beni livestock development		1-70			1.4	
Third beni livestock development		6-71			6.8	
Livestock credits		11-69		5.0		
Total			27.8	5.0	10.2	-

Industry - Mining:

Mining bank	1-66		1.0			
COMIBOL rehabilitation	3-66		1.1			
Feasibility studies	6-67		1.5			
Industrial refinancing	5-72		7.0			

<sup>a</sup> IDA - International Development Association (World Bank)

<sup>b</sup> IBRD - International Bank for Reconstruction and Development (World Bank)

## APPENDIX II

Activity	Date		AID	IDB	IDA	IBRD
	Author- ized (AID)	Approved (others)				
Industry - Mining: (con.)						
Y.P.F.B. (National oil company)		9-73		\$ 46.5		
Y.P.F.B. (Technical assistance)		1-74		1.6		
Third phase COMIBOL rehabilitation		2-66		2.5		
Industrial credits		6-66		1.0		
Preinvestment fund		9-66		2.1		
Bolivian development corporation		11-66		10.8		
Gas pipeline		6-71		20.7		
Banco industrial		9-72		1.5		
Export credits		3-72		1.2		
Mining (medium mines)		1-74		-	\$ 6.2	
Gas pipeline		7-69		-		\$ 23.3
Total			10.6	87.9	6.2	23.3
Education:						
Assistance to the Bolivian Government		6-74		9.6		
San Andres University		5-65		-	0.7	
San Simon, Oruro and Santa Cruz Universities		12-65		-	1.3	
Total			9.6	2.0	-	-

APPENDIX II

Activity	Date		AID	IDB	IDA	IBRD
	Author- ized (AID)	Approved (others)				
Transportation and Communication::						
El Alto Airport construc- tion increase	5-65		\$ 0.5			
SNC national road service	1-66		5.0			
El Alto Oruro Road	6-66		4.8			
Roads 1 and 4 increase	2-67		9.5			
Access roads 3 and 7 increase	7-68		2.4			
Civil air transport	10-68		2.0			
Technical assistance and equipment procurement	10-68		1.0			
Telecommunications		4-68		0.5		
Highway feasibility study		9-70		0.5		
Technical assistance for highway construction (Canadian funded)		6-71		1.7		
National telecommunications		8-72		8.7		
National telecommuni- cations (note a)		7-72		7.1		
El Alto/La Paz Highway		11-72		13.7		
Improve highway system		12-72		10.0		
Railroads		12-72			8.0	
Total			25.2	42.2	8.0	-

a Funded by the United Kingdom

## APPENDIX II

Activity	Date		AID	IDB	IDA	IBRD
	Authori- zed (AID)	Approved (other)				
Power:						
Santa Cruz electric	6-66		\$ 4.8			
Rural electrification	11-73		6.5			
Rural electrification overruns	6-74		4.0			
Hydroelectric Corani		7-64		\$ 3.6		
Electric power		6-69		8.5		
Electric power (note a)		6-69		1.6		
First ENDE power		7-64			\$10.0	
BPC power project		7-64			5.0	
Corani project (2nd ENDE power)		4-69			7.4	
Total			<u>15.3</u>	<u>13.6</u>	<u>22.4</u>	<u>-</u>
Housing and Urban Development:						
National urban devel- opment service	6-73		3.0			
Savings and loan program	6-73		6.0			
Water system, Oruro		3-65		2.6		
Housing		7-67		5.5		
Water and sewage systems		8-67		1.8		
Water and sewage systems		12-67		11.0		
Total			<u>9.0</u>	<u>20.9</u>	<u>-</u>	<u>-</u>
Program Loans:						
Program loan	10-71		12.0			
Program loan	6-72		20.0			
Total			<u>32.0</u>	<u>-</u>	<u>-</u>	<u>-</u>
GRAND TOTAL (1965-1974)			<u>\$129.5</u>	<u>\$171.6</u>	<u>\$53.0</u>	<u>\$23.3</u>
a Funded by the United Kingdom						

MULTILATERAL AND THIRD COUNTRY  
ECONOMIC ASSISTANCE TO BOLIVIA  
FISCAL YEARS 1962-74

APPENDIX III

Fiscal Year	IDB		IDA	IBRD	UN	OAS	Total multilateral		Third countries (note a)
	Loans	Grants	Loans	Loans	Grants	Grants	Loans	Grants	Loans & Grants
1962-64	\$ 24,320	\$ -	\$ -	\$ -	\$ 3,700	\$ b	\$ 24,320	\$ 3,700	Not available
1965	6,840	150	-	15,000	1,600	450 <sup>c</sup>	21,840	2,200	\$ 3,000 <sup>c</sup>
1966	4,800	105	-	-	1,900	455	4,800	2,460	3,000 <sup>c</sup>
1967	12,900	10	-	2,000	600	355	14,900	965	4,030
1968	18,843	12	-	-	4,900	185	18,843	5,097	1,160
1969	10,076	194	-	7,400	2,300	625	17,476	3,119	5,130
1970	5,000	59	23,250	1,400	1,900	625	29,650	2,584	4,630
1971	22,956	-	-	6,800	2,900	405	29,756	3,305	5,670
1972	1,150	19	-	-	3,100	510	1,150	3,629	3,000 <sup>c</sup>
1973	40,932	-	-	8,000	4,607 <sup>c</sup>	590 <sup>c</sup>	48,932	5,197	5,000 <sup>c</sup>
1974 (est.)	48,100	-	-	12,400	4,607 <sup>c</sup>	590 <sup>c</sup>	60,500	5,197	d
Total	\$195,917	\$549	\$23,250	\$53,000	\$32,114	\$4,790	\$272,167	\$37,453	\$34,620

- a Data on a calendar year basis.  
b Several scholarships; amounts unknown.  
c Estimate.  
d Not available at the time of our review.

## APPENDIX IV

U.S. MILITARY GRANT-AID ASSISTANCE  
FISCAL YEARS 1957-74

	<u>Materiel</u>			<u>Total</u>
	<u>Non Excesses<sup>a</sup></u>	<u>Excesses<sup>b</sup></u> (millions)	<u>Training</u>	
1957-61	\$ 6.3	\$ 0.8	\$ 4.0	\$11.1
1962	1.2	0.2	0.7	2.1
1963	1.6	0.1	1.0	2.7
1964	2.2	0.1	1.3	3.6
1965	1.6	0.1	0.6	2.3
1966	1.1	0.1	0.7	1.9
1967	0.7	0.1	0.5	1.3
1968	1.3	0.2	0.6	2.1
1969	3.0	0.9	0.6	4.5
1970	<u>3.1</u>	<u>0.3</u>	<u>0.7</u>	<u>4.1</u>
1971	22.1	2.9	10.7	35.7
1972 (partial)	<u>2.3</u>	<u>0.7</u>	<u>0.5</u>	<u>3.5</u>
Total	<u>\$24.4</u>	<u>\$3.6</u>	<u>\$11.2</u>	<u>\$39.2</u>

a. For the year 1973 supply operation costs are not reported on a country basis.

b. Shown at legal value; one-third of acquisition cost in accordance with provisions of the Foreign Assistance Act.

#### APPENDIX IV

The increased assistance levels in 1966 and 1967 resulted from the growing threat of foreign supported guerilla and terrorist activity in Bolivia. Selected combat units became Military Assistance Program supported, and in 1967 the forces of Che Guevara were defeated.

The increased levels of assistance in fiscal years 1972 and 1973 are primarily due to U.S. efforts to modernize and improve the mobility of the Bolivian Armed Forces, particularly the Regimiento Tupos.

APPENDIX V

U.S. EMBASSY BUDGET AND PERSONNEL COSTS  
FISCAL YEARS 1970-74

Fiscal year	Opera- tions budget (000)	Personnel						Total	
		U.S.		Local		Contract		Per- sonnel	Costs (note b)
		No.	Salaries and dif- ferential (000)	No.	Salaries (000)	No.	Costs (000)		(000)
1970	\$493	43	\$699	47	\$119	a	\$23	90 <sup>a</sup>	\$1,334
1971	543	42	764	45	116	a	61	87 <sup>a</sup>	1,484
1972	509	42	795	44	130	a	51	86 <sup>a</sup>	1,485
1973	470	42	811	46	105	a	49	88 <sup>a</sup>	1,435
1974	390	42	849	46	105	105	53	193	1,396

a Data on the number of contract personnel before fiscal year 1974 is not available and not included in total.

b Total does not include Government-owned or long-term leased properties funded by the Foreign Building Office.

U.S. salaries and differential allowance (raised from 20 to 25 percent in 1971) are not considered as a portion of Embassy operations costs. A portion of the above salary costs is reimbursed by other U.S. agencies for administrative support provided by the Embassy.

From the operations budget, the Embassy finances local national salaries, leased housing and furnishings, contract costs, educational allowance, household and office furnishings, vehicle and Embassy maintenance and travel costs including rest and recuperation trips. Contract costs are comprised of janitorial service, maintenance service, and guard service which includes guards for certain Embassy-leased residences.

## APPENDIX V

Within the Foreign Building Office budget for fiscal year 1974, \$150,000 is earmarked for site acquisition as a first step in attaining a new chancery for Bolivia. Approximately \$135,000 is programmed for fiscal year 1975 for construction plans. It is estimated that the cost of construction would total approximately \$2 million; however, as of November 1974, it had not been determined whether the United States would construct a new chancery or enter into a lease arrangement with Bolivian entrepreneurs who would construct a chancery to Embassy requirements.

AID PROGRAM PERSONNEL AND COSTS  
FISCAL YEARS 1965-74

Personnel	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974 (note a)
Direct hire <sup>b</sup>										
U.S.	59	56	59	62	54	36	34	28	28	26
Local	178	177	181	154	154	132	117	108	103	100
Participating Agency Support Agreement (PASA) <sup>c</sup>	5	13	17	16	10	8	9	5	3	2
Contract										
U.S. <sup>d</sup>	33	40	40	39	20	18	13	15	14	11
Local	14	24	19	9	8	8	6	5	3	-
<b>Costs</b>										
	(000 omitted)									
U.S. direct hire and PASA	\$ 995	\$ 1,269	\$ 1,499	\$ 1,369	\$ 1,293	\$ 1,079	\$ 1,070	\$ 968	\$ 895	\$ 1,109
U.S. contractor	262	921	1,200	1,081	1,268	783	1,223	1,305	1,516	1,002
Local personnel	-	-	-	-	-	-	-	-	-	272
Other costs - technical support	91	69	86	43	12	50	75	163	246	200
Trust funds	1,523	856	1,099	1,352	1,241	1,487	1,612	920	8	-
Administrative funds	e	528	604	301	294	36	56	131	278	287
<b>Total costs</b>	<u>\$ 2,871</u>	<u>\$ 3,643</u>	<u>\$ 4,438</u>	<u>\$ 4,146</u>	<u>\$ 4,108</u>	<u>\$ 3,435</u>	<u>\$ 4,036</u>	<u>\$ 3,485</u>	<u>\$ 3,215</u>	<u>\$ 2,964</u>

a Personnel strength as of September 1, 1973; 1974 costs are budgeted amounts.

b Regional personnel of the Area Auditor General stationed in La Paz are not included. In February 1974, two Americans and five local employees were assigned.

c Employees from other Government agencies temporarily working for AID.

d Regional contract personnel of the American Institute of Free Labor Development stationed in La Paz are not included. In February 1974, one American and one third country national were assigned.

e Not available

MILITARY PERSONNEL STRENGTHS AND RELATED OPERATING AND SALARY COSTS  
FISCAL YEARS 1965 THROUGH 1974

Fiscal year	Military Group				Inter-American Geodetic Survey				Defense Attache Office			Marine Guards		Air Force Postal and Courier Service (note a)		Total <sup>a</sup>			
	Personnel			Costs (millions)	Personnel			Costs <sup>b</sup> (millions)	Personnel		Costs (millions)	Personnel		Personnel		Personnel		Costs (millions)	
	Mil.	U.S.	Local		Mil.	U.S.	Local		Mil.	Local		Mil.	Costs	Mil.	Costs	Mil.	U.S.		Local
1965	48	1	9	n/a	3	6	21	135.8	5	3	-	6	-	-	62	7	33	(c)	
1966	49	1	11	n/a	3	6	19	104.3	6	3	-	6	-	-	64	7	33	(c)	
1967	49	2	10	n/a	3	7	19	142.6	6	3	-	6	-	-	64	9	32	(c)	
1968	49	2	10	953.2	3	7	19	162.1	5	2	-	6	-	-	63	9	31	1,115.3 <sup>c</sup>	
1969	44	2	10	892.8	4	7	19	178.3	5	2	164.0	6	-	-	59	9	31	1,235.1 <sup>c</sup>	
1970	38	2	11	830.8	4	7	17	201.1	5	2	183.0	7	-	-	54	9	30	1,214.9 <sup>c</sup>	
1971	32	2	7	694.6	4	5	12	176.7	5	2	184.0	10	-	-	51	7	21	1,005.3 <sup>c</sup>	
1972	30	2	10	711.5	4	3	3	149.1	5	2	187.0	10	-	1 4.7	50	5	15	1,052.3 <sup>c</sup>	
1973	29	2	8	884.1	4	3	3	146.2	5	3	215.0	10	60.0 <sup>d</sup>	1 11.2	49	5	14	1,316.5	
1974 <sup>e</sup> (est.)	31	2	8	915.2	3	3	3	119.5	5	3	225.0	10	62.5 <sup>d</sup>	1 16.9	51	5	14	1,339.1	

<sup>a</sup>Established in Bolivia in February 1, 1972. Costs are funded by the Air Force Postal System.

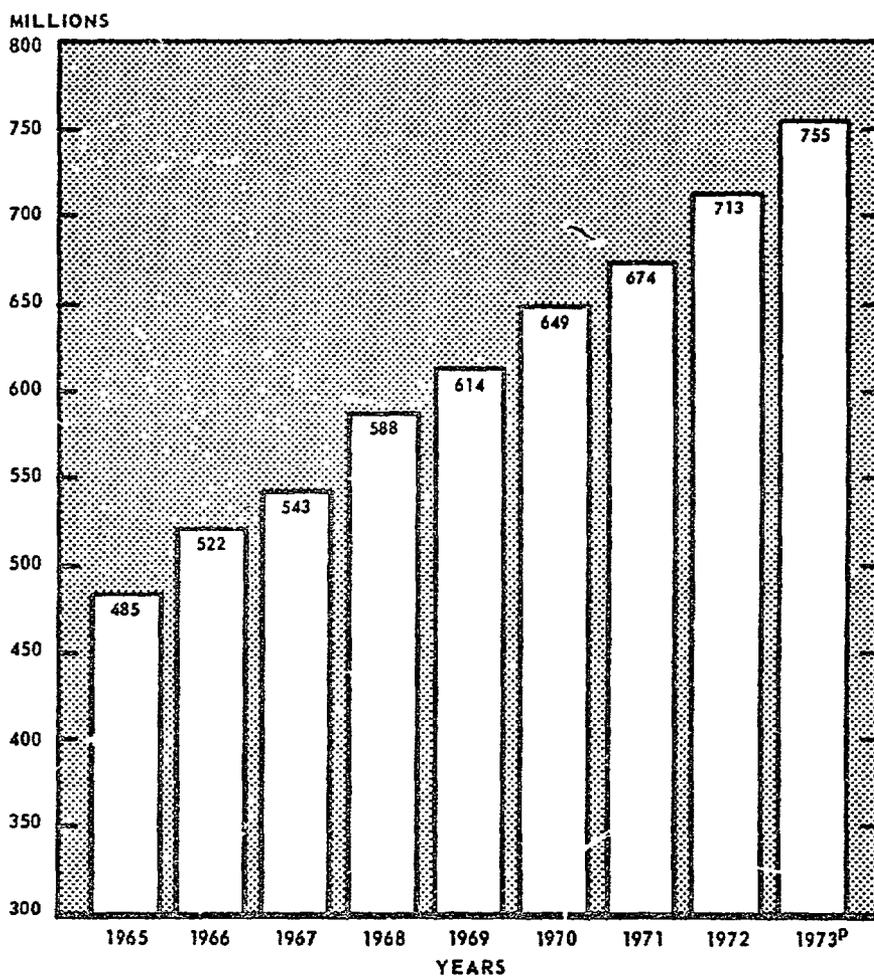
<sup>b</sup>Includes only salary costs; operational costs are considered program costs.

<sup>c</sup>Totals not complete because of unavailability of certain data.

<sup>d</sup>Does not include housing costs provided and maintained by the U.S. Embassy.

<sup>e</sup>1974 figures are estimated.

GROSS NATIONAL PRODUCT  
 (EXPRESSED IN U. S. DOLLARS,  
 CONSTANT 1972 PRICES) (note a)



p = preliminary

a/ Latest available AID data.

APPENDIX IX

SECTOR CONTRIBUTIONS  
TO GROSS DOMESTIC PRODUCT (note a)  
(1971)

MAJOR SECTORS

ENERGY

1.9

CONSTRUCTION

4.2

PETROLEUM AND GAS

5.2

TRANSPORTATION AND  
COMMUNICATION

7.8

REAL ESTATE

8.2

GENERAL GOVERNMENT

8.5

SERVICES

10.7

MINING

11.2

INDUSTRIAL  
MANUFACTURING

12.1

COMMERCE AND  
FINANCE

14.7

AGRICULTURE

15.5

0 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17  
PERCENT

a/ Latest available detailed AID data.

## APPENDIX X

PRINCIPAL OFFICIALS HAVING MANAGEMENT  
RESPONSIBILITIES FOR MATTERS DISCUSSED  
IN THIS REPORT

Tenure of Office  
From                      To

DEPARTMENT OF STATE

## Secretary of State:

Henry Kissinger	Sept. 1973	Present
William P. Rogers	Jan. 1969	Sept. 1973
Dean Rusk	Jan. 1961	Jan. 1969

AGENCY FOR INTERNATIONAL DEVELOPMENT

## Administrator:

Daniel S. Parker	Oct. 1973	Present
John A. Hannah	Mar. 1969	Oct. 1973
William S. Gaud	Aug. 1966	Jan. 1969
David E. Bell	Dec. 1962	July 1966

DEPARTMENT OF DEFENSE

## Secretary of Defense:

James R. Schlesinger	July 1973	Present
William P. Clements, Jr. (acting)	May 1973	June 1973
Elliot L. Richardson	Jan. 1973	May 1973
Melvin R. Laird	Jan. 1969	Jan. 1973
Clark M. Clifford	Mar. 1968	Jan. 1969
Robert S. McNamara	Jan. 1961	Feb. 1968